

Bullimores' Notes and Commentary on the Chancellor's Budget 15 March 2023



Remaining vigilant

The Chancellor was in better spirits in delivering this Budget than in November, buoyed by the economic forecasts that suggest inflation is set to fall later this year and that a 'technical' recession would be avoided. Caution was still the watch word, as must always be the case with such forecasts.

The bad news and tax increases for the upcoming year had already been given in the last two full statements, which were interspersed with a mini budget that sent the economy into a tailspin. There was little relief in this Budget from those tax increases for the average taxpayer or for smaller businesses.

The Office of Tax Simplification has been officially disbanded. This was announced in September 2022 by Chancellor Kwarteng as he wished to mandate HM Treasury and HM Revenue & Customs to focus on simplifying the tax code. A review of the voluminous documents produced to support this Budget would suggest that there is a lot of work to be done here. They should start with the mess that has been created around claims for research and development. It has the hallmarks of "on the hoof policy making".

The abolishment of the pension Lifetime Allowance came as a surprise when a raise to £1.8m was predicted by most. It will be seen as a benefit to only a few; however, if it means that senior NHS staff are retained, as well as experienced people in other sectors, then it will benefit all. Those who wish to save more for their retirement now have an annual allowance of £60,000, subject to a £260,000 earnings threshold.

The extension of free childcare will provide a much needed boost to the workforce. There are many parents, and a disproportionate number of women, for whom going to work makes little financial sense as things stand. We are glad that the Chancellor has addressed this as a priority and would argue strongly that the programme should be accelerated given the immediate shortages of certain skills in the economy.

Investment by UK businesses is needed in order to compete with the rest of the world. Introducing a 'full expensing' relief in addition to the Annual Investment Allowance of £1m will be an encouragement to predominantly larger companies to invest heavily in qualifying assets. This will encourage spending and lower the effective rate of corporation tax for those companies. However, why is this once again only companies and not partnerships or sole traders, despite the representations made by sectors such as farming?

In all, many will see this as quite a boring Budget with relatively few announcements. We applaud the boring nature, since businesses need a period of stability and time to plan without the risk that announcements are going to have to be reversed or policy changes made. It is not just because we are accountants! In order for the UK to attract the most talented entrepreneurs and innovative business, the general level of taxation must be lowered as soon as it is possible to do so.

"Politicians are the same all over. They promise to build bridges, even where there are no rivers."

Nikita Khrushchev

"An economist doesn't know how to make money, but he claims to know what to do with it once someone else makes money."

Amit Kalantri, Wealth of Words

Income Tax and National Insurance Contributions

- Additional rate tax band £125,140. Effective 6 April 2023.
- Dividend tax allowance cut to £1,000. Effective 6 April 2023.
- Lower profits threshold for Class 2 NIC £12,570. Contribution rate £3.45 per week. Effective 6 April 2023.
- Class 3 voluntary contributions £17.45 per week. Effective 6 April 2023.
- Qualifying care relief increased for foster carers and shared lives carers. Effective 6 April 2023.

Pensions and Savings

- Lifetime allowance limit or charge. Effective 6 April 2023.
- Annual allowance limit increased to £60,000. Effective 6 April 2023.
- Money purchase annual allowance and minimum tapered annual allowance £10,000. Effective 6 April 2023.
- Adjusted income threshold for tapered annual allowance increased to £260,000. Effective 6 April 2023.
- Maximum commencement lump sum to be retained at £268,275 (25% of current lifetime allowance limit).
- Lump sums taxed at 55% for some individuals above LTA at marginal income tax rates. Effective 6 April 2023.
- Top up payments for individuals with total income below personal allowance that save into a pension scheme using a net pay arrangement. Effective 6 April 2025.

Trusts and Estates

- Income of up to £500 exempt from income tax. Effective 6 April 2024.
- Remove default basic rate and dividend ordinary rate of tax applying to the first £1,000 slice of discretionary trust income. Effective 6 April 2024.
- Beneficiaries of UK estates no longer to pay tax on income distributed within the the £500 limit for PRs. Effective 6 April 2024.

**Bullimores are licenced to assist with non-contentious probate.
Please speak with us for further details.**

Capital Gains Tax

- Annual exempt amount for individuals cut to £6,000, most trustees £3,000. Effective 6 April 2023.
- Anti-avoidance legislation on share arrangements where UK close company shares are exchanged for those in a non UK company. Effective 17 November 2022.
- Anti-avoidance legislation regarding disposals on an unconditional contract, companies and individuals. Effective 1 April 2023 (6 April 2023 for individuals).
- Rollover reliefs extended to LLP's and Scottish Partnerships on disposal of joint interest in land and private residences. Effective 6 April 2023.
- Transfers of assets between spouses in the process of separating to be allowed more time to claim CGT relief. Effective for disposals made on or after 6 April 2023.
- Separate identification of cryptoassets on self-assessment tax returns. Effective 2024/2025 tax returns.

