SPRING 2023 BUDGET

MAIN TAX ANNOUNCEMENTS

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Introduction

Chancellor Jeremy Hunt opened his first full Budget speech by declaring that it was a 'budget for growth'. He emphasised that this would be 'long term, sustainable, healthy growth'. This compared to Kwasi Kwarteng's ill-fated September 2022 speech at the same despatch box which was titled 'the Growth Plan'. The Office for Budget Responsibility reported it thought it unlikely to be any growth in 2023, but the UK is likely at least to avoid a recession.

After the turmoil of four Chancellors of the Exchequer and three fiscal statements in 2022, it was to be expected that Hunt would try to avoid too many surprises. As usual, there was plenty of speculation about what he might do. Some hoped that better than expected tax revenues would encourage him to be generous. In the event, the great majority of the tax announcements had been made in advance, and most of the speech concentrated on spending plans.

Even so, there were some striking headlines on tax, including the abolition of the limit on tax advantaged pension savings and the introduction of unlimited 100% expense deductions for company investment in new plant which were more generous than most predictions. There were measures to encourage 'economically inactive' people back into the workforce, ranging from increasing the provision of free childcare to the introduction of 'returnerships', being apprenticeships for people over 50.

The announcement of significant tax changes several times a year, to apply from different dates, makes it hard to keep track of what is changing, when the changes will apply, and how they affect one's finances.

In our summary, we have set out the latest proposals and their impact, but also included some significant measures from other earlier announcements as a reminder of their importance. If you would like to discuss what it all means for you, we will be happy to help.

Key announcements made by the chancellor yesterday included the following:

- Personal tax rates and allowances on income and capital gains, and National Insurance Contributions, confirmed for 2023/24 as announced in the Autumn Statement
- Pension savings thresholds significantly increased: from 6 April 2023, Annual Allowance rises from £40,000 to £60,000 and Lifetime Allowance Charge is abolished; maximum tax-free lump sum remains 25% of Lifetime Allowance, i.e. £268,275
- Increase in limit for shares granted under CSOPs confirmed at £60,000
- SEIS limits increased from 6 April 20123 including investor limit doubled to £200,000
- Confirmation of corporation tax rate increase from 19% to 25% from 1 April 2023 on profits over £250,000 and marginal rate of 26.5% on profits between £50,000 and £250,000

- ‘Super-deduction’ for plant and machinery bought by companies up to 31 March 2023 replaced by 100% first-year allowance for qualifying capital expenditure, without upper limit, for three years from 1 April 2023
- Improvements to R&D tax reliefs from 1 April 2023
- 12 Investment Zones to be established throughout UK with incentives for investment and employment announcement
- Energy Price Guarantee retained at £2,500 for the average household for another 3 months to 30 June 2023
- Significant expansion of free childcare provision to be phased in from April 2024
- Introduction of ‘returnerships’ to encourage over 50’s back into work

Personal Income Tax

Tax rates and allowances – 2023/24 (Table A)

The Autumn Statement included the announcement that the main personal allowance and the 40% threshold will remain at their 2022/23 levels until the end of 2027/28. This represents a tax increase where income rises from year to year. For example, a person with a salary of £50,270 would pay £7,540 in income tax in 2022/23. If their income increases by 10% to £55,297 in any of the years to 2027/28, all of the increase will be taxed at 40%, and they will pay £9,551.

The income level above which the personal allowance is tapered away remains £100,000. It will be reduced to zero when income is £125,140. For 2023/24, this is also the threshold for paying 45% tax (reduced from £150,000). For someone earning over £150,000 purely in salary, this represents a tax increase of £1,243. The amount varies if income includes dividends, which are subject to different rates.

The High Income Child Benefit Charge continues to apply to the higher earner of a couple where one receives Child Benefit and either of them has income of more than £50,000. The clawback of the benefit creates a high effective marginal rate of tax until it is all withdrawn once income reaches £60,000.

