Spring Budget 2023

Your guide to the Budget

Your guide to the 2023 Spring Budget

How will the changes affect you?

Introduction

The Chancellor, Jeremy Hunt, has delivered another UK Budget, in the midst of a significant cost of living crises and the war in the Ukraine seeing no sign of reaching a conclusion.

Here are some of the main Budget announcements in relation to taxation.

Personal Tax

It is important to note that the tax rates and thresholds are complicated by the power to vary the tax rates and thresholds of Non-Savings, and Non-Dividend income for Scottish taxpayers have been devolved to the Scottish Parliament since April 2017. With the exception of the tax thresholds, similar powers have been passed over to the National Assembly of Wales from April 2019 in respect of Welsh resident taxpayers. The Income Tax Personal Allowance and all other elements of the Income Tax system remain part of the Chancellor's responsibility.

As was previously announced in the 2022 Autumn Statement, the Personal Tax Allowance currently set at £12,570, will remain at this level until 2028. The Basic Rate Tax Band, presently set at £37,700 will also stay the same until April 2028. Personal allowances will be reduced by £1 for every £2 a person's income exceeds £100,000.

UK Income Tax Rates 2023/24 & 2024/25 (except Scotland)

Band	Rate
£0 to £12,570	0%
£12,571 to £37,700	20%
£37,701 to £125,140	40%
Over £125,140	45%

Scottish Tax Rate Bands

The Scottish Parliament have set the following tax rates and thresholds for Scottish Taxpayers for the tax year ending 5 April 2024.

Scottish tax rates 2023/24

Band	Rate
£0 to £12,570	0%
£12,571 to £14,732	19%
£14,733 to £25,688	20%
£25,689 to £43,662	21%
£43,663 to £125,140	42%
Over £125,140	47%

Tax tip

If you are worried about setting aside enough money to meet future self-assessment tax liabilities by the due date, consider entering into a Budget Payment Plan with HMRC where you can set up online, a regular direct debit to meet the liability in a timely manner whilst giving you peace of mind.

Dividend Rate Bands

As already announced, from 6th April 2023 the zero rate of tax limit will fall from the current £2,000 to £1,000, and then on 6 April 2024 to £500.

There will be no change to the dividend tax rates.

Dividend tax rates

Band	2023/24
Dividend ordinary rate	8.75%
Dividend upper rate	33.75%
Dividend additional rate	39.35%

Tax tip

With the dividend zero rate threshold falling from £2,000 (2022/23) to £1,000 (2023/24) and then £500 (2024/25), is it worthwhile transferring some shares to a spouse or civil partner to maximise the benefit?

Do you have control over when a dividend can be paid out? If so have you made use of the £2,000 zero rate threshold for this tax year?

Care is needed to ensure the correct paperwork is in place and the dividend is valid.

Tax tip

if you are an employer carry out a regular review to ensure that you are adhering to the NMW Regulations. Failure to comply, can result in a penalty of up to 200% of the liability due and any underpayment of wages can go back up to 6 years using the current NMW rates. Please contact us if you require assistance.

National Minimum Wage

The National Minimum Wage (NMW) and the National Living Wage (NLW) rates will increase from 1st April 2023:

Wage rates from 1st April 2023

	Hourly rate
NLW - Worker 23+	£10.42
NMW - Worker 21 - 22	£10.18
NMW - Worker 18 - 20	£7.49
NMW - Worker under 18	£5.28
NMW - Apprentice	£5.28

The accommodation off set rate will increase to £9.10 an hour.

National Insurance

In the Autumn Statement the Chancellor set the National Insurance thresholds until April 2028. The annual National Insurance (NI) threshold for an individual where they start to pay National Insurance Contributions (NIC) on their earned income will remain at £12,570 (£1,048 per month).

The point at which the National Insurance rate drops to 2%, known as the Upper Earnings Limit, will remain at £50,270.
The employer's annual NI threshold will be £9,100 (£758 per month).

