



GUIDE TO THE SPRING BUDGET 2023

**Blue Rocket Accounting guide to
the Spring Budget March 2023**



Blue Rocket Accounting are a crew of accountants on a mission to help businesses, like yours, grow. Unsurprisingly, we provide the usual range of accounting services. But, we are far from the grey two-piece suit wearing, jargon-speaking stereotype in our approach. At Blue Rocket, our team is capable of far more than just number crunching. Where we come into our own is in our ability to think creatively and proactively, identifying areas where we can help fuel your business' growth.

Contact Us

Tel: 01322 555442

Email: happytohelp@bluerocketaccounting.com

bluerocketaccounting.com

It's not rocket science, just great accounting!

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.

Benefits and State Pension

As confirmed at Autumn Statement 2022, the government will also increase benefits, including the State Pension, paid to recipients in the tax year to 5 April 2024 by 10.1%.

This increase in the State Pension means that most pensioners will receive £10,600 in 2023/24, where they have 35 qualifying years. Individuals are being urged to check their contribution record on their Government Gateway account and consider making Class 3 voluntary National Insurance (NI) contributions in respect of missing qualifying years. Normally it is only possible to make voluntary NI contributions for the past 6 tax years, but until 31 July 2023, it is possible to go back as far as 6 April 2006 and pay additional contributions at the 2022/23 Class 3 rate of £15.85 per week.

In-year Class 3 contributions for 2023/24 will increase to £17.45 per week.

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

	2023/24	2022/23
Income tax rates – England and Wales (non-dividend income)		
0% lower rate tax – savings rate only	Up to £5,000	Up to £5,000
20% basic rate tax	£12,571 to £50,270	£12,571 to £50,270
40% higher rate tax	£50,271 to £125,140	£50,271 to £150,000
45% additional rate tax	Above £125,140	Above £150,000
Scottish income tax rates (non-dividend income) Scottish taxpayers pay the same tax as the rest of the UK on dividends and savings interest		
19% starting rate tax	£12,571 to £14,732	£12,571 to £14,732
20% basic rate tax	£14,733 to £25,688	£14,733 to £25,688
21% intermediate rate tax	£25,689 to £43,662	£25,689 to £43,662
42% higher rate tax (41% for 22/23)	£43,663 to £125,140	£43,663 to £150,000
47% top rate (46% for 22/23)	Above £125,140	Above £150,000

Income Tax

Personal tax thresholds – i.e. 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.

The personal allowance and basic rate band threshold are now frozen in place until 5 April 2028. As earnings increase, individuals will move into higher tax bands. This is often referred to as 'fiscal drag' because it will raise more tax without the government increasing income tax rates.

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.

Business Taxes

National Insurance Contributions (NIC) for the self-employed in 2023/24

Self-employed individuals are required to pay Class 2 and Class 4 NICs if their profits exceed £12,570. These NICs are usually collected with the individual's income tax self-assessment payments.

For 2023/24, Class 2 NICs are calculated at £3.45 per week and Class 4 NICs are calculated at 9% on profits between £12,570 and £50,750, and at 2% on profits over £50,750.

Making Tax Digital (MTD) for Income Tax

Under MTD for Income Tax, businesses will keep digital records and send a quarterly summary of their business income and expenses to HMRC using MTD-compatible software. These requirements will not be phased in until April 2026, starting with sole traders and property landlords with gross income over £50,000. Other individuals subject to Income Tax will follow at a later stage.

Tax Relief for expenditure on plant and machinery

The Annual Investment Allowance (AIA), giving 100% tax relief to unincorporated businesses and companies investing in qualifying plant and machinery, is now permanently set at £1million.

The super-deduction, which gives enhanced 130% relief for new qualifying plant and machinery acquired by companies, will end on 31 March 2023.

As a replacement for the super-deduction, 'full expensing' (effectively 100% tax relief, called a 'First Year Allowance' (FYA)) will be available to companies incurring expenditure on new qualifying plant and machinery between 1 April 2023 and 31 March 2026. The qualifying criteria is quite broad although there are exclusions, including cars and features integral to a building (for example, heating systems). With regard to 'integral features', a



smaller 50% FYA will be available. Subsequent disposals of assets on which one of these FYAs has been claimed will trigger a clawback of tax relief at a rate of 100% or 50% of the disposal proceeds, depending on the rate of the original relief. These new FYAs will mainly be of interest to companies that have already fully utilised their £1million AIA.

The separate 100% FYA for electric vehicle charge points remains available for unincorporated businesses and companies until Spring 2025.

Unincorporated businesses and their accounting year-ends

Unincorporated businesses that prepare annual accounts to a date other than 31 March or 5 April will soon need to adopt a new process for how the profits or losses arising in those accounts are reported to HMRC.

At present, 'basis period' rules apply that broadly allow annual accounts that end in a tax year to act as the basis of profits or losses arising in that tax year.