Scottish rates and allowances – 2023/24 (Table A)

The Scottish Parliament sets its own tax rates and thresholds for Scottish taxpayers for non-savings, non-dividend income. Up to 2022/23, Scottish rates included a starter rate that was 1% below the basic rate in the rest of the UK, and intermediate, higher and top rates that were 1% above the rest of the UK equivalents. As shown in the table, the Scottish Budget in December 2022 increased the higher and top rates for 2023/24 by a further percentage point to 42% and 47%, and matched the rest of the UK's cut in the top rate threshold to £125,140. The Welsh Government has similar powers for Welsh taxpayers, but has not varied the main UK rates.

Dividend income

The dividend allowance exempts some dividend income from tax, although it still counts towards the higher rate thresholds. For 2023/24, the allowance is reduced from £2,000 to £1,000, and it is to be reduced again to £500 for 2024/25. This increases the tax liabilities of those with dividend income above those levels, and will also require more people to file tax returns to declare those tax liabilities.

The tax rates on dividend income over £1,000 remain unchanged from the tax year 2022/23. The ordinary rate, paid by basic rate taxpayers, is 8.75%, the upper rate is 33.75% and the additional rate is 39.35%. These rates apply across the UK.

The 33.75% rate also applies to tax payable by close companies (broadly, those under the control of five or fewer shareholders) on 'loans to participators' that are not repaid to the company within 9 months of the end of the accounting period, where the loan is advanced on or after 6 April 2022.

The reduction in the dividend allowance and the increase in the tax rates increases the relative attractiveness of holding shares in a tax-free ISA or in a Venture Capital Trust. Dividends arising in an ISA or a qualifying VCT are not taxed and do not count towards the allowance.

Employee Benefits - Company cars and fuel

The basis for taxing company cars and fuel provided for private use is set out in Table C.

The charges are currently fixed until the end of 2024/25, and the Autumn Statement included confirmation of the rates going forward until 2027/28. The rates continue to incentivise the take-up of electric vehicles, even though they can no longer be provided completely tax-free.

The provision of a van available for private use gives rise to a tax charge on a deemed income figure of £3,960 (up from £3,600), plus £757 if fuel is also provided free (up from £688). An electric van available for an employee's private use does not give rise to a tax charge.

National Living Wage and National Minimum Wage

The National Living Wage will increase by 9.7% for individuals aged 23 and over to £10.42 per hour from 1 April 2023. Other rates of National Living Wage will rise from the same date by different percentages.

Company Share Ownership Plans (CSOPs)

As announced in September 2022, the limit on the value of shares that can be subject to CSOP options when granted to employees will be doubled to £60,000 with effect from 6 April 2023, along with some other relaxations to align the rules better with Enterprise Management Incentive scheme options and to enable more companies to use the schemes.

ISA limits

The investment limits for 2023/24 remain £20,000 for a standard adult ISA, within which £4,000 may be in a Lifetime ISA (unchanged since 2017/18), and £9,000 for a Junior ISA or Child Trust Fund.

The government intends to restrict the management of these investment funds to financial institutions with a UK presence from April 2024.

Pension contributions (Table B)

The generous tax reliefs given to registered pension funds are limited in amount by two main rules: the Annual Allowance (AA) and the Lifetime Allowance (LTA).

The AA has capped the amount that can be put into a tax-favoured pension fund at £40,000 a year, which is reduced where the person earns over £240,000 a year down to a minimum of £4,000 (at an earnings level of £312,000 or above). Contributions made above the AA by either the individual or their employer are subject to a tax charge.

This has caused difficulties particularly for employees in final salary schemes, where the rules calculate a 'deemed contribution' based on their accrued pension benefits at the beginning and end of the year. This can produce unpredictable and substantial tax charges, and has been blamed for some senior doctors deciding to retire early.

From April 2023, the AA is increased to £60,000 with the taper beginning at £260,000, and the minimum AA will be £10,000. The Money Purchase Annual Allowance, which applies where someone has started to draw taxable benefits from a money purchase pension scheme and then wishes to make further contributions will also be increased from £4,000 to £10,000.

