

Revel Chartered Certified Accountants



Budget Summary 2023

APRIL 2023

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The Chancellor, Jeremy Hunt, made his Spring Budget 2023 speech on Wednesday 15 March.

Highlights of the speech include a proposal to allow companies to expense Capital Allowances and to abolish the pension Lifetime Allowance. Further key announcements for Small and Medium Sized Entities (SMEs) and their owners are below.

Income Tax rates and allowances

- No changes were announced. These remained locked until 2028.
- There are increases to the blind persons and married couples' allowances, as already announced last Autumn.

Energy Price Guarantee

The domestic Energy Price Guarantee will be extended at its current level of £2,500 for another three months until June 2023.

As part of the 2023 Spring Budget, the Chancellor has announced that the Energy Price Guarantee will be extended at its current level of £2,500 for another three months until June 2023.

- In September 2022, the Energy Price Guarantee (EPG) was introduced in an effort to help domestic customers with soaring fuel bills.
- The current Chancellor announced in the Autumn Statement 2022, that the EPG would rise in April 2023 from £2,500 to £3,000. This was still expected to be below the price cap set by Ofgem of £3,280.
- In the 2023 Spring Budget, the Chancellor has announced that this rise will not take place until July 2023 and the EPG will remain at £2,500 from April 2023 until June 2023.

It was also announced that the premium applied to energy provided via a pre-payment meter will be scrapped and those customers will now pay the same rates as those on direct debit.

Pensions

Some big changes this year. Speak to your IFA in the first instance.

The Chancellor announced the following measures on Pensions in his Spring 2023 Budget. It is proposed that from April 2023:

- The lifetime allowance charge is abolished.
- The maximum pension tax-free lump sum is frozen at 25% of the current Lifetime Allowance (LTA) limit.
- The annual allowance is increased to £60,000 per year with increases to the tapered annual allowance and adjusted income level.

In addition, there will be changes to the taxation of Lifetime Allowance excess lump sums, serious ill-health lump sum (SIHLS), defined benefits lump sum death benefit (DBLSDB), and uncrystallised funds lump sum death benefits (UFLSDB), which are currently subject to a 55% tax charge above the LTA, to ensure that they are instead taxed at an individual's marginal tax rate.

The proposed measures mean that from April 2023 no taxpayer should face a Lifetime Allowance charge on their pension pot.

Lifetime allowance

The Lifetime Allowance (LTA) is the maximum amount of tax relievably pension savings an individual can hold in their lifetime. It has been fixed at £1,073,100 since April 2020.

Following the proposed abolition of the LTA limit for those without protection, the pension tax-free lump sum will be limited to 25% of the current LTA limit or £268,275.

- The exception to this is where a taxpayer has LTA or Pension Commencement Lump Sum (PCSL) protection applied for before 15 March 2023.
- This had to be applied for and served to protect individuals who already had substantial pension pots when the LTA was first introduced. With the abolition of the LTA limit, these protections will now only take effect in respect of the tax-free lump sum.

Annual allowance

The annual allowance is the maximum amount that an individual can save into their pension in a tax year with tax relief without incurring a tax charge.

- The annual allowance is increased from £40,000 to £60,000 per year.
- The tapered annual allowance for taxpayers with income above a certain level (the adjusted income level) and money purchase annual allowance are increased from £4,000 to £10,000.
- The adjusted income level for the tapered allowance is increased from £240,000 to £260,000.

Other pensions measures

- New legislation is to be introduced to make it clear, as was always intended, that payments made from a collective money purchase pension scheme in the process of being wound up are treated as authorised pension payments. This will take effect from the date of Royal Assent of Spring Finance Bill 2023.
- Previously announced measure placing a duty on HMRC to make top-up payments to individuals who save into an occupational pension under net pay arrangements, if their total taxable income is below the personal allowance with effect from April 2024.
 - This rectifies a difference in treatment between Relief at Source (RAS) pensions and Net Pay arrangements which caused certain employees in occupational net pay schemes to receive less take-home pay than those in RAS schemes.
- Draft legislation will be published for consultation later this year to enable the digitalisation of the current paper processes for relief at source which should assist scheme administrators and reduce errors.

