

# UKMOD Change Log

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## Summary of principal changes between A3.23+ and B1.01

Date: 1 Dec 2022

This document provides a brief summary of the changes implemented since the preceding public release of UKMOD. For further technical, please consult the Excel log file reported in the 'Log' directory of the model.

### Policies Added

- Cost of Living Payments added for 2022 and 2023
- Tax treatment of dividend income isolated from other savings returns
- Property income allowances added for self-employment and rental income

### Autumn Statement

The model has been updated following the Autumn Statement, as described below. Note that some policy interventions set out in the Autumn Statement are beyond the scope of the model, as indicated below in [blue](#).

- Cost of living payments
  - households on means-tested benefits to receive an additional £900 Cost of Living payment in 2023-24
  - Pensioner households will receive an additional £300 Cost of Living payment,
  - individuals on disability benefits will receive an additional £150 Disability Cost of Living payment in 2023-24.
  - These payments will be made on a UK-wide basis
- Uprating of benefits (official values not yet published)
  - In line with inflation, measured by September CPI which is 10.1% this year
  - State Pension by inflation, in line with the commitment to the Triple Lock.
  - The standard minimum income guarantee in Pension Credit will also increase in line with inflation from April 2023 (rather than in line with average earnings growth).
  - Some disability benefits are devolved in Scotland, so it is for the Scottish Government (SG) to decide uprating.
  - Department for Work and Pensions (DWP) benefits are fully devolved in Northern Ireland, so it is for the Northern Ireland Executive to decide uprating in Northern Ireland
- Raising the benefit cap
  - For families
    - from £20,000 to £22,020 nationally

- from £23,000 to £25,323 in Greater London
  - for single adults
    - from £13,400 to £14,753 nationally
    - from £15,410 to £16,967 in Greater London
- National Living Wage (NLW)
  - for individuals aged 23 and over by 9.7% to £10.42 an hour from 1 April 2023
- National Minimum Wage (NMW)
  - for 21-22-year-olds by 10.9% to £10.18 an hour
  - for 18-20-year-olds by 9.7% to £7.49 an hour
  - for 16-17-year-olds by 9.7% to £5.28 an hour
  - the apprentice rate by 9.7% to £5.28 an hour
  - the accommodation offset rate by 4.6% to £9.10 an hour – [not modelled](#)
- In-Work Conditionality for Universal Credit claimants – [not modelled](#)
- Household Support Fund – [not modelled](#)
- Moving back the Housing Benefit to Pension Credit merger date – [not modelled](#)
- Employment and Support Allowance managed migration to UC delayed to 2028 – [not modelled](#)
- Support for Mortgage Interest – [not modelled](#)
- Fixed at current levels until April 2028:
  - Income Tax:
    - Personal allowance (PA)
    - Higher rate threshold (HRT),
  - NIC:
    - Upper Earnings Limit (UEL)
    - Upper Profits Limit (UPL)
    - Primary Threshold (PT)
    - Secondary Threshold fixed at £9,100 from April 2023 until April 2028
    - Lower Profits Limit (LPL)
    - Lower Profits Threshold (LPT) (align to LPL)
    - Upper Secondary Threshold, Apprentices Upper Secondary Threshold, and Veteran Upper Secondary Threshold, will stay fixed at £50,270 per annum
    - Freeport Upper Secondary Threshold will also be fixed at £25,000 per annum – [not modelled](#)
- NIC:
  - LEL set to 6,396 per annum for 2023/24
  - SPT set to 6,725 per annum for 2023/24
  - Class 2 rate will be £3.45 per week, and the Class 3 rate will be £17.45 per week for 2023/24 ([Class 3 rate not modelled](#))
- Taxes:
  - Income tax additional rate threshold (ART) will be lowered from £150,000 to £125,140 from 6 April 2023.
  - Dividend Allowance reduced from £2,000 to £1,000 from April 2023, and to £500 from April 2024
  - Capital Gains Tax Annual Exempt Amount from £12,300 to £6,000 from April 2023 and to £3,000 from April 2024 – [not modelled](#)

