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budget newsletter

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In this edition

THE BUDGET BACKGROUND

It may not have seemed like it, but the Budget on 15 March was the first in almost seventeen months. The last formal Budget was on 27 October 2021, three Prime Ministers and four Chancellors ago. In 2022 there were plenty of statements from the various Chancellors, but none was given the imprimatur of Budget, even though the media branded several as 'mini-Budgets'.

The reality is that the last two such announcements contained spending and tax changes bigger than most genuine Budgets. Kwasi Kwarteng's 'Growth Plan' announcement in September 2022 had a bottom line of £45bn extra borrowing by 2026/27 to fund a range of tax cuts. Less than two dizzying months later, Jeremy Hunt's Autumn Statement delivered £55bn of tax *increases* by 2027/28, having reversed much of Mr Kwarteng's proposals.

November 2022's Autumn Statement set out a raft of measures that would normally have arrived in a Budget, such as the reduced additional rate tax threshold and deep cuts to the dividend allowance and capital gains tax (CGT) annual exemption. Although the Chancellor did not say as much, the sequence of events has been more like an Autumn Budget followed by a Spring Statement.

Mr Hunt's November and March outings have both been accompanied by a weighty Economic and Fiscal Outlook (EFO), issued by the Office for Budget Responsibility (OBR). As the short-lived, OBR-eschewing, Truss Government demonstrated, EFOs matter to the markets. The latest edition follows the changes in the UK's economic performance and expectations over winter. The picture remains a difficult one:

- Last November, the OBR forecast the UK economy would contract by 1.4% in 2023. In line with other forecasters, including the Bank of England, the OBR has become less pessimistic and is now projecting a much more modest decline of 0.2% for 2023 with growth returning in 2024, up from the 1.3% projected in November to 1.8% in the latest EFO. However, thereafter, growth is less than previously projected.

- At the time of the Autumn Statement, the CPI inflation reading was 11.1% (for October 2022). That now appears to have been the peak, with the January 2023 annual inflation figure at 10.1% (February's figures will appear on 22 March). In November, the OBR projected 2023 inflation to average 7.4%. It now has reduced the figure to 6.1% and end the year at 2.9%. That reflects a view that inflation will drop sharply in the second half, as the sharp energy price increases of 2022 drop out of comparison in the year-on-year data. The Bank of England has a similar perspective, pencilling in a 4% year end reading.

- Government borrowing in the first ten months of 2022/23 was £30bn below the OBR forecast, thanks to better than expected inflows of income tax, national insurance (NICs) and corporation tax and lower than projected Government spending. However, the debt pile has now accumulated to over £2,500bn and the OBR forecasts further borrowing of £131.6bn for 2023/24. The cost of servicing the UK's Government's debt is projected to be around £114.7bn in 2022/23 and £94.0bn in 2023/24, in both instances about a tenth of total Government expenditure. That explains why one of Mr Sunak's five pledges is to reduce debt.

With an election due next year and borrowing still high, the Chancellor was not expected to produce any significant tax surprises in this Budget. However, the OBR's more bullish assumptions about growth gave Mr Hunt scope to reveal some interesting and quite expensive announcements in his 'Budget for growth', including:

- The effective abolition of the pension lifetime allowance (LTA), an increase to the annual allowance to a maximum of £60,000 and a more than doubling of the money purchase annual allowance (MPAA) to £10,000.

- A continuation of the Energy Price Guarantee at its current £2,500 level to the end of June.

- An extension of 30 hours working families' free childcare provision to cover children aged nine months to two years by September 2025. In parallel, the childcare element of Universal Credit will be substantially increased and the payment made in advance, rather than in arrears, for those moving into work or increasing their hours.

- A new 100% fully expensed capital allowance to replace the expiring super-deduction and encourage companies to invest over the next three years.

- A watering down of the changes to SME Research & Development (R&D) tax credits announced last November.

In this Newsletter we look at the impact of both the changes announced in the Budget and those revealed last November on various groups of taxpayers. The categorisation is inevitably rather arbitrary, so it pays to read all sections. Similarly, several of the tax planning points – such as those listed below in our 12 Quick Tax Tips – are universal.

If you need further information on how you will be affected personally, you are strongly recommended to consult your financial adviser.