Tax tip

If you have more than one employment you may pay too much employees NIC during the course of the tax year. HMRC can request the second employer to operate a lower NIC rate for the current tax year through the PAYE system. If the situation arose in prior years a NIC repayment may be claimed.

Tax tip

It is worth reviewing your NIC records at least every 5 years, whilst it is fresh in your memory, to ensure they are correct and up to date. National Insurance contributions protect your rights to certain state benefits and contribute towards your state pension. We are happy to carry out this review for you.

The self-employed Class 2 NIC Small Profits Threshold for 2023/24 will remain at £6,725. The Class 2 NIC weekly contribution will be £3.45.

Employment Allowance

The employment allowance, which can be offset against the employer's National Insurance liability, will remain at £5,000 from April 2023.

National Insurance (NI)	2023/24
Class 1 NI employees – earnings between £12,570 - £50,270	12%
Class 1 NI employees – earnings in excess of £50,270	2%
Class 1 NI employers – earnings in excess of £9,100	13.8%
Class 1A Benefits in kind	13.8%
Class 1B NI PAYE settlement agreements	13.8%
Class 4 NI self-employed – Profits between £12,570 - £50,270	9%
Class 4 NI self-employed earnings in excess of £50,270	2%

Capital Gains Tax

The annual exemption for individuals, personal representatives, and Trustees for gains on the disposals of assets will reduce over the next few years.

UK Capital Gains Tax Annual Exemption

Tax year	Individuals	Trustees
2022/23	£12,300	£6,150
2023/24	£6,000	£3,000
2024/25	£3,000	£1,500

There is no change as to how the capital gain above the annual exemption will be taxed.

The Capital Gains Tax rate will be dependent upon a combination of the taxpayers status, total income and the type of asset disposed of.

UK Capital Gains Tax rates for 2023/24

	Residential property	Other assets
Individuals	18% / 28%	10% / 20%
Personal representative	28%	20%
Certain trusts	28%	10% / 20%

Tax tip

Before you sell an asset, such as shares or property, please speak to us. There may be planning opportunities prior to the sale to reduce the potential capital gains tax

Tax tip

If you are about to sell a UK residential property, which could trigger a taxable gain, you need to complete a Capital Gains Tax return within 60 days of completion. In addition any tax payable would be due at the same time. Failure to do so can result in penalties and possibly interest.

We have a Residential Property Review Service which can deal with the Return and the tax calculation, ensuring that all the relevant reliefs and exemptions, where applicable, are claimed. As part of the service we can also provide pre and post-sale tax advice.

Separation and divorce

From 6 April 2023 the capital gains tax rules become more favourable for separating spouses and civil partners. They can make no gain/no loss transfers for up to 3 years after ceasing to live together.

In addition Private Residence Relief is available where the property is sold after separation. The tax treatment of proceeds received sometime after the property is transferred to an ex-spouse or civil partner will be the same as if at the date of transfer.

Tax tip

If separated from 6 April 2020, then it may be worth waiting until after 5 April 2023 before transferring assets in order to avoid unnecessary tax charges.

Pensions

The pension lifetime allowance charge and limits are to be removed from 6 April 2023.

The annual allowance is increasing from £40,000 to £60,000, allowing individuals to contribute more to their defined contribution pensions.

Tax tip

It is worth having an annual pension review, to ensure you maximise the use of all the pension allowances which may be available to you and to do so in the most tax efficient way. We are happy to carry out this review for you.

The Money Purchase Annual Allowance and Tapered Annual Allowance will also increase from 6 April 2023. In addition the Tapered Annual Allowance will increase from £240,000 to £260,000.

Tax tip

The deadline for making voluntary National Insurance Contributions as far back as 2006 is 31st July 2023 and rapidly approaching. Where there are gaps years in contribution history it may be worth making voluntary contributions to maximise your state pension. We can help review your position, identify any gaps years and advise on the best course of action.

