

Spring Budget 2023

Michael Ball, Tax Partner
Kelly Goodchild, Tax Manager

Webinar 16th March 2023



Streets Chartered Accountants



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Corporation Tax & Businesses

- Rate of corporation tax to increase to 25% (for profits above £250,000)
 - Chancellor says this only affects 10% of Companies
- Super deduction ends and is replaced with “Full Expensing”.
 - Deduction at 100% for unlimited qualifying expenditure
 - Initially for 3 years
- AIA also to remain at £1million
- Research and Development Relief

Research & Development Tax Relief

Previously announced:

- For SMEs there are changes to the rate of additional reduction
 - Down to 86% from 130%
- Also reduction in the tax credit rate – Down to 10% from 14.5%

Now Announced:

- Additional deduction for those with 40% or more of total expenses on R&D.

Income Tax Basis Period Reforms

- Fully in place from April 2024
- 2023/24 is transitional year
- Currently taxed based on accounting period that ends in a tax year.
- From April 2024 will be taxed on profit of the tax year. i.e. 6 April – 5 April. (Tax year Basis)
- Don't have to change accounting date
 - But will result in apportioning of accounting period profits each year

Trust and Estate Tax

Following consultation the following is changing from 2024/25 onwards:

- Trusts and Estates with income up to £500 do not pay tax on that income.
 - Restricted to minimum of £100 if multiple trusts
- Income distributed from this £500 limit is not taxable on Beneficiaries
- Removal of the £1,000 standard rate band for discretionary trusts

National Insurance

- Previous increases in NIC rate increases were reversed from 6 November
- Health and Social Care Levy cancelled
- Class 1 for 23/24:
 - Employees 12% and 2% above upper earnings limit
 - Employers 13.8%
- Extended window for voluntary Class 3 payments
 - to fill gaps in contributions
 - use state pension checker

Rates and Allowances

- Frozen:
 - Personal Allowance £12,570
 - Basic rate band to £37,700 @ 20%
- Higher rate band @ 40% reduced to £125,140 (was £150,000)
- Additional rate @ 45% over £125,141
- Personal Allowance still reduced by £1 for every £2 over £100,000
- Dividend rate still at increased amount 8.75%, 33.75% & 39.35%
- Nil rate dividend down to £1,000 then £500

Rates and Allowances

- Transferrable marriage Allowance £1,260
- IHT threshold £325,000 plus NRPB £175,000 until 2025/26
- CGT Annual exemption
 - £6,000 from April 2023
 - £3,000 from April 2024
 - It is estimated that 260,000 individuals and trusts will be brought into the scope of CGT for the first-time

Employment Taxes

- Importance of getting the correct tax code
 - Codes for new tax year 2023/24 now all issued – check!
- If around the £100,000 mark consider salary sacrifice or pension contribution to preserve personal allowance

Employment Taxes - Cars

- Benefits in kind
- Fully Electric vehicles now attract a benefit in kind albeit very low:
 - 2022/23/24 & 25 2%
- Announced that 1% increase each year thereafter up to
- 5% Hybrid vehicles
 - Vehicles below 75g CO2 will increase by 1% to a maximum of 21%
- All other vehicles
 - 1% increase from 2025/26 up to a maximum of 37%

Childcare

- 30 Hours Free childcare from 9 months up to 5 years
- Staff ratio from 1:4 to 1:5 for two year olds and above
- Scheme to encourage schools to provide wraparound care
- Tax-free childcare scheme
 - Up to £2,000 a year for each child
 - Every £8 you pay in the government tops up £2
 - Set up by parent, they pay in the funds and arrange payment to childcare provider



The Budget 2023

Sam Tindale /Managing Director/ Tower House Wealth Management

Partner Practice of St. James's Place Wealth Management



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- Key announcements
- Annual Allowance explained
- Lifetime Allowance explained
- Planning opportunities in 23/24
- Other considerations



Key announcements

- ◆ Lifetime Allowance – GONE!
- ◆ Tax Free cash limit £268,275
- ◆ Pension Annual Allowance – Increased to £60,000!
- ◆ Money Purchase Annual Allowance – Increased to £10,000!
- ◆ Restricted Annual Allowance remains in place

Annual Allowance explained

- ◆ How much you can pay into a pension each year personally or via an employer/ company.
- ◆ Increased from £40,000 – £60,000 (maximum possible)
- ◆ Taper applies to high earners – the adjusted income level required for the tapered annual allowance to apply to an individual increases from £240,000 to £260,000 on 6 April 2023 and the minimum amount they can be tapered to will increase to £10,000. £2 of income = £1 of lost allowance.
- ◆ Money purchase annual allowance for those who have flexibly accessed benefits – £4,000-£10,000
- ◆ Carry forward for 3 prior tax years

Lifetime allowance explained

- ◆ Introduced in 2006
- ◆ Reduced in 2012 / 2014 / 2016 / 2018
- ◆ Maximum tax of up to 55% of excess over LTA
- ◆ Transitional protections applied – what will this mean going forward?
- ◆ Currently was at £1,073,100 – 22/23
- ◆ Age 75 rule removed
- ◆ Now totally removed meaning unlimited savings
- ◆ Tax Free cash limit £268,275

Planning opportunities in 23/24

- ◆ Increase regulars – Max annual allowance on a monthly basis – £5,000 PCM
- ◆ Max single payments – £60,000 – CT saving of £15,000 assuming CT at 25%
- ◆ Carry forward – max contribution of £180,000 – potential CT saving of £45,000
- ◆ Potential to void fixed protections – tbc! Be aware of historic protections..
- ◆ More potential to regain lost personal allowance – £100-125k earnings those up to £160k income on an annual basis could fully regain PA.
- ◆ Offset the new lower 45% additional rate tax bracket – 125k

Other considerations

- ◆ ISA allowance remains at £20,000 per tax year
- ◆ CGT is still falling - £6,000 – unwrapped investments and shares
- ◆ Dividend allowance reducing to £1,000 – unwrapped investments and shares
- ◆ IHT remains frozen at a maximum of £500,000 per person

Further information and advice

- Please speak to your usual Streets contact
- Visit www.streetsweb.co.uk
- Email info@streetsweb.co.uk

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