12 Quick Tax Tips

1. Don’t waste your (or your partner’s) £12,570 personal allowance.
2. Don’t forget the personal savings allowance (PSA), reducing tax on interest earned.
3. Don’t ignore the dividend allowance, a saving tax of up to 39.35% on £1,000 of dividends in 2023/24.
4. Don’t dismiss NICs – they are really a tax at up to 25.8%.
5. Think *marginal* tax rates – the system now creates 60% (and higher) marginal rates.
6. ISAs should be your first port of call for investments and then deposits.
7. Even if you’re eligible for a Lifetime ISA (LISA), you still might find a pension is a better choice.
8. Tax on capital gains is usually lower and paid later than tax on investment income.
9. Trusts can save inheritance tax (IHT), but suffer the highest rates of CGT and income tax.
10. File your tax return on time to avoid penalties and the taxman’s attention.
11. If you are entitled to a company car, going hybrid or electric could slash your tax bill.
12. Don’t assume HMRC won’t find out: *evasion* is always illegal.

INVESTORS AND SAVERS

The personal allowance

The personal allowance was frozen at £12,570 in the March 2021 Budget and, following last year's Autumn Statement, will remain at that level until the end of the 2027/28 tax year. Had it received the normal inflationary increase, the allowance for 2023/24 would have risen to £14,265. At the other end of the income scale, some taxpayers will have no personal allowance in 2023/24 (or future tax years up to 2027/28) because their income exceeds £125,140. The tapering of the personal allowance starts at £100,000 and reduces the allowance to nil at £125,140 – also the coming tax year's new (and much reduced) threshold for additional/top rate tax.

If you or your partner do not fully use the personal allowance, you could be paying more tax than necessary. There are several ways to make sure you maximise use of your allowances:

- Choose the right investments: some investments do not allow you to reclaim tax paid while others are designed to give capital gain, not income.

- Couples should consider rebalancing investments so that each has enough income to cover their personal allowance.

- Make sure that in retirement you (and your partner) each have enough pension income. On its own, state pension provision is not enough, be it the new state pension (up to £203.85 a week in 2023/24) or the old state pension of £156.20 a week (if you reached your state pension age (SPA) before 6 April 2016).

- If one of you pays tax at no more than basic rate and the other is a non-taxpayer, check whether it is worth claiming the transferable married allowance (£1,260 in 2021/22, 2022/23 and 2023/24).

The PSA

The PSA first appeared in April 2016 and has been unchanged since then. Broadly speaking, if you are a:

- *basic rate taxpayer*, the first £1,000 of savings income you earn is untaxed;

- *higher rate taxpayer*, the first £500 of savings income you earn is untaxed;

- *additional rate taxpayer*, you do not receive any PSA. Remember, the additional rate threshold falls by almost £25,000 in 2023/24.

'Savings income' in this instance is primarily interest, but also includes gains made on investment bonds, including offshore bonds. Although called an allowance, the reality is that the PSA is a nil rate tax band, so it is not quite as generous as it seems. The PSA means that banks, building societies, National Savings & Investments (NS&I) and UK-based fixed interest collective funds all pay interest without any tax deducted, but they do report payments to HMRC. Thus, if your interest income exceeds your PSA –you could have tax to pay.

Exceeding the PSA limits used to require a substantial amount of capital, but as interest rates have risen, the picture has changed. For example, if you are a higher rate taxpayer with an instant access account paying 3%, then £16,700 is enough to generate annual interest above your PSA. Be warned that if you do not tell HMRC, it will have the data to tell you.

If you and your spouse/civil partner receive substantial interest income, it is worth checking that you both maximise the benefit of the PSA. It is also wise to review what interest rates you are currently receiving. As the Treasury Select Committee recently noted, many banks have been distinctly reluctant to pass on the benefit of the ten increases in interest rates (totalling 3.9%) that have come from the Bank of England since December 2021.

The dividend allowance

The dividend allowance also started life in April 2016, originally at a level of £5,000 before it was reduced to the current £2,000 in April 2018. The Autumn Statement 2022 announced two further cuts: to £1,000 in 2023/24 and then to just £500 from 2024/25.

The allowance means that, in 2023/24, the first £1,000 of dividends you receive is not subject to any tax in your hands, regardless of your marginal income tax rate. Once the £1,000 allowance is exceeded, there is a tax charge, the rate of which increased by 1.25% for 2022/23 (and was not abandoned when the 1.25% Health and Social Care Levy was scrapped). Like the PSA, the dividend allowance is really a nil rate band, so up to £2,000 (2022/23) of dividends do not disappear from your tax calculations, even though they are taxed at 0%.

Dividend tax rates

Tax year	Basic rate	Higher rate	Additional rate
2022/23 onwards	8.75%	33.75%	39.35%

The historic yield on UK shares is currently around 3.7% which means, in theory, a UK share portfolio worth more than about £27,000 could attract tax on dividend income in 2023/24, even for a basic rate taxpayer. In 2024/25, that figure will halve.