The 55% tax charge will instead be taxed at an individual's marginal rate for the excess lifetime allowance lump sum, serious ill health lump sum, defined benefits lump sum and uncrystallised funds lump sum death benefit.

Company Taxation

From 1st April 2023, the Corporation Tax main rate for non-ring fenced profits will increase to 25% for profits over £250,000.

A small profits rate (SPR) will also be introduced for companies with profits of £50,000 or less so they will continue to pay Corporation Tax at 19%. The small profits rate will not apply to close investment-holding companies.

Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective Corporation Tax rate. If the total profits are below £250,000, the effective rate for profits between these limits is called 'Marginal Rate' and shown below. The lower and upper limits will be proportionately reduced for short accounting periods and where there are associated companies.

Tax tip

If the increase in company tax rates from 1st April impact on your company you may wish to consider delaying capital expenditure, bonuses and lump sum pension contributions to maximise the tax relief on them.

Tax tip

There are a number of different ways to legitimately mitigate your Corporation Tax liability, for example, maximising your capital allowances position, claiming Structural Buildings Allowance, Research & Development tax relief to name a few. We offer a pre-year-end review to ensure that these types of opportunities are not missed.

Tax tip

In some circumstances it may be worth changing the company year end to take advantage of the changes in tax rates and reduce the company's overall tax bill.

Company tax rates for non-ring fenced profits

	From 1-4-22	From 1-4-23	From 1-4-24
Main rate (Profits over £250,000)	19%	25%	25%
Small profits rate (Profits under £50,000)	19%	19%	19%
Marginal rate* (On profits falling between £50,000 & £250,000)	19%	26.5%	26.5%

**Profits below £50K effectively taxed at small profits rate*

Research and Development (R&D) and Patent Box

For accounting periods beginning on or after 1st April 2023, the relief that can be claimed by businesses through the research and development expenditure credit (RDEC) and the research and development tax relief for small and medium-sized enterprises (SME) will change.

The new rates will be 20% for RDEC, 86% additional deduction for SME, and 10% for SME payable credit if loss making.

However, there is potentially additional tax relief for loss making R&D intensive SME companies also from 1st April 2023.

Those companies may be able to claim a credit worth £27 for every £100 they spend from 1st April 2023, if they spend 40% or more of their total expenditure on R&D.

The 10% Corporate Patent Box relief in respect of profits arising from a patent you hold or where you have an exclusive licence over it has been left untouched.

Tax tip

If you are a company which is creating, developing or enhancing a product, whatever it might be, then you may be entitled to the R&D tax relief. Potentially you can go back 2 accounting periods. It could be any business sector (for example - software, clothing, manufacturing, engineering, marine, aerospace, rail, cosmetics, packaging, construction, medical devices, pharmaceuticals etc.). Please contact us if you would like to see whether you are eligible or not.

Tax tip

The R&D criteria is quite wide, and many eligible companies are missing out on it. From 1st April 2023, you will only have 6 months from the end of the accounting period in which R&D activity has occurred to make a claim, unless you have made a similar claim in the previous 3 years. If in doubt, ask for a free R&D check to see if a legitimate claim can be made.

Capital Allowances

For qualifying expenditure incurred on or after 1st April 2023 but before 1st April 2026, companies can claim a 100% first year allowance for main rate expenditure (known as full expensing) and 50% first year allowance for special rate expenditure. These allowances are only available to companies.

Most notable exclusions will be expenditure on cars and plant and machinery for leasing, except where it is under an excluded lease of background plant or machinery for a building.

The plant or machinery must be new and not second-hand.

The 100% Annual Investment Allowance deduction for expenditure incurred of up to £1 million in purchasing plant & machinery will continue as it is indefinitely.

Annual Tax on Enveloped Dwellings (ATED)

The ATED charge, for those property companies liable to pay the charge, increases by 10.1% for the 2023/24 ATED year.

