



WESTCOTTS

CHARTERED ACCOUNTANTS
& BUSINESS ADVISERS

Spring Budget 2023

Summary



1. Personal Tax

1.1 Income Tax Rate Bands

The personal allowance will remain at £12,570, subject to tapering where a taxpayer's income exceeds £100,000 (at the rate of £1 for every £2 of income above the £100,000 level).

The higher rate threshold in England will remain at £50,270.

The additional rate threshold will, however, reduce from £150,000 to £125,140 with effect from 6 April 2023.

1.2 Income Tax Rates

Income tax rates in England will remain unchanged at 20% (basic rate), 40% (higher rate) and 45% (additional rate).

1.3 Dividend Allowance and tax rates

The dividend allowance will reduce from £2,000 to £1,000 from April 2023 and to £500 from April 2024.

Dividend tax rates will remain at 8.75% (basic rate), 33.75% (higher rate) and 39.35% (additional rate) in 2023/24.

1.4 Savings Rate

The starting rate for the 0% savings rate will be frozen at £5,000 and will apply to individuals with less than £17,570 of employment income. Annual subscription limits for adult ISAs will remain at £20,000 and for Junior ISAs and Child Trust Funds will remain at £9,000.

1.5 Married Couples' and Blind Persons Allowance

The Married Couple's Allowance and Blind Person's Allowance have been increased by the September 2022 CPI figure. The Married Couple's Allowance for 2023/24 will be between £4,010 and £10,375 and the Blind Persons allowance will be £2,870.

2 National Insurance Contributions (NICs)

2.1 Thresholds

The lower earnings level for class 1 NICs will remain at £6,396 for the 2023/24 tax year and the small profits threshold for class 2 NICs will remain at £6,275.

The primary threshold for class 1 NICs will remain at £12,570. The Lower Profits threshold for class 4 NICs will increase to the same level.

The upper earnings and upper profits limits for class 1 NICs and class 4 NICs respectively will remain at £50,270.

2.2 Rates

Class 1 NICs rates will remain unchanged.

Class 4 NICs rates will return to 9% (on profits above the Lower Profits Level but below the Upper Profits Level) and 2% (on profits above the Upper Profits Level) with effect from 6 April 2023.

From 6 April 2023 the rate for class 2 NICs will be £3.45 per week and will be £17.45 per week for class 3 NICs.

3. Business Rates

3.1 Business Rates – Multiplier Freeze

The business rates multipliers in England will be frozen at 49.9p and 51.2p in 2023/24.

The small business multiplier applies to properties with a value of less than £51,000.

4. Corporate Taxes

4.1 Corporation Tax Rates

The main rate of Corporation Tax will increase to 25% with effect from 1 April 2023. The main rate will be paid by companies with profits in excess of £250,000.

The small companies rate of corporation tax will remain at 19%. This will be payable by companies with profits of less than £50,000.

A marginal rate will apply to profits of between £50,000 and £250,000.

The thresholds referred to above will be reduced where companies have “associated companies”.

4.2 Capital allowances – “full expensing”

Companies incurring qualifying expenditure on the provision of new plant and machinery on or after 1 April 2023 but before 1 April 2026 will be able to claim one of two temporary first-year allowances:

- A 100% first year allowance for main rate expenditure – known as “full expensing” because it treats qualifying capital expenditure in the same way as a revenue expense.
- A 50% first-year allowance for special rate expenditure.

There will be special rules to tax receipts from the sale of assets on which these allowances have been claimed.

4.3 Annual Investment Allowance

It is confirmed that the temporary £1,000,000 limit for the Annual Investment Allowance will be made permanent from 1 April 2023.

4.4 Research and Development (R&D) Tax Reliefs

From 1 April 2023 the R&D Expenditure Credit on qualifying research and development expenditure will increase from 13% to 20%. The small and medium enterprises additional deduction will decrease from 130% to 86% and the credit rate will decrease from 14.5% to 10%.

Part of the impact of these changes will be reversed for loss-making companies whose R&D expenditure constitutes at least 40% of total expenditure. They will continue to be able to claim the 14.5% credit rate.

The previously announced restriction on some overseas R&D expenditure will now take effect from 1 April 2024 rather than 1 April 2023.

4.5 First Year Allowance for Electric Vehicle Charge points

The government will legislate to extend the 100% First Year Allowance for electric vehicle charge points to 31 March 2025 for corporation tax purposes and 5 April 2025 for income tax purposes.

4.6 Capital Allowances Super Deduction

Following the confirmation that the main rate of corporation tax is to increase with effect from 1 April 2023 the capital allowances super-deduction will no longer be available from that date.

4.7 Expansion of the Seed Enterprise Investment Scheme (SEIS)

From 6 April 2023 the amount of investment that companies will be able to raise under the SEIS will increase from £150,000 to £250,000. The gross asset limit will be increased from £200,000 to £300,000. The age limit on a qualifying trade will be increased from 2 to 3 years. The annual investor limit will be doubled from £100,000 to £200,000.

