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March 2023

The Spring Budget 2023

The headline message from the Chancellor

The Chancellor highlighted that “In the autumn we took difficult decisions to deliver stability and sound money... Today, we deliver the next part of our plan. A budget for growth... long-term, sustainable, healthy growth that pays for our NHS and schools, finds jobs for young people, and provides a safety net for older people all whilst making our country one of the most prosperous in the world.”

He concluded his speech stating that “We tackle the two biggest barriers that stop businesses growing: investment incentives and labour supply. The best investment incentives in Europe. The biggest ever employment package... The declinists are wrong, and the optimists are right. We stick to the plan because the plan is working.”

Key measures announced by the Chancellor are summarised within this Guide.

Corporation tax

From April 2023, the planned increase in the corporation tax rate to 25% for companies with over £250,000 in profits will go ahead. Small companies with profits up to £50,000 will continue to pay corporation tax at 19%.

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.

Annual Investment Allowances

Annual Investment Allowance was previously confirmed at a permanent rate of £1m from April 2023.

‘Full expensing’ deduction

In order to replace super-deduction, a new ‘Full Expensing’ deduction is announced from 1 April 2023 until 31 March 2026. The relief allows companies to claim 100% first-year deduction from profit before tax (50% for special pool rate) on

qualifying new main-rate plant and machinery investments.

Research and development

For expenditure incurred on or after 1 April 2023, research and development (R&D) tax reliefs will be changed as follows:

- The small and medium-sized enterprises (SME) additional deduction will decrease from 130% to 86%
- The SME credit rate will decrease from 14.5% to 10%
- R&D expenditure credit rises from 13% to 20% and
- The R&D Intensive SME payable credit is introduced from April 2023 at the rate of 14.5%. A company is considered R&D intensive where its qualifying R&D expenditure is worth 40% or more of its total expenditure. These eligible loss-making companies will be able to claim £27 from HMRC for every £100 of R&D investment, instead of £18.60 for non-R&D intensive loss makers.

Pensions reform

The lifetime pension allowance charge will be removed from April 2023 before the allowance is abolished entirely from April 2024. The pension annual allowance is increased from £40,000 to £60,000 from April 2023. Money purchase annual allowance is increased from £4,000 to £10,000, which applies if you have already started drawing a pension.

Theatre Tax Relief

The Theatre Tax Relief, which was due to taper to 30% (for non-touring productions) and 35% (for touring productions) on 1 April 2023, will remain at 45% and 50% respectively until 31 March 2025. From 1 April 2025, the rates will be 30% and 35%, and rates will return to 20% and 25% on 1 April 2026.

Income tax rates and allowances

Income tax rates: England, Wales and Northern Ireland (non-dividend income)	2023/24	2022/23
0% starting rate for savings only	Up to £5,000	Up to £5,000
20% basic rate tax	£12,571-£50,270	£12,571-£50,270
40% higher rate tax	£50,271-£125,140	£50,271-£150,000
45% additional rate tax	Above £125,140	Above £150,000

Scottish rates of income tax (non-dividend income)		
Scottish taxpayers pay the same tax as the rest of the UK on dividends and savings interest		
19% starting rate	£12,571-£14,732	£12,571-£14,732
20% basic rate tax	£14,733-£25,688	£14,733-£25,688
21% intermediate rate tax	£25,689-£43,662	£25,689-£43,662
42% higher rate tax (41% for 2022/23)	£43,663-£125,140	£43,663-£150,000
47% top rate (46% for 2022/23)	Above £125,140	Above £150,000

Income tax

Personal tax thresholds – ie personal allowance, basic and higher-rate thresholds for income tax – are maintained until April 2028 at a current level of £12,570 and £50,270. The additional rate threshold is reduced from £150,000 to £125,140 from 6 April 2023.

Personal allowance for higher rates – 2023/24

Where annual income exceeds £100,000, personal allowance is lost at a rate of £1 for every £2 of income above £100,000. This is the threshold where the entire personal allowance is lost.

The loss of the personal allowance means a person is taxed at 40% on the additional £2 of income, and they also pay an extra 40% on the £1 of personal allowance lost. This results in a marginal rate of 60%, which continues up to £125,140 (£100,000 + (£12,570 x 2)). At the £125,140 point the entire personal allowance has been lost.