Property value	LTT rate
£500,001 to £1M	£4,150
£1,000,001 to £2M	£8,450
£2,000,001 to £5M	£28,650
£5,000,001 to £10M	£67,050
£10,000,001 to £20M	£134,550
Over £20M	£269,450

Tax tip

Do you own or have an interest in residential property through a corporate vehicle? Was the value of the property, as at 1st April 2022, worth more than £500,000 or did you acquire it after that date for more than that amount? Even if you rent the property out on a commercial basis, you still need to complete an ATED return by 30th April 2023 to avoid penalty charges of up to £1,600 per property. An ATED return would then need to be completed on an annual basis.

VAT

As announced in the Autumn Statement, the taxable turnover threshold for determining whether a person must register for VAT will remain at £85,000 and the point at which a person can apply to deregister will also remain at £83,000 until 31st March 2026.

Tax tip

When first registering for VAT, you are able to claim input VAT on goods purchased in the 4 year period before registration where those goods have been used in the business and are still owned on the first date of registration. This includes both stocks and assets.

Tax tip

When first registering for VAT, you are able to claim input VAT on services purchased in the previous 6 months for business purposes, unless already recharged to a customer prior to registration.

Business Rates (England)

As already announced in the 2022 Autumn Statement the business rates multiplier will be frozen for 12 months from April 2023.

This will maintain the small business multiplier at 49.9p and the standard multiplier at 51.2p rather than uprating them to 52.9p and 54.2p respectively.

The 75% business rates discount to businesses occupying eligible retail, hospitality and leisure properties in England up to a cash cap of £110,000 per business. This discount will apply for 12 months from 1st April 2023.

There will be a three year transitional relief measure to cap bill increases for properties at a set percentage each year as a result of increasing rateable values at the 2023 business rates revaluation. This will take effect from 1st April 2023 and run until 31st March 2026.

In the first year, these increases will be capped at 5% for small, 15% for medium and 30% for large properties. These caps will increase in later years of the scheme.

There will also be a three year supporting measure which will cap bill increases at £600 per year for businesses losing eligibility for or seeing reductions in Small Business Rate Relief (SBRR) or Rural Rate Relief (RRR) as a result of the 2023 business rates revaluation.

High growth investment zones

There will be 12 investment zones, of which there will be at least one each in Wales, Scotland and Northern Ireland.

The 8 zones already hallmarked in England are East Midlands, Greater Manchester, Liverpool, North East, South Yorkshire, Tees Valley, West Midlands and West Yorkshire. Further details regarding the remaining sites will be announced at a later date.

They will be clustered around universities or research institutions and will aid sectors such as technology, artificial intelligence and the creative sector.

These sites will benefit from tax relief such as land taxes, enhanced capital allowances for plant and machinery, enhanced structures and buildings allowance and National insurance breaks.

Share Option Schemes

From 6th April 2023, the Company Share Option Plan (CSOP) employee share option limit will be doubled from £30,000 to £60,000. The 'worth having' condition, which limits which types of shares are eligible for inclusion within a CSOP, will be removed.

From 6th April 2023 the requirement for the company to set out within the EMI option agreement the details of any restrictions on the shares to be acquired under the option will be removed. Equally the requirement for the company to declare that an employee has signed a working time declaration when they are issued an EMI option is also removed. It does not remove the working time requirement itself.

From 6 April 2024, the government will also extend the deadline for notifying an EMI option from 92 days following grant to the 6 July following the end of the tax year.

Tax tip

There are a number of approved share option schemes, as well as the non-tax advantages share scheme arrangements, which should all be considered when looking at incentivising employees, before deciding which, if any, is appropriate for your business. There are pros and cons to each type of incentive arrangement, both for the employer and the employee.

Car benefits

The car benefit charge is calculated by applying a certain percentage to the list price of the car. That 'percentage' can be based upon a number of factors, such as when the car was first registered, the CO_2 emissions emitted and whether it is a petrol, diesel, electric or hybrid car.