This new system starts with transitional rules in the tax year ending on 5 April 2024 (2023/24). Going forwards, actual profits or losses arising in a tax year must be reported to HMRC, but this does not necessarily require a change in accounting year-end.

Unfortunately, this will make it harder for some self-employed individuals to predict their income tax liabilities, but we will be on hand to help you.

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.

In the 2023 Autumn Statement, the inheritance tax nil rate band was frozen at £325,000 until April 2028. The residence nil rate band will also remain at £175,000 and the residence nil rate band taper will continue to start at £2 million.



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.

This change will mean that those disposing of capital assets will pay more tax, where the new lower allowance is exceeded.

Couples who are in the process of separating, or who have commenced divorce proceedings, need to be aware of new rules taking effect from 6 April 2023 concerning the transfer of capital assets between them as a result of their separation.

If you are planning any capital disposals, please contact us to discuss the best strategy for the disposal.

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.

[Jump to full SDLT Budget Detail >>](#)



Help with Childcare

Additional support is being provided towards childcare costs in what the government describe as a 'childcare revolution'. This includes 30 hours of free childcare for every child over the age of 9 months, with support being phased in until every eligible working parent of under 5s gets this support by September 2025. The free childcare will be available for 38 weeks of the year.

For Universal Credit claimants, the government will also pay childcare costs in advance rather than arrears, when parents move into work or increase their hours. The maximum they can claim will also be boosted to £951 for one child and £1,630 for two children, an increase of around 50%.

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.

Since 1 January 2023, a new penalty regime has been in operation for late VAT return submission and late payment of VAT. The new system is designed to target more persistent offenders, with penalties escalating quickly where defaults reoccur.

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.

The Energy Price Guarantee (EPG) brings a typical household energy bill in Great Britain down to around £2,500 per year. It has now been announced that the £2,500 EPG will be

extended by 3 months to 30th June 2023, before increasing to £3,000 until the end of the EPG period on 31 March 2024. This extra 3 months at £2,500 will be worth £160 for a typical household.

In Northern Ireland, a similar scheme operates, reducing typical household energy bills to around £2,109 per year. This has also been extended at the same rate until 30th June 2023.

A new scheme for businesses, charities and the public sector has been confirmed. The Business Energy Bills Discount Scheme will run until 31 March 2024, giving non-domestic customers discounts on their gas and electricity bills.

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.

Company Cars and Other Benefits

Employees are required to pay income tax on certain non-cash benefits. For example, the provision of a company car constitutes a taxable 'benefit in kind'. Employers also pay Class 1A NIC at 13.8% on the value of benefits.

The set percentages used to calculate company car benefits are fixed until 5 April 2025 before slight increases apply to most car types, including electronic and ultra-low emission, from 6 April 2025.

More imminently, the figures used to calculate benefits-in-kind on employer-provided vans, van fuel (for private journeys in company vans), and car fuel (for private journeys in company cars) will increase in line with the Consumer Price Index (CPI) from 6 April 2023. These will become:

- Van benefit £3,960
- Van fuel benefit £757
- Car fuel benefit multiplier £27,800

Share Options

From 6 April 2023, the Company Share Option Plan (CSOP) employee share options limit will increase from £30,000 to £60,000. Additionally, restrictions on the types of shares eligible for CSOP options will be lifted.

Simplifications will also be made to the process to grant Enterprise Management Incentive (EMI) options. From 6 April 2023, there will no longer be a requirement for the company to set out any restrictions to the shares being acquired in the option agreement and the employee will no longer have to sign a working time declaration.

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.

Stamp Duty Land Taxes: UK

ENGLAND & NORTHERN IRELAND: STAMP DUTY LAND TAX (SDLT) RATES

Residential properties: 23 September 2022 onwards

Property value	UK residents		Non-UK residents	
	Only property	Additional property	Only property	Additional property
Up to £250,000	Nil	3%	2%	5%
Next portion from £250,001 to £925,000	5%	8%	7%	10%
Next portion from £925,001 to £1,500,000	10%	13%	12%	15%
Remaining amount above £1,500,000	12%	15%	14%	17%

Residential properties: 1 October 2021- 22 September 2022

Property value	UK residents		Non-UK residents	
	Only property	Additional property	Only property	Additional property
Up to £125,000	Nil	3%	2%	5%
Next portion from £125,001 to £250,000	2%	5%	4%	7%
Next portion from £250,001 to £925,000	5%	8%	7%	10%
Next portion from £925,001 to £1,500,000	10%	13%	12%	15%
Remaining amount above £1,500,000	12%	15%	14%	17%

Note 1: From 1 April 2016, higher rates of SDLT apply on purchases of additional properties by individuals. This rate is also payable by companies and other entities.

Note 2: From 1 April 2021, non-UK residents purchasing a residential property in England and Northern Ireland will be subject to a 2% SDLT surcharge in addition to the main rate SDLT payable by UK residents.

Note 3: Higher rates do not apply while replacing main residence, subject to meeting certain conditions or for purchases under £40,000.

