

David Allen

Tax



Spring Budget 2023

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Overview

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#SpringBudget

In his first full Budget, Jeremy Hunt briefly outlined the Office for Budget Responsibility's latest forecasts. These show inflation will more than half this year, the economy will narrowly avoid recession and debt is predicted to fall in the medium term.

The Chancellor was keen to show how his announcements align with the Governments four 'pillars' for growth of **enterprise, education, employment and everywhere.**

To boost innovation and business investment the Chancellor announced:

- Changes to capital allowances announcing a full expensing policy for plant and machinery for 3 years from 1 April 2023, worth £27bn to businesses over 3 years
- A £500m per annum support package for R&D intensive businesses
- Reforms to tax reliefs for the creative sectors
- 12 new investment zones across the UK
- £400m for new levelling up partnerships for 20 areas in England most in need of levelling up

The Chancellor set out a comprehensive plan to help people move into work, increase their hours and extend their working lives. Measures include:

- Pension reforms designed to remove the barriers to remaining in the workplace, a new 'Returnerships' apprenticeship targeted at the over 50s to refine existing skills programs to make them more accessible to older workers and a midlife MOT to ensure people get the best possible financial, health and career guidance well ahead of retirement
- Reforms to childcare that will remove barriers to work for nearly half a million parents with children under 3 in England, not working due to caring responsibilities
- Disability and benefit reforms

In a move to ease the squeeze on household budgets from the cost-of-living crisis, the Chancellor also announced that the rates of fuel duty will remain frozen for 12 months and the Energy Price Guarantee will be maintained at £2,500 for the typical household across the UK for an additional 3 months.

To remove inequality in the energy market the Government will introduce measures to bring charges for comparable direct debit and prepayment customers into line. There will also be additional support for public swimming pools and Charity and Community organisations across England most at risk due to increased demand from vulnerable groups and higher costs.

Our experts have been busy dissecting all the information from the Chancellor's statement and have created useful, jargon free summaries to outline how today's announcements affect you and your business.



Inheritance Tax (IHT)

Recent years have seen much speculation around reforms to Inheritance Tax (IHT), in particular an increase in the current IHT rate of 40%, the withdrawal of some valuable reliefs and talk of a new wealth tax.

However, the Chancellor did not make any changes to current legislation.

- IHT continues to be charged at the rate of 40%
- The IHT nil-rate band remains frozen at £325,000 through to April 2026
- The residence nil-rate band remains frozen at £175,000 through to April 2026

Inheritance Tax is a complex subject, however with careful planning your exposure can be minimised. If you would like to review your IHT position, please do not hesitate to contact one of our Tax Specialists on 01228 711888.



Capital Gains Tax (CGT)

No news today on the Capital Gains Tax (CGT) front, but the 2022 Autumn Statement saw Chancellor Jeremy Hunt announce a reduction in the CGT annual exemption from 6 April 2023.

This is the amount of gain that can be made per tax year on the sale of an asset before CGT becomes payable.

- From 6 April 2023 the CGT annual exemption will fall to £6,000
- From 6 April 2024 the CGT annual exemption will fall to £3,000

The CGT annual exemption currently in place prior to 5 April 2023 is £12,300. There may still be time to dispose of assets before 5 April 2023 to take advantage of the higher CGT annual allowance.

Planning should always be undertaken before disposing of any assets to ensure that the annual exemption and any other available reliefs are taken advantage of. Please contact a member of our Tax team on 01228 711888 if you have any queries or are thinking of making a disposal.



Income Tax

The 2022 Autumn Statement gave us a number of Income Tax announcements which were required at the time to steady the economy following Liz Truss' departure as Prime Minister.

No surprise then that there were no Income Tax announcements today from Jeremy Hunt.

But with a new tax year starting on 6 April 2023, what are the rates and allowances in place for the upcoming 2023/24 tax year?

- The tax free personal allowance will be set at £12,570
- The main Income Tax rates remain at 20%, 40% and 45% in England, Wales and Northern Ireland
- The main Income Tax rates will be 19%, 20%, 21%, 42% and 47% in Scotland
- The dividend tax free allowance will be £1,000
- Dividend income will be taxable at the rates of 8.75%, 33.75% and 39.35%
- The additional rate Income Tax threshold will reduce down from £150,000 to £125,140 for all taxpayers

Please do not hesitate to contact one of our Tax Specialists on 01228 711888 if you have any Income Tax queries.