As already announced from 6th April 2023 the car fuel benefit multiplier will increase to £27,800.

Capital Allowances for charge-points

The existing 100% First Year Allowance (FYA) for qualifying expenditure on plant and machinery (equipment) for electric vehicle charge points has been extended by 2 years to 31 March 2025 for Corporation Tax purposes and to 5 April 2025 for Income Tax purposes.

Tax tip

If you are considering your options regarding a company car, leasing or purchasing a vehicle or taking a cash allowance from your business for mileage, why not ask us to review the most cost effective option for you?

Fuel Duty

Fuel duty freeze and the current 5p cut has been extended for a further 12 months.

Van benefits

For vans which emit CO_2 emissions the benefit charge will be £3,960 in 2023/24 and where fuel is provided the van fuel benefit charge will be £757.

There will be no benefit charge for vans which emit no CO_2 emissions. The van fuel benefit charge is also zero.

Tax tip

You could lower a company car benefit charge by paying a capital contribution (up to £5,000) towards the purchase. In addition you may wish to consider an agreement that a proportion of the capital contribution can be repaid upon the subsequent sale of the car. As long as the capital repaid is proportionately in line then the reduced car benefit is not affected by the agreement.

Stamp Duty Land Tax (SDLT)

The SDLT rate for residential properties remain unchanged until 31st March 2025.

England & Northern Ireland SDLT residential rate

Property/Lease premium/Transfer value	SDLT rate
Up to £250,000	Zero
£250,001 to £925,000	5%
£925,001 to £1,500,000	10%
Above £1,500,000	12%

The Scottish and Welsh Government set their own Land Transaction tax rates.

Wales residential Land Transaction Tax (LTT) rate

Property (freehold/leasehold) value	LTT rate
Up to £225,000	Zero
£225,001 to £400,000	6%
£400,001 to £750,000	7.5%
£750,001 to £1,500,000	10%
Above £1,500,000	12%

Scotland residential Land & Building Transaction Tax (LBTT) rate

Property purchase value	LBTT rate
Up to £145,000	Zero
£145,001 to £250,000	2%
£250,001 to £325,000	5%
£325,001 to £750,000	10%
Above £750,000	12%

Tax tip

On many occasions when acquiring either commercial or residential properties, the incorrect amount of SDLT (England and Northern Ireland), Land Transaction Tax (Wales) and Land and Buildings Transaction Tax (Scotland) is paid over. If you would like our Land Transaction Tax specialist to review the property acquisitions, which have taken place over the past 12 months, please contact us. If they believe a refund is due they are happy to carry out the claim on a 'no win no fee' basis.

The 3% SDLT surcharge when acquiring a second residential property remains as it is.

Tax tip

Don't forget that if you incurred the 3% SDLT Surcharge (England and Northern Ireland) or the Welsh 4% Land Transaction Tax Higher Rate charge upon acquiring a new main residence but before having disposed of your previous one, then you may be able to claim a refund if you sell your old property within 36 months of purchasing the new one.

Tax tip

If you incurred the Scottish 6% (previously 4%) Additional Dwellings Supplement upon acquiring a new main residence before having disposed of your previous one, then you may be able to claim a refund if you sell your old property within 18 months of purchasing the new one.

Inheritance Tax

As stated in the 2022 Autumn Statement, the 40% Inheritance Tax rate, the £325,000 Nil Rate Band and the £175,000 Residence Nil Rate Band (RNRB) will remain in place until April 2028.

The commencement of the tapering off of the RNRB will also remain at £2 million.

Tax tip

Do you know the value of your Estate for Inheritance Tax purposes? Remember the tax on death, after taking account of reliefs and exemptions, is 40%. With planning you can potentially mitigate that liability and pass more of your assets over to your loved ones rather than HMRC. Please contact us for an Inheritance Tax review.