Business Taxes

- Main rate corporation tax for profits over £250,000 confirmed at 25%. Effective 1 April 2023.
- Small profits rate corporation tax threshold £50,000 at 19%. Effective 1 April 2023.
- Marginal relief available for profits between £50,000-£250,000. Effective 1 April 2023.
- Super deduction of 130% for qualifying expenditure ends 31 March 2023.
- Annual investment allowance to continue for qualifying expenditure up to £1m.
- Full expensing relief for companies at 100% for main rate capital expenditure and 50% for special rate capital expenditure added for qualifying expenditure (in addition to AIA). Effective 1 April 2023.
- First year allowance 100% electric vehicle charge points extended to 31 March 2025 (5 April 2025 income tax).

- Global minimum tax rate for Groups with annual revenue of €750m, top up tax where effective overall rate is less than 15%. Effective accounting periods ending on or after 31 December 2023.
- Requirement for a documented transfer pricing agreement in accordance with OECD guidelines for Groups with annual revenue of €750m.

Research and Development

- Research and Development allowances revised. Effective 1 April 2023:
 - SME scheme for qualifying expenditure to 186% from 230%
 - SME payable tax credit for qualifying expenditure to 10% from 14.5% (Intensive SME 14.5%)
 - RDEC R&D expenditure credit for qualifying expenditure to 20% from 13%
- Reliefs for film tax, high end TV, videogames, animation, children's TV to 34%. Effective 1 April 2024.
- New procedures for R&D claims to include informing HMRC of the intention to claim R&D tax relief within 6 months of the end of the accounting period (effective for accounting periods starting on or after 1 April 2023), provide additional digital information and breakdown of expenditure (all claims after 1 August 2023).
- Seed Enterprise Investment Scheme able to raise £250,000, gross asset limit increased to £350,000, age limit on a qualifying trade 3 years and annual investor limit £200,000. Effective 6 April 2023.

Employee Incentive Schemes

- Employee Management Incentive (EMI). Requirement to notify within 92 days following grant will be altered to 6 July following the end of the tax year. Effective 6 April 2024.
- Company share option plan able to issue £60,000 to employees. Effective 6 April 2023.

The annual allowance for pension contributions rises to £60,000 on 6 April 2023. Consider contributions earlier to make use of the 2022/2023 allowance of £40,000.

VAT and Insurance Premium Tax

- New VAT late payment interest, penalties and repayment interest rules are in operation.
- VAT extension for healthcare to be extended to services carried out by staff directly supervised by registered pharmacists in the UK. Effective 1 May 2023.

Duties and Cars

- Alcohol duty structure to be reformed. Effective 1 August 2023.
- Domestic producers of alcohol to have a new digital system in late 2024.
- Draught relief introduced to help UK pubs. Effective 1 August 2023.
- Vehicle excise duties for cars, vans and motorcycles to increase in line with RPI. Effective 1 April 2023.
- HGV levy to be reformed August 2023.

ATED

- ATED charges to increase by inflation. Effective 1 April 2023.

Energy

- Extension of energy price guarantee at £2,500 average until June 2023.
- Profits levy 35% 1 January 2023 to 31 March 2028.
- Fuel duty rates cuts of 5p extended by a further 12 months.

Further Issues/Announcements

- New investment zones designated in the UK giving additional support and tax reliefs.
- Office of tax simplification abolished.

- Assignment of income tax repayments to third parties abolished (including tax agents).
- Restriction of charitable reliefs to UK Charities. Effective 15 March 2023 with some transitional arrangements until April 2024.
- Homes for Ukraine – certain reliefs from ATED and SDLT for dwellings made available for occupation by qualifying individuals.
- Homes for Ukraine – confirmation that thank you payments made by local authorities will not be subject to income tax or corporation tax. Effective 15 March 2022.
- Social Investment Tax Relief closed to new investments from 6 April 2023.

New Consultations/Reviews and Discussions

- Continuing review of R&D and the merger of the various schemes.
- Occupational health incentives provided by employers – aiming to increase investment.
- Share Incentive Plan and Save As You Earn scheme to be reviewed.
- Evidence to be gathered regarding VAT relief for energy saving materials.
- Responses to reform of VAT rules on fund management being considered.
- VAT on financial services consultation ongoing.
- Extension for the cash basis of calculating profits for the self employed under review.

This Report was prepared immediately after the Chancellor's Budget based on official press releases and supporting documentation. The Statement proposals are subject to amendment before the Finance Act receives Royal Assent. This Report is for guidance only, and professional advice should be obtained before acting on any information contained herein.

