

'Steady as she goes'

## Spring Budget 2023: Summary and Key Announcements

**Jeremy Hunt delivered his 'back to work' Budget on 15 March 2023 which includes policies directed at getting people back into the UK labour market.**

Key changes were announced in relation to childcare and pensions and companies about to experience an increase in their tax rates were provided with some relief.

We summarise some of the most important announcements and future proposals below.

### Income Tax

- The starting rate for savings will be frozen at £5,000.
- Annual subscription limits for Junior Individual Savings Accounts (ISA) and Child Trust Fund accounts will remain at £9,000 and the annual subscription limit for adult ISAs will remain at £20,000.
- Many sole traders use the simplified cash basis to calculate and pay their income tax but there are restrictions. A review will be undertaken in due course which aims to increase the number of businesses eligible to use this basis.
- The pension annual allowance will increase from £40,000 to £60,000 from 6 April 2023.
- The money purchase annual allowance and the minimum tapered annual allowance will also rise from £4,000 to £10,000 with effect from 6 April 2023.
- The adjusted income threshold for the tapered annual allowance will increase from £240,000 to £260,000 from 6 April 2023.
- The Lifetime Allowance charge will be removed from 6 April 2023 with the allowance to be completely abolished in a future Finance Bill, potentially from April 2024.
- The 25% tax-free lump sum available when drawing a pension is currently £268,275. This threshold will be retained and frozen indefinitely.

**TOP TIP:** Company owners may consider increasing the annual contributions made for directors to utilise the increased annual allowance. Given the increase in corporation tax rate, claiming all reliefs available will be vital in keeping taxes as low as possible.

### Capital Gains Tax (CGT)

- The government intends to introduce legislation relating to a loophole associated with assets sold under an unconditional contract. Changes are expected to apply to contracts entered into on or after 1 April 2023 for corporation tax and 6 April 2023 for Capital Gains Tax.
- Changes previously announced relating to the transfer of assets during separation and divorce will apply from 6 April 2023. Separating spouses will have up to three years to transfer assets on a no gain/no loss basis.

### Inheritance Tax, Trusts and Estates

- The scope of agricultural property relief and woodlands relief from Inheritance Tax will be restricted to property situated in the UK from 6 April 2024.
- To simplify administration, an existing income tax concession for low income trusts and estates will be extended. HMRC also intends to make changes to Inheritance Tax regulations to remove non-taxpaying trusts from reporting requirements.

## Corporate and Business Tax

- The UK rate of corporation tax will be increasing from 19% to 25% with effect from 1 April 2023 as planned.
- The super-deduction will come to an end on 31 March 2023 but will be replaced with a 'full expensing' relief for investments made into qualifying plant and machinery between 1 April 2023 and 31 March 2026.
- It is expected that general pool assets will qualify for a 100% first-year allowance (FYA) with special rate pool assets benefiting from a 50% first-year allowance which is similar to the operation of the super-deduction.
- The existing FYA framework is expected to apply. Disposal of plant on which the FYA has been claimed will be subject to immediate balancing charges so whilst the headline of 'full expensing' seems attractive there appears to be no real change to existing current capital allowances rules.
- Various changes will be made to the Corporate Interest Restriction rules from 1 April 2023 to remove unfair outcomes and reduce administrative burdens for businesses.
- The Plastic Packaging Tax rate will increase in line with CPI from 1 April 2023.
- The FYA for electric vehicle charge-point equipment will be extended until 31 March 2025 for corporation tax purposes and 5 April 2025 for income tax purposes.
- The tax definition of a charity or CASC is changing. At present charities or CASCs located in the EU or EEA could qualify for charitable reliefs but the measure will effectively remove the ability for non-UK charities and CASCs to claim UK charitable tax reliefs from April 2024.

**TOP TIP:** If you are planning significant capital investment ensure you seek advice in relation to the full-expensing relief. Some capital assets may be excluded from this relief or may qualify for relief at less than 100%.

## Technological and Creative Tax Reliefs

- Audio-visual tax reliefs will be reformed from 1 April 2024. Businesses within the film, TV, animation and video games industries will benefit from a payable tax credit instead of an additional profit deduction.
- Qualifying films, high-end TV productions and video games will be eligible for a headline credit rate of 34% and animation and children's TV will be eligible for a rate of 39%.
- The temporary higher headline rates of relief for theatres, orchestras and museums will be extended from 1 April 2023. The headline rates of relief for theatres and museums will remain at 45% and 50% and orchestra relief will remain at 50%. From 1 April 2025 rates are expected to reduce.
- From 1 April 2023 a higher rate of relief for loss-making R&D intensive SMEs will be introduced. SME companies for which qualifying R&D expenditure constitutes at least 40% of total expenditure will be able to claim a higher payable credit rate of 14.5% for qualifying R&D expenditure.

**TOP TIP:** Several R&D changes are coming into effect on 1 April 2023 so ensure you are fully aware of the impact of these changes on your business.

This measure is a welcome relief for qualifying loss making businesses

## VAT

- With effect from 1 May 2023, the government will extend the VAT exemption on healthcare to include medical services carried out by staff directly supervised by registered pharmacists.
- The zero VAT rate applicable on prescriptions will be extended to medicines supplied through Patient Group Directions.
- The VAT treatment of deposits charged under a deposit return scheme for drinks containers will be simplified with the aim of ensuring that VAT will not be applied to the deposit amount where the container is returned for recycling.
- The DIY housebuilders' scheme will be digitised and the time limit for making claims will be extended from 3 to 6 months.
- Consultations will take place into reforms to simplify the VAT treatment of financial services and energy saving materials.

## Employment

- The EMI option grant process will be simplified from April 2023 with the removal of the requirements to set out details of share restrictions within an option agreement and for a company to declare that an employee has signed a working time declaration.
- From April 2024 the EMI grant notification deadline will be extended from 92 days following grant to the 6 July following the end of the tax year.
- A consultation will take place into options available to increase investment in occupational health services by UK employers through the tax system.

## Other Items

- Fuel duty will be maintained at current levels for the next 12 months with the temporary 5p fuel duty cut to remain.
- For the 24/25 tax year self-assessment forms relating to cryptoassets will be amended and expanded.
- Alcohol duty rates are scheduled to increase from 1 August 2023 but draught relief for pubs and restaurants will increase on beer, cider and wine.
- Working parents will be provided with the opportunity to obtain up to 30 hours of free childcare for children aged between 9 months and 3 years. This change will be introduced in stages over the next couple of years.
- Additional support for wraparound childcare is also expected to be provided.
- A consultation will be launched aimed at increasing sanctions for promoters of tax avoidance.