4.8 Reform of Company Share Option Plan (CSOP)

From 6 April 2023 the value of CSOP options that employers will be able to grant to employees will increase from £30,000 to £60,000.

5 Value Added Taxes (VAT)

5.1 VAT – Registration and Deregistration thresholds

The current registration and deregistration limits will remain at £85,000 and £83,000 respectively for a further two years from 1 April 2024.

5.2 Review of VAT Treatment of Financial Services

The government is to consider possible reforms to simplify the VAT treatment of financial services, with the aim of reducing inconsistencies and providing businesses with greater clarity and certainty.

6 Stamp Duty Land Tax (SDLT)

6.1 Stamp Duty Land Tax (SDLT) Reductions

The temporary increases in the SDLT threshold for all purchases of residential property to £250,000 and for first time buyers to £425,000 will be retained until 31 March 2025.

7 Inheritance Tax

7.1 Nil Rate Band and Residential Nil Rate Band

The inheritance tax nil rate band and residential nil rate band will remain at £325,000 and £175,000 until April 2028. The residence nil rate band taper will continue to start at £2 million.

7.2 Geographical Scope of Certain Reliefs

The scope of Agricultural Property Relief and Woodlands Relief from Inheritance Tax will be restricted to property in the UK with effect from 6 April 2024.

8 Capital Gains Tax

8.1 Annual Allowance

The capital gains tax annual allowance will reduce from £12,300 to £6,000 from April 2023 and to £3,000 from April 2024. Capital gains tax rates will remain unchanged.

8.2 Separation and Divorce

The government confirmed that it is to proceed with changes to the capital gains tax rules that apply to transfers of assets between spouses and civil partners who are in the process of separating. With effect from 6 April 2023 separating spouses and civil partners will be given up to three years in which to make no gain/no loss transfers of assets between them when they cease to live together. This time period is extended indefinitely if the assets are the subject of a formal divorce agreement.

9 Employment Taxes

9.1 National Insurance Contributions – Secondary Threshold

From April 2023 the level at which employers will pay Class 1 secondary NIC will be £9,100 and will remain in force until April 2028. The contribution rate will remain at 13.8%

9.2 Company Car Tax Rates

Company car tax rates will continue to incentivise the take up of electric vehicles.

Appropriate percentages for electric and ultra-low emission cars emitting less than 75g of CO₂ per kilometre will increase by 1 percentage point in 2025-26, a further 1% in 2026-27 and a further 1% in 2027-28 up to a maximum appropriate percentage of 5% for electric cars and 21% for ultra-low emission cars.

Rates for all other vehicles bands will be increased by 1 percentage point for 2025-26 up to a maximum appropriate percentage of 37% and will then be fixed in 2026-27 and 2027-28.

9.3 Van Benefit Charge and Car & Van Fuel Benefit Charge

From 6 April 2023, car and van fuel benefit charges and the van benefit charge will increase in line with CPI.

10 Pensions Taxation

10.1 The Lifetime Allowance Charge

The Lifetime Allowance charge (currently levied at the rate of 55% on unprotected pension funds in excess of £1,073,100) will be abolished with effect from 6 April 2023.

10.2 Pension Commencement Lump Sum (PCLS)

The maximum tax-free PCLS will, however, be fixed at £268,275 regardless of the size of the pension fund (with exceptions for individuals who already have a protected right to take a higher PCLS).

10.3 Annual Allowance

The Annual Allowance for pension contributions will increase from £40,000 to £60,000. The minimum tapered Annual Allowance will also increase, from £4,000 to £10,000. The adjusted income level at which the taper will start to apply will increase from £240,000 to £260,000.

11 Charities

11.1 Limitation of Geographical Scope of Tax reliefs

With effect from April 2023 the government will restrict charitable tax reliefs to UK charities and Community Amateur Sport Clubs.

12 Other Taxes

12.1 Expanding the Cash Basis

The government will consult on expanding the cash basis which is a simplified way for sole traders to calculate and pay their income tax.

12.2 Electricity Generator Levy

The government is to proceed with the introduction of the Electricity Generator Levy, a temporary 45% tax that will be levied on extraordinary returns from low-carbon UK electricity generation. For the purposes of the tax, extraordinary returns will be defined as the aggregate revenue that generators make in a period from in-scope generation at an average output price above £75/MWh. The tax will be limited to generators whose in-scope generation output exceeds 100GWh across a period and will only then apply to extraordinary returns exceeding £10 million. The tax will apply to extraordinary returns arising from 1 January 2023.

12.3 Enveloped Dwellings (ATED)

The annual chargeable amounts for the ATED will be uplifted by the September CPI figure of 10.1% for the 2023-24 ATED charging period. This uplift is a routine change as set out in existing primary legislation.

12.4 Fuel Duty Rates

Rates of fuel duty will remain at current levels for a further 12 months.

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