SDLT for first-time buyers from 23 September 2022 - 31 March 2025 (note 4)	Rates of tax
Up to £425,000	Nil
Next portion from £425,001 to £625,000	5%
Remaining amount above £625,000	Standard rates apply

SDLT for first-time buyers from 1 July 2021-22 September 2022	Rates of tax
Up to £300,000	Nil
Next portion from £300,001 to £500,000	5%
Remaining amount above £500,000	Standard rates apply

Note 4: From 23 September 2022, first-time buyers are eligible to apply for a relief for properties up to the value of £625,000. If the property price is over £625,000, existing SDLT rates apply on the full price as described in the above tables. These temporary changes are implemented until 31 March 2025 via the Stamp Duty Land Tax (Temporary relief) Act 2023.

Note 5: Sliding-scale rates do not apply when residential property is acquired by certain corporates and 'non-natural persons' (companies, partnerships with a company as a partner and collective investment schemes) for more than £500,000. Instead, these entities pay a flat rate of 15% SDLT (17% for non-UK resident entities), subject to relief for qualifying activities or bodies. 'Non-natural persons' may also be subject to the Annual Tax on Enveloped Dwellings (ATED) regime.

Non-residential properties or mixed-use properties

Property or lease premium or transfer value	Rates of tax
Up to £150,000	Nil
The next portion from £150,001 to £250,000	2%
The remaining amount above £250,000	5%

New leasehold properties: SDLT rates on net present value (NPV) of rent

Residential property	Non-residential or mixed-use properties	Rates of tax
Up to £125,000	Up to £150,000	Nil
Over £125,000	Next portion from £150,001 to £5m	1%
	Over £5m	2%

SCOTLAND: LAND AND BUILDINGS TRANSACTION TAX (LBTT) RATES

Residential properties: from 16 December 2022

Property or lease premium or transfer value	Only property rates	Additional property rates (note 8)
Up to £145,000 (note 7)	Nil	6%
Next portion from £145,001 to £250,000	2%	8%
Next portion from £250,001 to £325,000	5%	11%
Next portion from £325,001 to £750,000	10%	16%
Remaining amount over £750,000	12%	18%

Note 7: First-time Buyer Relief continues to apply in Scotland, increasing the nil-rate band from £145,000 to £175,000 for first-time buyers.

Note 8: Higher rates do not apply while replacing main residence, subject to meeting certain conditions or for purchases under £40,000. The 6% rate will apply to transactions entered into on or after 16 December 2022. For transactions entered into on or before 15 December 2022, the previous 4% rate will apply.

Non-residential properties or mixed-use properties

Property or lease premium or transfer value	Rates of tax
Up to £150,000	Nil
Next portion from £150,001 to £250,000	1%
Remaining amount over £250,000	5%

Non-residential leasehold properties: Net present value (NPV) of rent

NPV of rent payable	Rates of tax
Up to £150,000	Nil
Next portion from £150,001 to £2m	1%
Remaining amount over £2m	2%

WALES: LAND TRANSACTION TAX (LTT) RATES

Residential properties: from 10 October 2022

Property value	Only property rates	Additional property rates
Up to £225,000 (note 9)	Nil	4.0%
Next portion from £225,001 to £400,000	6%	10.0%
Next portion from £400,001 to £750,000	7.5%	11.5%
Next portion from £750,001 to £1.5m	10.0%	14.0%
Remaining amount over £1.5m	12.0%	16.0%

Note 9: The nil-rate band for transactions from 10 October 2022 was increased to £225,000 from £180,000.

Non-residential properties or mixed-use properties

Property or lease premium or transfer value	Rates of tax
Up to £225,000	Nil
Next portion from £225,001 to £250,000	1%
Next portion from £250,001 to £1m	5%
Remaining amount over £1m	6%

Non-residential leasehold properties: LTT rates on NPV of rent

NPV of rent payable	Rates of tax
Up to £225,000	Nil
Next portion from £225,001 to £2m	1%
Remaining amount over £2m	2%

Stamp duty

Stamp duty payable on transfer of shares and securities is 0.5%, subject to the value of the consideration being above £1,000.

Shares transferred to a clearance service or depositary-receipt issuer as a result of the exercise of an option are charged at a higher rate of stamp duty of 1.5% based on either their market value or the option strike price, whichever is higher. The change applies to options exercised on or after 23 March 2016 which were entered into on or after 25 November 2015.



March 2023

BLUE ROCKET ACCOUNTING LTD LEGAL NOTICE

This technical factsheet is for guidance purposes only. It is not a substitute for obtaining specific legal advice. While every care has been taken with the preparation of the technical factsheet, neither Blue Rocket Accounting Limited nor its employees accept any responsibility for any loss occasioned by reliance on the contents.

ACCA LEGAL NOTICE

This is a basic guide prepared by ACCA UK's Technical Advisory Service for members and their clients. It should not be used as a definitive guide since individual circumstances may vary. Specific advice should be obtained, where necessary.