



WESTCOTTS

CHARTERED ACCOUNTANTS  
& BUSINESS ADVISERS

# Autumn Budget 2023

Summary



## **1. Personal Tax**

### **1.1 Tax Rates**

Personal allowances and the higher rate tax threshold had already been fixed until April 2026 and this has now been extended until April 2028.

The personal allowance will remain at £12,570 and the higher rate threshold will remain at £50,270.

### **1.2 Additional Rates**

From the 6 April 2024 the additional rate threshold will continue at £125,140.

### **1.3 Dividend Allowance**

The dividend allowance will reduce to £500 from April 2024.

### **1.4 Abolition of Pensions Lifetime Allowance**

Legislation will be introduced to remove the Lifetime Allowance on pensions. The measure will clarify the taxation of lump sums and lump sum death benefits, and the application of protections. It will also clarify the tax treatment for overseas pensions, transitional arrangements, and reporting requirements. This will take effect from 6 April 2024.

### **1.5 Individual Savings Account (ISA) annual subscription limit**

The adult ISA annual subscription limit for 2024 to 2025 will remain unchanged at £20,000.

### **1.6 Child Trust Funds annual subscription limit**

The annual subscription limit for Child Trust Funds for 2024 to 2025 will remain unchanged at £9,000

### **1.7 Junior ISA annual subscription limit**

The annual subscription limit for Junior ISAs for 2024 to 2025 will remain unchanged at £9,000.

### **1.8 Lifetime ISA annual subscription limit**

The annual subscription limit for Lifetime ISAs for 2024 to 2025 will remain unchanged at £4,000.

### **1.9 Help to Save reform**

From 6 April 2024 the government will make changes to ISAs to simplify the scheme and widen the scope of investments that can be included in ISAs.

## **2. National Insurance Contributions (NIC)**

### **2.1 Thresholds**

The lower earnings level will remain at £6,396 for the 2023/24 tax year and the small profits threshold will remain at £6,725.

The primary threshold will remain at £12,570 and the upper earnings and upper profits limit will remain at £50,270.

These thresholds will remain until April 2028.

### **2.2 Rates**

From 6 January 2024 the government will introduce legislation to reduce the main rate of primary Class 1 National Insurance contributions to 10%

For the self-employed the main rate of Class 4 National Insurance contributions will be reduced by 1 percentage point from 9% to 8% from 6 April 2024.

From 6 April 2024, self-employed people with profits above £12,570 will no longer be required to pay Class 2, but will continue to receive access to contributory benefits including the state pension.

Those with profits between £6,725 and £12,570 will continue to get access to contributory benefits including the state pension through a National Insurance credit without paying National Insurance contributions as they do currently.

Those with profits under £6,725 who choose to pay Class 2 voluntarily to get access to contributory benefits including the state pension will continue to be able to do so.

## **3. Business Tax**

### **3.1 Expanding the cash basis**

The government will introduce legislation in Autumn Finance Bill 2023 to expand the income tax cash basis for the self-employed and partnerships. The cash basis is a simplified way of calculating taxable profits for income tax purposes. The changes that will be made are to set the cash basis as the default method for small businesses, and remove the turnover, interest, and loss relief restrictions that currently apply to the cash basis. The changes will take effect from 6 April 2024.

### **3.2 Announcement of future guidance changes to tax relief for the self employed**

HMRC will clarify guidance to businesses on what training costs can be deductible for tax purposes. This will ensure that businesses can be confident that updating existing skills or maintaining pace with technological advances or

changes in industry practices, are allowable costs when calculating the taxable profits of a business.

### **3.2 Capital Allowances, permanent full expensing**

The temporary full expensing introduced in the Spring Budget 2023 will be made permanent allowing companies incurring qualifying expenditure on the provision of new plant and machinery on or after 1 April 2023 to claim:

- a 100% first-year allowance for main rate expenditure — known as full expensing.
- a 50% first-year allowance for special rate expenditure

This will still exclude leased plant and machinery and a consultation will start to consider including such expenditure in the future.

### **3.3 Research and Development (R&D) tax reliefs: merger of current small or medium enterprise (SME) and R&D Expenditure Credit (RDEC) scheme**

The government will introduce legislation to merge the current RDEC and R&D SME schemes for accounting periods beginning on or after 1 April 2024. This will simplify and improve the system. The rate offered under the merged scheme will be implemented at the current RDEC rate of 20%. The notional tax rate applied to loss-makers in the merged scheme will be the small profit rate of 19%, rather than the 25% main rate currently set in the RDEC.

### **3.4 Making Tax Digital, volunteer and penalties**

From 6 April 2024 taxpayers who volunteer to join Making Tax Digital (MTD) will be subject to the government's new, fairer penalty regime for late filing of tax returns and late payment of tax.

## **4 Value Added Taxes (VAT)**

### **4.1 VAT – Registration and Deregistration thresholds**

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

## **5 Stamp Duty Land Tax**

### **5.1 Stamp Duty Land Tax (SDLT) Cuts**

On 23 September 2022 the government increased the SDLT nil rate threshold for all purchases of residential property to £250,000 and for first time buyers to £425,000. These measures will be retained until 31 March 2025 only.

## **6 Inheritance Tax**

### **6.1 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 Capital Gains Tax**

### **7.1 Annual Allowance**

The capital gains tax annual allowance will reduce to £3,000 from April 2024.

## **8 Employment Taxes**

### **8.1 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 CO<sub>2</sub> 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.

### **8.2 Van benefit charge and the car and van fuel benefit charges for 2024 to 2025**

The van benefit charge and the car and van fuel benefit charges will be maintained at 2023 to 2024 levels for 2024 to 2025.

The flat-rate van benefit charge will remain at £3,960. The multiplier for the car fuel benefit will remain at £27,800. The flat-rate van fuel benefit charge will remain at £757

### **8.3 Off-payroll working (IR35)**

The government will introduce legislation to enable HMRC to reduce the PAYE liability of a deemed employer, where that engagement was incorrectly treated as self-employed for tax purposes. This would account for tax and National Insurance contributions already paid by a worker and their intermediary on payments received from an off-payroll working engagement. This will take effect from 6 April 2024.

#### **8.4 Enterprise Management Incentives (EMI) extending the time limit**

From 6 April 2024 the time limit will be extended to notify HMRC of a grant of EMI options from 92 days following the grant to 6 July following the end of the tax year in which the grant was made. This will apply to options granted after 6 April 2024.

### **9 Other Taxes**

#### **9.1 Simplifying Making Tax Digital (MTD) for Income Tax Self Assessment**

The government will make design changes to Making Tax Digital for Income Tax Self Assessment, simplifying and improving the system for taxpayers and their representatives. The government will:

- simplify the requirements for all taxpayers providing quarterly updates and for taxpayers with more complex affairs, such as landlords with jointly-owned property
- remove the requirement to provide an End of Period Statement
- exempt some taxpayers, including those without a National Insurance number, from MTD
- enable taxpayers using MTD to be represented by more than one tax agent

#### **9.2 Annual Tax on Enveloped Dwellings (ATED)**

The ATED annual charges will rise by 6.7% from 1 April 2024 in line with the September 2023 Consumer Price Index