The LTA has capped the total amount that can be saved in a tax-favoured pension scheme. It was introduced in 2006 at £1.8 million, but had been reduced several times and in 2022/23 stands at £1,073,100. The Autumn Statement provided for this to be frozen along with other allowances until the end of 2027/28. If the pension fund value exceeds the LTA when benefits are first taken from the fund, and again at age 75, the excess has been subject to a tax charge at 25% if the excess is left in the fund to be drawn as taxable income, and at 55% if it is drawn out as a lump sum.

There were rumours before the Budget that the old limit of £1.8 million would be restored, but instead the Chancellor announced that LTA charges would be abolished altogether from 6 April 2023. The maximum amount that can be drawn as a tax-free lump sum remains 25% of the current LTA (25% x £1,073,100 = £268,275) unless the person is entitled to 'protection' in relation to the original introduction of the LTA or any of the subsequent reductions of the limit. The LTA will be abolished altogether next year and a separate rule will be brought in to limit the tax-free lump sum.

This may encourage people who have stopped contributing to funds because they are over or near the LTA to consider further investments. The problem with pension schemes is that the rules change many times over the life of the scheme, and the most relevant ones are those in force when benefits are taken.

A change of government could possibly lead to a reintroduction of something similar to the LTA charge, that ought to be mitigated by transitional rules such as 'fixed protection', but it would be prudent to bear in mind the possibility that this very substantial tax cut for those with the largest pension pots might not be permanent.

Taking pension benefits

The minimum age at which people can first access their tax-advantaged pension scheme benefits is currently 55, but will be increased to 57 with effect from 6 April 2028. That increase will affect those who were born on or after 6 April 1973. In spite of speculation that this might be raised again, no announcement was made in the Budget.

Seed Enterprise Investment Scheme (SEIS)

As announced in September 2022, the annual investment limit for investors will be doubled to £200,000 from 6 April 2023. Also from 6 April 2023, the amount that companies will be able to raise will increase from £150,000 to £250,000 and the gross asset limit will be raised from £200,000 to £350,000. The age limit on a qualifying trade will be increased from 2 to 3 years.

Capital Gains Tax

Rates and annual exempt amount

The Autumn Statement included the announcement that the annual exempt amount would be cut from £12,300 to £6,000 for 2023/24 and to £3,000 for 2024/25.

The rates of CGT are unchanged at 10% for basic rate taxpayers and 20% for higher rate taxpayers on general assets, and 18%/28% on residential property and carried interest.

The reduction in the exempt amount will increase the tax payable. It is also likely to require more people to complete self-assessment returns in order to report chargeable gains. Anyone with gains of more than the exempt amount has to report them. If gains are lower than the exempt amount, up to 2022/23 it has only been necessary to file CGT pages of the self-assessment return if the proceeds of sale are four times the annual exempt amount (£49,200). From 2023/24, the reporting limit is set at £50,000.

CGT for separating spouses

Currently, tax neutral ('no gain, no loss') transfers between spouses (where the recipient takes over the CGT cost of the transferor) are only available where they have been married and 'living together' in the tax year. This means that they cease to be regarded as married from the end of the tax year in which they permanently separate, giving relatively little time (particularly if they separate late in a tax year) to organise asset transfers without triggering CGT charges. Transfers after the end of the tax year of separation are treated as made at market value, which may crystallise a chargeable capital gain for the transferring spouse.

The window for making tax neutral transfers is to be extended to the earlier of 3 years following the end of the tax year of separation, and the date of divorce. This will be effective for transfers from 6 April 2023, irrespective of the date of separation. Also, transfers as part of a formal divorce settlement under a court order will take place at no gain, no loss without time limit.