Tax tip

If you gift shares into a Trust for your minor children during your lifetime, you are likely to be caught by the settlement provisions, resulting in any dividend paid on those shares being taxable on you. However, any capital growth in those shares is not caught by the settlement provisions, resulting in the whole of the increase in value falling immediately outside your estate for inheritance tax purposes.

ISA's and Child Trust Funds

The ISA subscription limit from April 2023 will remain at £20,000. The annual subscription limit for Junior ISAs and Child Trust Funds (CTF) will also stay at £9,000 each for the 2023/24 tax year.

Tax tip

You should review your will whenever there is a change of circumstances in your life to ensure that it reflects your current wishes. That could be marriage, divorce, children or grandkids and inheritance etc. Are you confident that your current will takes account of the many tax legislation changes over the years and is therefore tax efficient?

Tax tip

The Government paid between £500 and £1,000 into a CTF for those children born between 1.9.2002 and 2.1.2019. The CTF can be legally accessed when the child reaches the age of 18. It is believed that over 2 million fund holders are unaware of the CTF existence. Do you know anybody who fits the eligibility criteria?

Increased childcare support

The maximum childcare cap for people on Universal Credit (UC) will increase to £951 for a single child and £1,630 for two children.

Parents will also receive UC childcare payments upfront rather than in arrears.

Funding to nurseries will increase to £204M from this September rising to £288M next year. – an average of 30% increase in the two- year-old rate.

There will be pilot incentive payments of £600 for childminders joining the profession and £1,200 if they join through an agency.

The ratio for the number of two year old children in England who can be looked after by each childcare member of staff is to be increased from 1:4 up to 1:5. This will be optional.

There will be an extension of 30 hours of free childcare to one and two-year-olds in England. The plan is not being implemented immediately.

Working parents of two-year-olds will be able to access 15 hours of free care from April 2024. From September 2024, 15 hours will be extended to all children from 9 months upwards. From September 2025 every single working parent of under-fives will have access to 30 hours free childcare per week.

Quick tip

Have you checked to see if you are eligible for the Tax Free Childcare Account? If you are eligible, the Government could help you with, up to £2,000 per child (£4,000 for a disabled child) each tax year as regards your childcare costs.

Disability Benefit Payments

The Work Capability Assessment used to judge eligibility for sickness benefits will be scrapped.

Under the current system disabled people need to have the assessment and be found unable to work to receive additional support.

Under the new Budget plans disability benefit claimants will continue receiving payments after they return to work.

There will be a new, voluntary employment scheme for disabled people where the government will spend up to £4,000 per person to help them find appropriate jobs and put in place the support they need.

There will be £400m in funding to increase the availability of mental health and musculoskeletal resources for workers.

Lifelong Loan Entitlement (LLE)

From 2025, people up to the age of 60 will be able to access loans worth the equivalent of 4 years of post-18 education (£37,000 in todays tuition fees) and use them flexibly over the their working lives to suit their circumstances.

The aim is, in part, to empower people to learn throughout their lives but also, in part, to enable workers to retrain and up skill to meet the needs of the cutting edge industries and high paid jobs of the future.

Maintenance support will be expanded to be offered across all eligible technical and part-time courses the LLE will fund.

Energy Price Guarantee (EPG) and Cost of Living

The EPG scheme applies to England, Scotland and Wales. A parallel scheme recognising the different market fundamentals, has been rolled out in Northern Ireland.

The present annual EPG cap of £2,500 for a typical household, has been extended a further 3 months to the end of June 2023.

As already announced, a one-off payment of £900 will be paid to households on means-tested benefits (income-based Jobseeker's Allowance; income-related Employment and Support Allowance; Income Support; Pension Credit; Universal Credit; Child Tax Credit; Working Tax Credit) across the UK in 2023-24.

Pensioner households (those with people over State Pension age) will receive a one-off payment of £300 Pensioner in 2023-24.

A one-off Disability Cost of Living Payment of £150 to recipients of extra-costs disability benefits across the UK in 2023-24.

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