Capital Allowances

By way of overview, whilst it seems like things have changed below, they haven't for the vast majority of you, because we will have maxed your available capital allowances, either under existing AIA rules, or first year allowances. Read the fine print should you wish, but the net effect of the super deduction being replaced by full expensing, is negligible or irrelevant for most. Wherever possible, we have taken full advantage of either the AIA, or first year allowances, or a combination. Unless you are a large corporate or are yet to take advantage of the electric charge point advantages, not much has changed. We have however explained what the AIA is below to assist.

From April 2023:

- Companies incurring qualifying expenditure on **new** plant and machinery before 1 April 2026 will be able to claim either a 100% or 50% First Year Allowance (FYA). The 100% allowance is known as 'full expensing'.

- The temporary £1m Annual Investment Allowance (AIA) limit is made permanent.
- 100% FYAs on electric vehicle charge-points are extended to 31 March 2025 for Corporation Tax purposes and 5 April 2025 for Income Tax purposes.

Annual Investment Allowance (AIA) explained.

From 1 April 2023 (as announced at the mini-budget in September 2022):

- Spring Finance Bill 2023 will include measures to make permanent the temporary £1m AIA limit.
- Existing transitional rules applying to chargeable periods straddling 1 April 2023 will be repealed.

What is the AIA?

The AIA is a tax relief scheme that has been around since 2008 and allows businesses to claim tax deductions on qualifying capital expenditure on plant and machinery in the year of purchase(s). This means that businesses can deduct the full cost of qualifying assets from their taxable profits, up to a certain limit, in the year that they are purchased and come into use.

The AIA was introduced to encourage investment in plant and machinery, and as confirmed above, the current limit is £1 million of qualifying expenditure on plant and machinery in a given year.

Qualifying assets include most types of plant and machinery used in the business, such as computers, office equipment, vehicles, and certain types of fixtures and fittings. The AIA does not apply to assets used for leasing or hired out, buildings, land or vehicles that are not considered commercial or business vehicles.

Full expensing

From 1 April 2023:

- Spring Finance Bill 2023 will introduce full expensing for three years.
- Companies incurring qualifying expenditure on new plant and machinery on or after 1 April 2023 and before 1 April 2026 will be able to claim:
 - 100% First Year Allowances (FYAs) for main rate expenditure ('full expensing').
 - 50% FYAs for special rate expenditure, including long-life assets.
- The allowances will *not* apply to second-hand assets and the general exclusions in s.46 CAA 2001 will apply, meaning allowances will not be available on cars or most plant and machinery acquired for leasing.
- Disposals of plant or machinery where full expensing or a 50% FYA have been claimed will be subject to immediate balancing charges. These will be:
 - 100% of the disposal value in the case of full expensing.
 - 50% of the disposal value in the case of the 50% FYA.
- Balancing charges will be reduced proportionately if an allowance is claimed in respect of only part of the expenditure.
- An anti-avoidance provision will apply to counteract arrangements which are contrived, abnormal or lacking a genuine commercial purpose.

First-Year Allowance (FYA): electric vehicle charge points

From 1/6 April 2023 (as announced at Autumn Statement 2022):

- Spring Finance Bill 2023 will include measures to extend the 100% FYA for electric vehicle charge-points by two years to 31 March 2025 for Corporation Tax purposes and 5 April 2025 for Income Tax purposes.

Self-Employed taxpayers

Extending the Cash Basis: a consultation

- HMRC have launched a new consultation on Extending the Cash basis for Self-Employed taxpayers.
- The consultation, published with the Budget 2023 documents asks for your views on options to extend and simplify the [Self-employed Cash Basis](#), a simplified way of calculating taxable profits for Income Tax purposes.
- The proposals mainly affect businesses currently eligible for the cash basis with turnover under £300,000, however, one proposal is to extend the cash basis to more sizeable businesses.