From 6 April 2023, where a departing spouse retains an interest in the family home, it will be possible to elect for the retained interest in the former matrimonial home to continue to be eligible for main residence relief, instead of another property that is simultaneously eligible for relief. Where the departing spouse retains a right to a share of the proceeds when the property is eventually sold, the departing spouse's gain made on disposal of that right (i.e. when the subsequent sale proceeds are received) will qualify for main residence relief, to the extent it was available on their original disposal.

Preventing CGT avoidance through share exchange

As announced at Autumn Statement 2022, the government will legislate in Spring Finance Bill 2023 to address tax avoidance so that shares and securities in a non-UK company acquired in exchange for securities in a UK close company will be deemed to be located in the UK. This measure will have effect where an individual has a material interest in both the UK and the non-UK company and where the share exchanges are carried out on or after 17 November 2022.

Corporation Tax

Rate of tax

On 1 April 2023, the rate of corporation tax will increase from 19% to 25% for companies with profits over £250,000.

Since 1 April 2017, all corporate profits have been taxed at the same rate. The ‘small profits rate’ that applied before that will be reintroduced at 19% for companies with profits of up to £50,000.

Between £50,000 and £250,000 there will be a tapering calculation that produces an effective marginal rate of 26.5% on profits between these limits, but an average rate on all profits of between 19% and 25%. The limits will be divided between companies that have been under common control at any time in the previous 12 months, whether UK resident or not.

Companies with an accounting period that straddles 31 March 2023 will time apportion the profits of that period to be taxed at the two different rates. A company with a 30 September 2023 accounting date that makes a large profit on a transaction before 31 March 2023 will pay 25% tax on 6/12 of it. If a short accounting period is ended on 31 March 2023, that large profit will all be taxed at 19%.

Capital allowances for plant and machinery

The March 2021 Budget introduced enhanced allowances for qualifying expenditure on plant and machinery (P&M) incurred from 1 April 2021 to 31 March 2023 by companies.

They can claim a ‘super-deduction’, providing allowances of 130% on new P&M investment that would ordinarily qualify for 18% writing down allowances (WDAs) in the main capital allowance pool. On special rate pool assets, including integral plant on buildings, they can claim a first-year ‘special rate allowance’ of 50% on new P&M investment that would ordinarily qualify for 6% WDAs in the special rate pool.

The intention of the super-deduction was to encourage investment that might otherwise be delayed by companies wanting to claim a deduction against profits taxable at 25%. There are complex rules to prevent the benefit of the super-deduction being relieved at that higher rate.

In the most significant announcement in the Budget, as measured by the total amount of tax involved according to the government’s forecasts, the Chancellor replaced the super-deduction with a 100% first-year allowance (called ‘full expensing’ in the speech) for qualifying new P&M investment by companies for the three years from 1 April 2023 to 31 March 2026. He also said that he intended to make this relief ‘permanent’ as soon as it was prudent to do so. New ‘special rate’ P&M assets will qualify for a 50% FYA in the same period.

The 100% Annual Investment Allowance (AIA), which is available to unincorporated businesses as well as companies, is confirmed at £1 million a year ‘permanently’.

This has the same effect as a 100% FYA, but it covers some special rate assets as well as general plant and machinery. It also applies to the purchase of second-hand P&M, whereas the super-deduction and new FYA are for investment in new assets. With limited exceptions, cars do not qualify for the new FYA or the AIA.

Research & Development (R&D)

The government currently encourages R&D via two different schemes - the 'enhanced expenditure' scheme for small and medium enterprise (SME) companies and the Research and Development Expenditure Credit (RDEC) for large companies.

RDEC is a taxable expenditure credit, which will increase from 13% to 20% for expenditure from 1 April 2023.

For SME expenditure from 1 April 2023, the additional deduction for qualifying revenue expenditure decreases from 130% to 86%. This means that each £100 spent is treated as £186 for tax purposes, rather than £230.

The SME scheme also allows loss-making companies to surrender their loss relating to R&D expenditure in exchange for a payable tax credit. From 1 April 2023, this credit is reducing from 14.5% to 10%. A loss-making company with, say, £20,000 of qualifying R&D expenditure, will see its payable tax credit reduce from £6,670 to £3,720 as a result of these changes.