National Insurance (NIC) and National Minimum Wage

No announcements today on the NIC front, but for the upcoming 2023/24 tax year the following rates and allowances are in place:

- Employment Allowance, which reduces an employers NIC bill, will remain at £5,000 for the year
- NIC thresholds remain the same, meaning an employee can earn £242 per week without paying any Class 1 NIC
- Class 4 NIC's, which are payable by self employed people, only become due on profits which exceed £12,570
- Self employed people also have to pay Class 2 NIC if their business profits exceed £12,570

National Minimum Wage

From 1 April 2023 the National Minimum Wage rates are:

- Employees aged 23 and over will increase from £9.50 to £10.42
- Employees aged between 21-22 will increase from £9.18 to £10.18
- Employees aged between 18-20 will increase from £6.83 to £7.49
- Employees aged between 16-17 will increase from £4.81 to £5.28
- Apprentices up to the age of 19, or in their first year of apprenticeship, will increase from £4.81 to £5.28 (unless rate is specified in apprentice training contract)

If you have any questions on payroll matters our specialists are on hand to help, give them a call on 01228 711888.



Childcare, Universal Credits and Foster Care allowances

In an effort to encourage and make it easier for parents to get back into work after having children, and for those claiming Universal Credits to return to work, there were a few welcome announcements:

Childcare (England only)

- From April 2024, working parents will be able to access 15 hours of free childcare per week for 2 year olds
- From September 2024, this will be extended to parents of children of 9 months to 2 years old
- From September 2025, the 15 hours will be increased to 30 hours, so working parents will be able to access 30 hours of free childcare a week for children over 9 months old

Universal Credits

- The amount of childcare costs reclaimable through Universal Credit will increase to £951 (from £646) for one child and £1,630 (from £1,108) for two children from July 2023
- The Severe Disability Premium will increase in line with CPI from 2023/24 onwards
- The Work Capability Assessment is being abolished and the eligibility for the health top up will be based on whether the claimant received Personal Independent Payments (PIPs)

Foster and Shared Lives Carers

Foster and Shared Lives Carers will also welcome the news of increased payments from April 2023, which will help them greatly with the increased costs of living.

- The Income Tax allowance for Foster Carers and Shared Lives Carers will increase from £10,000 to £18,140 per year from 2023/24
- The amount they can receive per child tax free will also increase to £375 or £450 per week per individual cared for (depending on age), from 2023/24

If you have any queries regarding any of the above, please contact one of our Tax Specialists on 01228 711888.



Pensions, Savings and Investments

After a series of relatively quiet Budgets in terms of changes to pension legislation, the Chancellor today decided to make significant changes to the retirement planning landscape.

The aim was to encourage more people to return to work and discourage early retirement.

Pensions

The amount that can be saved tax efficiently into a pension throughout a working lifetime had previously been capped at £1,073,000, this is known as the Lifetime Allowance.

Any monies taken out above this figure were subject to a tax charge of up to 55%.

This charge will be removed from April 2023 and the Lifetime Allowance will be scrapped completely from April 2024.

The maximum amount that can be taken as a tax free lump sum when you start drawing down on your pension, will be capped at £268,275 (25% of current lifetime allowance of £1,073,100) regardless of the value of the pension pot at the time of retirement.

Further changes were announced to the pensions annual allowance with the contribution limit increased from £40,000 to £60,000 and for those already taking, or having previously taken retirement income benefits, the Money Purchase Allowance will increase from £4,000 to £10,000.

State Pensions

The Governments promise to reinstate the 'Triple Lock' used to uprate the State Pension comes into force from April 2023. Therefore the level of basic and new State Pension will rise in line with the Consumer Price Index from £141.85 per week to £156.20 per week and £185.15 per week to £203.85 per week respectively.

The new State Pension system is based on how many 'qualifying National Insurance' years you have, with many people needing a full 35 years. However, if you have any gaps in your contribution record, or missing years between 2006 to 2016, the opportunity to purchase additional NI credits ends on the 31 July 2023.

Investments and Individual Savings Accounts

The annual ISA allowance remains at £20,000 per person, the same as it has been since April 2017.

The annual subscription limit for Junior ISAs and Child Trust Funds will remain at £9,000.

David Allen Financial Services can help make your savings, investments and retirement plans work harder for you as well as ensuring you take advantage of all available tax allowances. We can also help you plan for a home purchase or remortgage via our Mortgage and Protection Advice Team.

For an initial discussion to see how we can help, please contact one of our team on 01228 711881.