Childcare schemes: changes and existing schemes

Free Hours Childcare

From April 2024:

- Children from the age of two will be entitled to 15 hours of free childcare.

From September 2024:

- Children from the age of nine months will be entitled to 15 hours of free childcare.

From September 2025:

- Working parents of all children over nine months but under five will be entitled to 15 hours of free childcare, this can be increased to 30 if the parents are eligible (see below).

It is worth noting that the free hours of childcare are for 38 weeks of the year.

Applications can be made [online](#).

The Free Hours Childcare and the Tax Free Childcare, are very helpful and important initiatives for families, especially mothers.

We have therefore taken the time to set out further information about the schemes as they are available now.

Key features of Free Hours Childcare

Currently, 3- and 4-year-olds are able to get a further 15 hours of free childcare, if certain eligibility conditions are met.

As above, from September 2025 these further 15 hours will be available for all children over 9 months and below 5, subject to the same eligibility conditions.

Children are eligible for the full 30 hours of free childcare where:

- Both parents are working.
- Over the next three months both parents need to expect that their earnings are equivalent to at least 16 hours at the applicable [National Minimum or Living Wage](#).

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- Self employed individuals can use averaging.
 - Those becoming self-employed in the last 12 months can earn less and still be eligible.
- Neither parent can have an [Adjusted Net Income](#) in excess of £100,000.
- A Parent (and their partner) must have a National Insurance Number and at least one of the following:
 - British or Irish citizenship.
 - Have settled or pre-settled status, or are waiting for a decision having applied for this status.
 - Permission to access public funds.

Note that the free childcare hours are only available for 38 weeks of the year. Nurseries often spread the available hours over the full 52 weeks, and not all nurseries go beyond the 15 hours.

Applications for the additional 15 free hours of childcare need to be made [online](#).

Once the application has been processed successfully, a code is provided which needs to be given to the childcare provider.

Key features of Tax-Free Childcare

- It is available to the self-employed and employees whose employer does not provide them with Employer-supported childcare.
- It is managed via the parents' online childcare account.
- For every 80p paid into the account, the government top-up 20p to a maximum of £2,000 per child per year at a rate of £500 every three months.
 - The maximum top-up for disabled children is £4,000.
- Grandparents, other family members or employers can pay into the account.
- These funds can then be used to pay for approved childcare, for example, childminders, nurseries, nannies, after-school clubs and playschemes.
- Both parents must be working the equivalent of 16 hours per week at the National Living Wage.
 - This is judged on the three months from the date the claim is made. This can cause a problem if the claimant is a director on an annual payroll.
- Neither parent must earn more than £100,000 per year.
- The child must be under 11 and usually live with the claimant.
 - Children stop being eligible on 1 September after their 11th birthday, unless they are disabled, in which case claims can continue until 17.
- Parents can withdraw money if they want to, but the government will also withdraw its corresponding contribution.
- Current Employer-supported childcare arrangements (vouchers and contracted childcare) continue so long as the employer is willing to continue them, and the employee stays with the same employer.
- Employer-provided nurseries are unaffected by the new scheme.
- Parents need to re-confirm their eligibility online every three months (see below).

Reconfirming details with HMRC

- Parents must check and reconfirm their details with HMRC every three months.
- HMRC will send a reminder when they need to do this, but it is the parent's responsibility to reconfirm on time.

What if I am already getting childcare vouchers or my employer pays for my childcare direct?

The childcare voucher and employer-contracted schemes were open to new entrants until October 2018. Parents who joined those schemes before that date can remain in the schemes. For some,

childcare vouchers will be better than Tax-Free Childcare, for others, Tax-Free Childcare will be better.