The Chancellor also announced that a new credit rate will be available to SME loss-making companies whose R&D expenditure constitutes at least 40% of total expenditure. Qualifying companies will be able to claim a payable credit rate of 14.5% for qualifying R&D expenditure, instead of the new 10% credit rate under the existing SME scheme.

The government will legislate in the Spring Finance Bill 2023 to reform the R&D reliefs. The legislation will apply generally to accounting periods starting on or after 1 April 2023, except for the requirement to provide additional information, which will apply to all claims made on or after 1 August 2023.

Previously announced changes include:

- the creation of two new categories of qualifying expenditure for R&D tax relief: data licences and cloud computing services.
- mandating companies to inform HMRC of their intention to make a claim for R&D tax relief using a new digital form within 6 months of the end of the accounting period in which the expenditure is incurred. This measure is intended to allow HMRC to perform more upfront compliance checks on new claimants, so companies that have claimed R&D tax reliefs in any of the previous three years will be exempted from this requirement.

Previously announced restrictions on some overseas expenditure will now come into effect from 1 April 2024 instead of 1 April 2023.

Audio-visual tax reliefs

The film, TV and video games tax reliefs will be reformed, becoming expenditure credits instead of additional deductions from early 2024.

The new Audio-Visual Expenditure Credit will replace the current film, high-end TV, animation and children's TV tax reliefs. Film and high-end TV will be eligible for a credit rate of 34% and animation and children's TV will be eligible for a rate of 39%.

The expenditure threshold for high-end TV will remain at £1 million per hour.

The new Video Games Expenditure Credit will have a credit rate of 34%. Qualifying expenditure for the Video Games Expenditure Credit will be expenditure on goods and services that are used or consumed in the UK.

Games that have not concluded development on 1 April 2025 may continue to claim EEA expenditure under the current video games tax relief until this relief ends in April 2027.

Cultural reliefs

The government intends to temporarily extend, for two years, the rate rises of three corporation tax reliefs: Theatre Tax Relief (TTR), Orchestra Tax Relief (OTR) and Museums and Galleries Exhibition Tax Relief (MGETR).

The previously increased rates will continue for 2 further years until 1 April 2025, giving relief at up to 50%. The rates will then taper down from 1 April 2025 before returning to original levels from 1 April 2026, except MGETR, which will be abolished from that date.

Multinational top-up tax and domestic top-up tax

As announced at Autumn Statement 2022, the government will legislate in the Spring Finance Bill 2023 to implement the globally agreed G20-OECD Pillar 2 framework in the UK.

The legislation will introduce a multinational top-up tax which will apply to large UK headquartered multinational groups where their operations in a foreign jurisdiction have an effective tax rate of less than 15%. The measure would also apply to non-UK headquartered groups with UK members that are partially owned by third parties or where the headquartered jurisdiction does not implement the Pillar 2 framework.

The legislation will also introduce a supplementary domestic top-up tax which will require large groups, including those operating exclusively in the UK, to pay a top-up tax where their UK operations have an effective tax rate of less than 15%.

These changes will apply to large groups with over €750 million global revenues and will take effect in relation to accounting periods beginning on or after 31 December 2023.

Transfer pricing documentation

As announced on 20 July 2022, the government will introduce legislation in the Spring Finance Bill 2023, with supporting regulations, to require businesses operating in the UK, which are part of a large multinational enterprise (with global revenues of €750 million or more), to prepare transfer pricing documentation, including a master file and local file, in accordance with the OECD transfer pricing guidelines.

This measure will apply to accounting periods beginning on or after 1 April 2023.

In addition, HMRC will continue to consult on the introduction of a Summary Audit Trail, detailing the steps undertaken by a UK business in preparing its transfer pricing documentation.

Inheritance Tax

Rates

Last year's Autumn Statement fixed the IHT nil rate band at £325,000 until the end of 2027/28.