VAT and Duties

No news on the VAT front, but the following thresholds are in place from April 2023:

VAT

The taxable turnover threshold, which determines whether a person must be registered for VAT, will remain at £85,000. The taxable turnover threshold for deregistration will remain at £83,000.

Some good news for drivers and draft alcohol drinkers, but not for smokers and non-draft drinkers!

Draft Alcohol Duties

To encourage us all to support our local pubs, 1 August 2023 will see draught relief increase from 5% to 9.2% for beer and cider draught products and from 20% to 23% for wine, spirits based and other fermented draught products.

However, non-draft alcoholic products will see an inflationary rise in duty from August 2023 onwards. This could add up to 5p on a bottle of non-draught beer or cider.

Fuel Duties

The Government announced that in response to the volatile fuel prices it will maintain the current fuel duty levels for another 12 months. This will keep the duty down by 5p per litre for petrol and diesel.

Tobacco Duties

From 6pm today, duty rates on all tobacco products will increase by RPI plus 2%. The rate for hand-rolling tobacco will increase by RPI plus 6%.

For more details on what was announced in the 2023 Spring Statement in relation to VAT and other duties, please contact Julie Osborn on 01228 711888.



Business and Corporation Tax

No rabbits pulled out of the Spring Budget hat today, but a few announcements that may help on the Business Rates front and those who invest heavily in plant and machinery:

Business Rates

- From 1 April 2023, the rateable values of all non-domestic properties in England will be updated
- A package of support will be in place to support businesses at the 2023 revaluation, including freezing of the business rates multiplier in 2023/24 and targeted support for small businesses and those on the high street
- The 2023/24 Retail, Hospitality and Leisure Business Rates Relief scheme will provide eligible, occupied, retail, hospitality and leisure properties with a 75% relief, up to a cash cap limit of £110,000 per business

Corporation Tax

- The main rate of Corporation Tax from 1 April 2023 remains at 25% for companies whose profits exceed £250,000. Small companies with profits below £50,000 will continue to pay tax at 19% and those with profits between these two figures will be subject to a tapered rate
- From April 2023 to March 2026, large companies can claim 100% First Year Allowances on all qualifying plant and machinery investments and 50% First Year Allowances on all special rate assets investments. This is an extension of the Super Deduction relief which finishes on 31 March 2023
- Companies will also be able to continue to claim the Annual Investment Allowance, which provides 100% first year relief for plant and machinery investment of up to £1 million

Sole trade/partnership businesses

- The Annual Investment Allowance, which provides 100% first year relief for plant and machinery investment of up to £1 million, will continue to be available for unincorporated businesses and most partnerships

If you have any queries regarding your business, and how the changes announced in the Budget may affect you, please contact one of our Tax Specialists on 01228 711888.



Energy Price Guarantee

With the continuing cost of living crisis, the following will be welcome to many:

- The Energy Price Guarantee (EPG) of £2,500, which was due to end on 1 April 2023, will now remain in place for a further three months until 1 July 2023
- The Energy Bills Discount Scheme, which provides a discount to eligible businesses and non-domestic energy users was due to end on 31 March 2023. This will be extended for a further 12 months until 31 March 2024
- The EPG will be adjusted from 1 July, to bring charges for those with prepayment meter bills in line with those on direct debits. They will also introduce measures to end prepayment meter premiums on a permanent basis.



Research and Development

The changes to the main R&D reliefs had already been announced for expenditure on or after 1 April 2023, with the Research and Development Expenditure Credit (RDEC) rate increasing from 13% to 20%. The Small & Medium Size Enterprise (SME) additional deduction will also decrease from 130% to 86%, and the SME company credit refund rate will decrease from 14.5% to 10%. These changes from 1 April 2023 are still going ahead however, the previously announced restriction on some overseas expenditure will now come into effect from 1 April 2024 instead of 1 April 2023.

In an extension to the available R&D reliefs the Chancellor announced that from 1 April 2023, a higher rate of relief for loss-making R&D intensive SMEs will be introduced. SME companies that have qualifying R&D expenditure totalling at least 40% of total expenditure, will be able to claim a higher payable credit rate of 14.5% for qualifying R&D expenditure. More details on this will follow.

The Government's consultation on merging the SME and RDEC scheme has now closed and responses are currently being reviewed, with the Government keeping open the option of implementing a merged scheme from April 2024.

If you have any queries in relation to Research and Development, please contact our expert team on 01228 711888.

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Our Summary 2023/24

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