- Married Couple's Allowance will be valued at between £4,010 and £10,375 for 2023/24 – [not modelled](#)
- Blind Person's Allowance will be valued at £2,870 for 2023/24 – [not modelled](#)
- Enveloped Dwellings – [not modelled](#)
- Stamp Duty Land Tax – [not modelled](#)
- Inheritance tax nil-rate band and residence nil-rate band – [not modelled](#)
- The government is giving local authorities in England additional flexibility in setting council tax by increasing the referendum limit for increases in council tax to 3% per year from April 2023. In addition, local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year – [not modelled](#)
- Bank Corporation Tax Surcharge – [not modelled](#)
- Diverted Profits Tax – [not modelled](#)
- VAT registration and deregistration thresholds – [not modelled](#)
- OECD Pillar 2 – [not modelled](#)
- Tariff suspensions – [not modelled](#)
- Energy Profits Levy – [not modelled](#)
- Electricity Generator Levy – [not modelled](#)
- VED on Electric Vehicles – [not modelled](#)
- Company Car Tax – [not modelled](#)
- Van Benefit Charge and Car & Van Fuel Benefit Charges – [not modelled](#)
- First Year Allowance for Electric Vehicle Chargepoints – [not modelled](#)
- Climate Change Levy – [not modelled](#)
- Carbon Price Support – [not modelled](#)
- Business Rates – [not modelled](#)
- Research and Development – [not modelled](#)

## Other Parameter Updates

- Minor update to parameters standardising data formatting
- Changed random allocation of benefits take-up to account for benefits receipt reported in date (switched from BTA to BTO by default).
- Take-up rates for Scottish Child Payment, Best Start, and Best Start Food to reflect most recent government assumptions.
- Bridging payment for Scottish Child Payment in 2022 from £520 to £650 to reflect the double Christmas payment.
- Increased definition of maximum age of dependent children from 18 to 19 between 2016 and 20120 to align with later years.
- Uprating indices updated for OBR, Bank of England, and ONS statistics as at 18 Nov 2022.
- Minor correction to Lower Profit Limit for 2022.

## Data Revisions

- All policies from 2022 set to use data from the 2019/20 FRS by default. We also recommend that policies from 2022 should be used with the three-year data about 2018 (UK\_2019\_b1) by default. These preferences are motivated by the substantial deviations associated with the COVID-19 pandemic during 2020/21.
- Forward projections of CPI and RPI for September based on OBR projections for Q3 rather than financial years. Affects indexing used to project benefit parameters.

## Policy Reforms

- Basic rate of income tax cut by 1% (from 20% to 19%) from April 2023 (excluding Scotland)
- Removed 1.25% national insurance Health and Social Care Levy from November 2022

## Code Corrections and Amendments

- Omit possibility of excess allowance on savings income, resulting in projections of negative savings income taxes.
- Coding error corrected to set basic rate of income tax to 19% from 2024/25 in England, Northern Ireland, and Wales.
- Adjustment to way income taxes are modelled to reduce confusion in context of policy change.
- BTO extension amended to influence simulated take-up of Pension Credit (boamt\_s)
- Council Tax Benefit/Reduction amended to allow for 25% uplift for children in Scotland from 2017.
- Council Tax Benefit/Reduction amended to capture features specific to Scotland from 2017, including 25% uplift to allowances for children and separate treatment of water and sewerage costs.
- Personal allowance ignored for Child Benefit Reduction
- Distinction included for disabled child element of Council Tax Credit in 2016 to 2018, aligning with later years.
- Launch date for Scottish Child Payment corrected to 14 November 2022.
- Universal eligibility to free school meals for children aged 8-11 implemented from 2024 (previously from 2022)
- Correction to conditions used to compute Council Tax Reduction