Holding the threshold at the same amount for 19 years from 6 April 2009 will bring far more people into the scope of the tax. However, the £175,000 'residential nil rate band enhancement' on death transfers can reduce the impact where it applies.

A married couple may now be able to leave up to £1 million free of IHT to their direct descendants (£325,000 plus £175,000 from each parent), but the rules are complicated, and the prospect of the nil rate band being fixed for another 5 years increases the importance of proper IHT planning.

Restrictions

The only change to IHT in the March Budget was the announcement that reliefs applicable to woodlands and agricultural property will be restricted to land in the UK with effect for transfers made on or after 6 April 2024.

National Insurance Contributions (NIC)

Thresholds and rates (Table D)

NIC became very complicated in 2022/23 with thresholds and rates changing twice during the year after Chancellor Sunak introduced an increase to help pay for social care following the pandemic. Chancellor Kwarteng reversed that increase. Chancellor Hunt announced in the Autumn Statement that the rates and most thresholds will be fixed going forward to the end of 2027/28, and no further changes have been made in the Spring Budget.

The upper limits for employee and self-employed contributions remain aligned with the point at which 40% income tax is payable (£50,270 per year, or £967 per week), and are frozen at that level until the end of 2027/28. The Lower Earnings Limit and Small Profits Threshold have only been fixed for 2023/24.

As with the freezing of income tax thresholds, the freezing of NIC rate thresholds represents a tax increase as pay rises. However, the significance of the increase is complicated, because employees pay NIC at 12% up to the Upper Earnings Limit of £50,270 and only 2% above that.

The impact of the freeze is therefore proportionately higher on someone whose pay increases from £30,000 to £33,000 (£360 more in NIC) than someone whose pay increases from £60,000 to £66,000 (£120 more in NIC).

The Scottish higher rate of income tax applies at a lower level than in the rest of the UK (above £31,092 of taxable income in excess of allowances rather than above £37,700). Scottish taxpayers can be liable to higher rate income tax and full primary NIC on the same income (42% plus 12% in 2023/24).

Employment Allowance

The Employment Allowance reduces employers' NIC for small businesses employing at least two people being paid above the Class 1 NIC Secondary Threshold, if the total employers' NIC bill did not exceed £100,000 in the previous year. The EA remains unchanged at £5,000 for 2023/24.

Value Added Tax

Registration threshold

The VAT registration and deregistration thresholds will remain frozen at their present levels of £85,000 and £83,000 until 31 March 2026. This will tend to require more businesses to register for the tax as they grow, and therefore represents a small tax-raising measure.

Healthcare reliefs

The Budget included two measures to 'keep up with changes in how the NHS operates'. From 1 May 2023, VAT exemption will be extended to healthcare services provided by staff directly supervised by registered pharmacists. In the autumn, zero rating will be extended to medicines supplied on prescriptions through Patient Group Directions.

Other Measures

Cost of living support

The Chancellor began his speech with measures directed at help with energy costs.

The Energy Price Guarantee (EPG), which limits the amount that energy suppliers can charge consumers, will be maintained at £2,500 for a further 3 months. It will increase to £3,000 on 1 July 2023 rather than 1 April. The EPG restricts the standard tariff that can be charged so that the amount payable by an 'average household' should not exceed the stated figure although the actual energy bills of individual households will vary.

The Chancellor also confirmed, as expected, that the 5p cut in fuel duty will be retained for the next year, and the rate will be frozen for the second year running. This will save the average motorist £200 over the period when compared with the increases in duty that were originally planned.

Childcare

The Chancellor announced significant increases in free childcare in order to encourage more people to enter or re-enter the workforce. However, the new provision will not be available immediately.

From April 2024, working parents of 2 year-olds will be able to access 15 hours of free childcare per week, benefiting parents of up to 285,000 children. This will be extended to working parents of 9 month to 2 year-olds from September 2024, benefiting parents of up to 640,000 children.