RATES 2022/23 and 2023/2024

INCOME TAX RATES	2022/2023	2023/2024
Basic rate – 20%	£37,700	£37,700
Higher rate – 40%	£150,000	£125,140
Additional rate – 45%	over £150,000	over £125,140
Savings income rate - 0% starting rate	£5,000	£5,000
Dividends ordinary rate 8.75%; upper rate 33.75%; additional rate 39.35%		

PERSONAL ALLOWANCES	2022/2023	2023/2024
Allowances that reduce taxable income		
Personal allowance *	£12,570	£12,570
Transferable marriage allowance for non-higher rate taxpayers	£1,260	£1,260
Dividend allowance	£2,000	£1,000
Personal savings allowance for basic rate taxpayers	£1,000	£1,000
Personal savings allowance for higher rate taxpayers	£500	£500
* Personal allowance gradually withdrawn for all individuals when income exceeds £100,000		

VALUE ADDED TAX	From 1 April 2022	1 April 2023
Registration threshold	£85,000	£85,000
De-registration threshold	£83,000	£83,000

2023/2024 NATIONAL INSURANCE CONTRIBUTIONS			Employer	Employee
Class 1* (not contracted out)				
Weekly earnings bands				
	up to £242		Nil	Nil
	£242 - £967		13.8%	12%
	over £967		13.8%	2%
payable until reaching State Pension age				
Class 1A	On relevant benefits		13.8%	
Class 2*	Self employed		£3.45 per week	
	Limit of net earnings for exception		£6,725 per annum	
Class 3	Voluntary		£17.45 per week	
Class 4*	Self employed on profits £12,570 - £50,270		9%	
	Self employed on profits over £50,270		2%	
* Exemption tax the year after reaching retirement age.				

CORPORATION TAX	2022	2023	2024
Main rate	19%	25%	25%
Small profits rates (Lower threshold £50,000; Upper threshold £250,000)	N/A	19%	19%

CAPITAL TAXES	2022/2023	2023/2024
Capital gains tax annual exemption	£12,300	£6,000
Capital gains tax rate - basic rate taxpayer	10%	10%
Capital gains tax rate - higher rate taxpayer	20%	20%
Surcharge on carried interest and residential property (that does not qualify for private residence relief)	8%	8%
Rate on gains subject to business asset disposal relief	10%	10%
Business asset disposal relief lifetime limit of gains	£1,000,000	£1,000,000
Inheritance tax nil rate band	£325,000	£325,000
Married couples and civil partners - max	£650,000	£650,000
Residence nil rate band limit	£175,000	£175,000
Taper threshold for residence nil rate band	£2,000,000	£2,000,000

COMPANY CARS

- P11d Benefits**
- Table of taxable percentage of the list price for 2022/2023.
 - Diesel supplement of 4% to petrol percentages below to a maximum of 37% (no supplement if RD2E standard met)

<u>CO₂ in g/km</u>	<u>Electric mileage range</u>	<u>%</u>	<u>CO₂ in g/km</u>	<u>Electric mileage range</u>	<u>%</u>
Zero	-	2	95 to 99	-	24
1 to 50	130 and above	2	100 to 104	-	25
1 to 50	70 to 129	5	105 to 109	-	26
1 to 50	40 to 69	8	110 to 114	-	27
1 to 50	30 to 39	12	115 to 119	-	28
1 to 50	less than 30	14	120 to 124	-	29
51 to 54	-	15	125 to 129	-	30
55 to 59	-	16	130 to 134	-	31
60 to 64	-	17	135 to 139	-	32
65 to 69	-	18	140 to 144	-	33
70 to 74	-	19	145 to 149	-	34
75 to 79	-	20	150 to 154	-	35
80 to 84	-	21	155 to 159	-	36
85 to 89	-	22	160 and over	-	37
90 to 94	-	23			

The exact CO₂ figure is always rounded down to the nearest 5 grams per kilometre. For example, CO₂ emissions of 188g/km are treated as 185g/km.

2022/2023 EMPLOYER PROVIDING FUEL FOR PRIVATE USE
Free fuel for private use – multiplier is £25,300

VAT FUEL SCALE CHARGE – 3 MONTH CHARGE FROM 1 MAY 2022 to 30 APRIL 2023

CO₂ BAND in g/km	VAT FUEL CHARGE 3 month period, £	VAT ON 3 MONTH CHARGE @ 20%, £	FUEL SCALE CHARGE (Net amount), £
120 or less	174.00	29.00	145.00
125	262.00	43.67	218.33
130	279.00	46.50	232.50
135	296.00	49.33	246.67
140	314.00	52.33	261.67
145	332.00	55.33	276.67
150	349.00	58.17	290.83
155	367.00	61.67	305.83
160	385.00	64.17	320.83
165	402.00	67.00	335.00
170	419.00	69.83	349.17
175	437.00	72.83	364.17
180	454.00	75.67	378.33
185	472.00	78.67	393.33
190	490.00	81.67	408.33
195	507.00	84.50	422.50
200	525.00	87.50	437.50
205	543.00	90.50	452.50
210	559.00	93.17	465.83
215	577.00	96.17	480.83
220	595.00	99.17	495.83
225 or more	612.00	102.00	510.00

Please refer to Bullimores if you are applying fuel scale charges for a 12 month or 1 month period. There are also different rates for hybrid cars.

COMPANY VANS

The taxable benefit for company vans with no restrictions on private use is £3,600, with no reduction for older vans. Electric vans reduce the benefit. There is an additional £688 taxable benefit for fuel for private mileage.