National insurance

The national insurance thresholds for all classes will be maintained until April 2028 at the current level. The employment allowance is set to the current level of £5,000.

National Living Wage

From 1 April 2023, the National Living Wage is increased to £10.42 an hour, for those aged 23 and over.

Dividend allowance

Dividend allowance is reduced from £2,000 to £1,000 from April 2023 and to £500 from April 2024. The threshold of £2,000 has been in place since April 2018. From 6 April 2022, dividends are taxed at 8.75% (basic rate), 33.75% (higher rate) and 39.35% (additional rate).

Inheritance tax

No further changes were announced to the inheritance tax nil-rate band and residence nil-rate

band; thresholds are maintained at the current level until April 2028.

Geographical scope of agricultural property relief and woodlands relief from inheritance tax

The government will introduce legislation in Finance Bill 2023-24 to restrict the scope of agricultural property relief and woodlands relief to property in the UK.

Property located in the European Economic Area (EEA), the Channel Islands and the Isle of Man will be treated the same as other property located outside the UK. The changes will take effect from 6 April 2024.

Capital gains tax: reduce the annual exempt amount

As previously announced, the annual exemption amount for capital gains tax for individuals will change, from £12,300 to £6,000 from April 2023, then £3,000 from April 2024.

SDLT

Stamp duty land tax (SDLT) cuts for England and Northern Ireland will remain in place until 31 March 2025. From 23 September 2022, the nil-rate threshold of SDLT was increased from £125,000 to £250,000 for all purchasers of residential property in England and Northern Ireland and the nil-rate threshold paid by first-time buyers increased from £300,000 to £425,000.

As a reminder, the maximum purchase price for which First Time Buyers' Relief can be claimed was increased from £500,000 to £625,000. This will be a temporary SDLT reduction, which will remain in place only until 31 March 2025.

Help with childcare

A phased package of support has been announced for help with childcare costs for accessing 30 hours of childcare for children over nine months old. The free childcare will be available for 38 weeks of the year.

Government grants to install electric vehicle charge points

You can potentially claim 100% of the costs of installing an electric vehicle charging point as a capital allowance. The [government extended](#) 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.

VAT

No further changes to the VAT thresholds have been announced, and the VAT registration and deregistration thresholds at £85,000 will not change for a further period of two years from 1 April 2024.

From 1 May 2023 the VAT exemption on healthcare is extended to include medical services carried out by staff directly supervised by registered pharmacists.

Legislation will be introduced to digitise the DIY housebuilders' scheme and will extend the time limit for making claims from three to six months.

Help for energy costs

The current Energy Price Guarantee which provided support for household energy bills until 31 March 2023 will now be extended to 30 June 2023.

Support for businesses is available and further detail about eligibility can be found [here](#).

Business rates

The Chancellor previously confirmed that the planned revaluation for England will proceed in April 2023 and the government has set out details on how this will be delivered following stakeholder feedback. In Scotland the poundage rate will be frozen at 48.9p for 2023/24. In Wales, the Welsh Government will freeze the multiplier for 2023/24 at 0.535.

Plastic Packaging Tax rate

The government will uprate the Plastic Packaging Tax rate, in line with CPI, from 1 April 2023. The tax came into force on 1 April 2022 and is currently charged at a rate of:

- £200 per tonne from 1 April 2022
- £210.82 per tonne from 1 April 2023.

Recovery loan scheme

The [Recovery Loan Scheme](#), launched in April 2021 to help businesses recovering from the pandemic, has been extended to 2024. Details of

the scheme and eligibility criteria can be found on the British Business Bank website [FAQs](#).

Additional resources for HMRC

The government is investing a further £47.2m to improve HMRC's capability to collect tax debts, including supporting those who are temporarily unable to pay.

It is unclear if this is in addition to the Autumn Budget announcement of the investment of a further £79m over the next five years to enable HMRC to allocate additional staff to tackle more cases of serious tax fraud and address tax-

compliance risks among wealthy taxpayers. This investment was forecast to bring in £725m of additional tax revenues over the next five years.

Unfortunately, no announcement was made on additional resources to improve the current service levels that impact businesses and their agents. We will continue to highlight the need for the service to improve and be adequately funded.

This is a basic guide prepared for clients. It should not be used as a definitive guide since individual circumstances may vary. Specific advice should be obtained, where necessary.