From September 2025, all eligible working parents of children aged 9 months up to 3 years will be able to access 30 free hours per week. These provisions will apply for 38 weeks a year.

Investment Zones

The Chancellor announced that the government would establish 12 new Investment Zones throughout the UK to provide a catalyst for high-potential knowledge intensive growth clusters.

The government has invited local partners in eight areas in England to begin discussions on establishing Investment Zones, and is working closely with the devolved administrations to establish how the Zones will be delivered in Scotland, Wales and Northern Ireland.

Investment Zones will have access to a single 5 year tax offer matching that in Freeports, consisting of enhanced rates of capital allowance, structures and buildings allowance, and relief from SDLT, Business Rates and Employer NICs.

Investment Zones will have access to flexible grant funding to support skills and incentivise apprenticeships, provide specialist business support and improve local infrastructure, dependent on local requirements.

Local partners will be able to choose the number and size of tax sites, within the £80 million envelope, up to a maximum of 3 sites totalling 600 hectares. The amount of grant funding will depend on the number and size of tax sites.

Further details of the five-year tax package and grant funding available to businesses in Zones will be announced in due course.

Foreign charities

The government will restrict charitable tax reliefs to UK charities and Community Amateur Sports Clubs only from April 2023. This is intended to 'focus UK taxpayer money on UK charities'.

EU and European Economic Area charities that HMRC has accepted before 15 March 2023 as qualifying for charity tax reliefs will continue to enjoy those reliefs for a transitional period until April 2024.

Making Tax Digital

HMRC confirmed in December that Making Tax Digital for Income Tax Self-Assessment (MTD for ITSA) will be delayed by a further two years, until April 2026.

The new legislation will come into effect in April 2026 for businesses, self-employed individuals and landlords with gross income over £50,000, and in April 2027 for those earning over £30,000.

Spring Budget Income Tax Rates, Reliefs and Allowances

Income Tax Rates and Allowances (Table A)

Main allowances	**2023/24**	**2022/23**
Personal Allowance (PA)*†	£12,570	£12,570
Blind Person's Allowance	2,870	2,600
Rent a room relief §	7,500	7,500
Trading income §	1,000	1,000
Property income §	1,000	1,000

*PA will be withdrawn at £1 for every £2 by which ‘adjusted income’ exceeds £100,000. There will therefore be no allowance given if adjusted income is £125,140 or more.

†£1,260 of the PA can be transferred to a spouse or civil partner who is no more than a basic rate taxpayer, where both spouses were born after 5 April 1935.

§ If gross income exceeds this, the limit may be deducted instead of actual expenses.

Rate Bands	**2023/24**	**2022/23**
Basic Rate Band (BRB)	£37,700	£37,700
Higher Rate Band (HRB)	37,701-125,140	37,701-150,000
Additional rate	over 125,140	over 150,000
Personal Savings Allowance (PSA)		
– Basic rate taxpayer	1,000	1,000
– Higher rate taxpayer	500	500
Dividend Allowance (DA)	1,000	2,000

BRB and additional rate threshold are increased by personal pension contributions (up to permitted limit) and Gift Aid donations.

Rate Bands			**2023/24**			**2022/23**
Rates differ for General, Savings and Dividend income within each band:						
	G %	**S %**	**D %**	**G %**	**S %**	**D %**
Basic	20	20	8.75	20	20	8.75
Higher	40	40	33.75	40	40	33.75
Additional	45	45	39.35	45	45	39.35

General income (salary, pensions, business profits, rent) usually uses personal allowance, basic rate and higher rate bands before savings income (mainly interest). To the extent that savings income falls in the first £5,000 of the basic rate band, it is taxed at nil rather than 20%.

The PSA will tax interest at nil, where it would otherwise be taxable at 20% or 40%.

Dividends are normally taxed as the 'top slice' of income. The DA taxes the first £1,000 (2022/23 £2,000) of dividend income at nil, rather than the rate that would otherwise apply.