- You cannot use the Tax-Free Childcare scheme if either parent is part of an employer's childcare voucher scheme.
- If you want to leave your employer's voucher scheme you must provide them with a Childcare Account Notice (CAN). This can be sent by email and states that you wish to leave the voucher scheme and use Tax-Free Childcare.
- You have to provide your employer with a CAN within 90 days from opening the Tax-Free Childcare account.
- Your employer can pay into your new childcare account, but it will be treated as salary in the normal way, i.e. the amount paid in will be net of tax and National Insurance Contributions (NICs).

Childcare providers

- Only regulated and approved childcare providers will be able to receive payments from these accounts.
- Providers will need to sign up online to receive payments.
- Letters were sent to providers in September and October 2016 inviting them to sign up.
- Parents can check whether a childcare provider has signed up to receive these childcare payments.
- Providers will need to have a Unique Tax Reference (UTR) to sign up if they are self-employed.

Employees: Share Option schemes

Enterprise Management Incentives (EMI)

From 6 April 2023:

- Simplification measures will remove the requirements 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.
 - Declare that an employee has signed a working time declaration when they are issued an EMI option. It does not remove the working time requirement itself.

From 6 April 2024:

- The deadline for notifying an EMI option will be extended from 92 days following grant to the 6 July following the end of the tax year. This will be legislated separately, and the impacts will be set out at that point.

Company Share Options Plans (CSOPS)

Both measures were announced last Autumn. Additionally, it is noted that changes to the share options limit will now be achievable through secondary rather than primary legislation.

From 6 April 2023:

- Qualifying companies will be able to issue up to £60,000 of CSOP options to employees. The current limit is £30,000.
- Currently where a company has more than one class of ordinary share capital, shares included in a Company Share Option Plan scheme must be from a share class that is 'worth having'

Capital Gains Tax (CGT)

No further announcements were made in respect of CGT rates and allowances since last Autumn where the following allowances were set.

From April 2023:

- Finance Act 2023 reduces the Annual Exemption from £12,300 to £6,000 for individuals and personal representatives, and from £6,150 to £3,000 for most trustees.
- The proceeds reporting limit for CGT is fixed at £50,000.

New CGT measures included:

Completion of unconditional contracts

From April 2023:

- Certain time limits will be extended where there has been a transfer under an unconditional contract that completes after the end of the tax period of the disposal.

Share or securities exchanges

From 17 November 2022:

- Anti-avoidance provisions can deem shares in a non-UK company acquired in exchange for shares in a UK close company to be located in the UK.

LLPs and Scottish partnerships disposing of joint interests in land

From 6 April 2023:

- Rollover Relief and Private Residence Relief will be available for Limited Liability Partnerships (LLPs) and Scottish Partnerships as it would be if the land was held by the individual partners.

Transfer of assets between spouses and civil partners in the process of separating

From 6 April 2023:

- Separating spouses or civil partners be given up to three years after the year they cease to live together in which to make no gain/no loss transfers of assets.

Trusts & Estates

From 6 April 2024:

- Trusts and estates with income up to £500 will not pay any tax on that income as it arises.
- The default basic rate and dividend ordinary rates of tax that apply to the first £1,000 of discretionary trust income will be removed.
- Beneficiaries of UK estates receiving distributions of income within the above £500 limit will not pay tax on that income.

Companies

Research & Development (R&D)

Additional Tax Relief for R&D intensive SMEs

From 1 April 2023:

- An increased tax credit of 14.5% will be available to loss-making Small and Medium-sized Enterprises (SMEs) that are R&D intensive. An R&D-intensive company is one with a qualifying expenditure to total (tax-adjusted) expenditure (intensity) ratio of 40% or more.

Reform of Research & Development Relief

Previously announced measures have been confirmed.

From 1 April 2023:

- The scope of qualifying expenditure will be extended to include datasets and cloud computing. In an attempt to combat abuse, companies will need to inform HMRC in advance if they intend to make an R&D claim.