High Income Child Benefit Charge (HICBC)

1% of child benefit for each £100 of adjusted net income between £50,000 and £60,000.

Income tax – Scotland	**Rate**	**2023/24**	**2022/23**
Starter rate	19%(19%)	£2,162	£2,162
Basic rate	20%(20%)	2,163 – 13,118	2,163 – 13,118
Intermediate rate	21%(21%)	13,119 – 31,092	13,119 – 31,092
Higher rate	42%(41%)	31,093 – 125,140	31,093 – 150,000
Top rate	47%(46%)	over 125,140	150,000

The Scottish rates and bands do not apply for savings and dividend income, which are taxed at normal UK rates.

Remittance basis charge	2023/24	2022/23
For non-UK domiciled individuals who have been UK resident in at least:		
7 of the preceding 9 tax years	£30,000	£30,000
12 of the preceding 14 tax years	60,000	60,000
15 of the preceding 20 tax years	Deemed to be UK domiciled for tax purposes	

<u>Registered Pensions (Table B)</u>

Registered Pensions	2023/24	2022/23
Annual Allowance (AA)*	£60,000	£40,000
Lifetime Allowance (LTA)	1,073,100	1,073,100

Annual relievable pension inputs are the higher of earnings (capped at AA) or £3,600.

The AA is usually reduced by £1 for every £2 by which relevant income exceeds £260,000 (2022/23: £240,000), down to a minimum AA of £10,000 (2022/23: £4,000).

The AA can also be reduced to £10,000 (2022/23: £4,000), where certain pension drawings have been made.

In 2023/24 there is no LTA charge on excess pensions savings. The maximum tax-free pension lump sum is £268,275 (25% of LTA), unless a higher amount is "protected".

Car and Fuel Benefits (Table C)

Cars

Taxable benefit: List price multiplied by chargeable percentage.

		2023/24 and 2022/23
CO2 emissions g/km	**Electric range Miles**	**All cars %**
0	N/A	2
1-50	>130	2
1-50	70 - 129	5
1-50	40 - 69	8
1-50	30 - 39	12
1-50	<30	14
51-54	N/A	15

Then a further 1% for each 5g/km CO2 emissions, up to a maximum of 37%.

Diesel cars that are not RDE2 standard suffer a 4% supplement on the above figures but are still capped at 37%.

Car Fuel

Where employer provides fuel for private motoring in an employer-owned car, CO2-based percentage from above table multiplied by £27,800 (2022/23: £25,300).

National Insurance Contributions

National Insurance Contributions 2023/24 (Table D)

	Employee	**Employer**
Main NIC rate	12%	13.8%
No NIC on first	£242pw	£175pw
Main rate charged up to*	£967pw	no limit
2% rate on earnings above	£967pw	N/A
Employment allowance per qualifying business**	N/A	£5,000

*Nil rate of employer NIC on earnings up to £967pw for employees aged under 21, apprentices aged under 25 and ex-armed forces personnel in their first twelve months of civilian employment.

Employer contributions (at 13.8%) are also due on most taxable benefits (Class 1A) and on tax paid on an employee's behalf under a PAYE settlement agreement (Class 1B).

Class 2 (Self employed)

Flat rate per week if profits above £12,570	£3.45

If profits are less than £6,725, Class 2 must be paid voluntarily to maintain entitlement to full state benefits (including the state pension).

Class 3 (Voluntary)

Flat rate per week	£17.45

Class 4 (Self employed)

On profits £12,570 – £50,270	9%
On profits over £50,270	2%

ROBINSON RUSHEN

March 2023

<u>Note</u>

This summary has been prepared from the Chancellor’s speech and documents made available by HMT and HMRC. The proposals are subject to amendment before the Finance Act is passed.

You are recommended to seek professional advice before taking or refraining from any action on the basis of the contents of this publication.

If you would like further details on the tax provisions within the Autumn Statement, please contact Keith Rushen on 0044 (0)207 486 2378.