Cultural Reliefs

From 1 April 2023:

- The tapering down of three cultural reliefs will be delayed for two years.
- The rates of relief for Theatre Tax Relief (TTR), Orchestra Tax Relief (OTR) and Museums and Galleries Exhibition Tax Relief (MGETR) will remain at 50% (or 45% for non-touring TTR and MGETR) until 1 April 2025.
- The sunset clause on MGETR will also be postponed for two years. Expenditure will no longer qualify for relief from 1 April 2026.

Seed Enterprise Investment Scheme

For shares issued on or after 6 April 2023 (and as previously announced in the Autumn Statement 2022):

- The company investment limit will increase from £150,000 to £250,000.
- The gross asset limit will be increased from £200,000 to £350,000 and the trading time limit increased from two to three years.
- The individual annual investor limit will be raised from £100,000 to £200,000.

Double Taxation Relief (DTR)

With effect from 20 July 2022:

- Some extended time limit claims where the DTR is based on deemed foreign tax will now be prevented.
- This measure only relates to claims dating back to pre-2009 when the distribution exemption was introduced.

Plastic Packaging Tax

From 1 April 2023:

- The rate of Plastic Packaging Tax (PPT) will increase from £200 per tonne to £210.82 per tonne.
- Technical legislative changes will apply to ensure that all late payments in respect of PPT are subject to the same penalties.

Charities and Amateur sports clubs

From 15 March 2023

- A restriction on charitable tax reliefs so that they apply only to UK charities and Community Amateur Sports Clubs (CASCs). This stops EU and EEA charities and CASCs that HMRC has not previously accepted as qualifying for charitable relief from claiming UK tax reliefs now that the UK has exited the EU.
- EU and EEA charities that HMRC has previously accepted as qualifying for relief will have a transitional period until April 2024.

VAT

Measures announced in respect of VAT include:

- Changes to VAT accounting rules for Drink Deposit Return Schemes.
- Proposals to digitise the DIY Housebuilders Scheme and extend the time limit to six months from completion of the build.
- Technical changes to late payment interest, penalties and repayment interest affecting commencement dates under the new VAT interest and penalty rules in certain circumstances.
- Extension of the VAT exemption for healthcare to include services carried out by staff directly supervised by UK registered pharmacists.
- Extension of the zero rate of VAT for certain other medicines dispensed on prescription.

Tax Administration & Assessment

Tax refunds

From 15 March 2023:

- A taxpayer is no longer able to legally assign their Income Tax repayment to a third party, or their right to an Income Tax repayment.
- The effect of this measure is that assignments of Income Tax repayments will have no legal effect and the repayment will remain the property of the taxpayer.

Homes for Ukraine: Property Tax exemptions & reliefs

- Spring Finance Bill 2023 introduces temporary reliefs from the ATED and the 15% rate of SDLT for dwellings made available for occupation by individuals granted entry clearance or permission to stay in the UK under the Homes for Ukraine Sponsorship Scheme. For ATED, the relief will apply to chargeable periods beginning on or after 1 April 2022 and for SDLT, the relief will have retrospective effect from 31 March 2022.

Homes for Ukraine: income tax and corporation tax exemption

- Spring Finance Bill 2023 to exempt 'thank you' payments made by Local Authorities to sponsors under the Homes for Ukraine scheme from income tax and corporation tax.

Cryptoassets reporting

From 6 April 2024:

- Changes to the Self-Assessment tax return forms SA108 (Capital gains summary page) and SA905 (Trust and estate capital gains page) require amounts in respect of cryptoassets to be separately identified.
- The changes will be introduced on the forms for tax year 2024-25.

Introducing an elective accruals basis for the carried interest rules

From 6 April 2022:

- The government will legislate in Spring Finance Bill 2023 to provide a new elective accruals basis of taxation for carried interest.
- This will allow UK resident investment managers to accelerate their tax liabilities in order to align their timing with the position in other jurisdictions, where they may obtain double taxation relief.

Doubling maximum sentences for tax fraud

- The government will double the maximum sentences for the most egregious forms of tax fraud from seven to 14 years.