Planning Point

The two successive halvings of the dividend allowance underline the value of the dividend tax shelter provided by ISAs. Beyond ISAs, investment bonds and pension arrangements can also provide some shelter.

The starting rate tax band

The starting rate band for savings income was launched at £5,000 in 2016/17 and at a tax rate of 0%, and will remain on that basis for 2023/24. Sadly, most people are not able to take advantage of the starting rate tax band: if your earnings and/or pension income exceed £17,570 in 2023/24, then that probably includes you. However, if you (or your partner) do qualify, you will need to ensure you have the right type of investment income to pay 0% tax.

Planning Point

If you don't anticipate using all your personal allowance or PSA in the current tax year, think about creating more income by closing deposit accounts before 6 April and crystallising the interest in this tax year. You may even find a better rate with a new provider, but beware of early closure penalties.

For 2023/24, consider who should own what in terms of investments and savings. Increased savings income and reduced dividend allowances mean it is not simply a question of loading as much as possible on the lowest rate taxpayer of a couple. In theory, you will each be able to receive an income of up to £19,570 tax free in 2023/24, but only if you have the right mix of earnings, savings income and dividends.

CGT

CGT is another investment tax which, last November, attracted the Chancellor's attention as a source of additional revenue. The changes he announced in the Autumn Statement came as something of a surprise. Just about a year previously, the then Chancellor, Rishi Sunak, had dismissed similar looking proposals from the Office of Tax Simplification (OTS) to reform CGT.

Gains are currently taxed as the top slice of income, but the rates are lower than those that apply to income not covered by allowances. Gains are generally taxable at 10% to the extent they fall in the basic rate band (£37,700 in 2022/23 through to 2027/28) and 20% to the extent they fall into the higher or additional rate bands. An additional 8% applies to gains on residential property and carried interest.

The current tax rates and 2022/23 annual CGT exemption meant that, if you could arrange for your investment returns to be delivered in the form of capital gains rather than income, you could often pay no tax on your profits. That picture will change from 2023/24 when the annual exempt amount for capital gains falls from £12,300 to £6,000 before another cut for 2024/25 onwards to £3,000.

Planning Point

If you do not use your £12,300 annual exemption by Wednesday 5 April 2023, you will lose it and a possible tax saving of over £3,400. If you have gains of over the exempt amount to realise, it could be worth deferring the excess until 6 April or later to gain another annual exemption and defer the CGT bill until 31 January 2025. However, remember that the annual exemption will more than halve for 2023/24 and that CGT on residential property gains (e.g. buy-to-let) is payable within 60 days of completion.

Individual Savings Accounts (ISAs)

The annual ISA investment limit for 2023/24 will remain at £20,000 where it was set for 2017/18. There will be no change in the £4,000 limit for the LISA, which was launched in April 2017 to encourage savings by the under-40s. The limit for the Junior ISA (JISA) is also unaltered, at £9,000, as is the Child Trust Fund (CTF) limit.

ISAs have long been one of the simplest ways to save tax, with nothing to report or claim on your tax return. The arrival of the LISA complicated matters, as it sits somewhere between the traditional ISA and a pension plan. If you are thinking of a LISA instead of either of these, you would be well advised to seek advice before taking any action.

Over time, substantial sums can build up in ISAs: if you had maximised your ISA investment since they first became available in April 1999, you would by now have placed over £270,000 largely out of reach of UK taxes. With the cuts to dividend allowances and the CGT annual exemption from 2023/24, such long-term planning has become more valuable.

Planning Point

The first CTF accounts matured in September 2020 as their owners reached 18. The tax benefits continue after maturity as a 'protected account' until instructions to deal with the monies are provided. That is just as well because a new report from the National Audit Office revealed that, in April 2021, there were 145,000 unclaimed CTFs with a total value of nearly £400m – an average of over £2,700 per account. To trace a missing CTF go to www.gov.uk/child-trust-funds/find-a-child-trust-fund.

Venture Capital Trusts (VCTs) and Enterprise Investment Schemes (EISs)

VCTs and EISs have been subject to many rule changes in recent years. Those reforms changed the nature of schemes by raising the element of risk, which included the introduction of an explicit 'risk to capital' requirement. This focused the investment made by VCTs, EISs and seed enterprise investment schemes (SEISs) on young companies where there is a real risk to the capital being invested, and excluded companies and arrangements intended to provide 'capital preservation'.

Interest in VCTs, EISs and SEISs has grown as more aggressive forms of tax planning have come under sustained (and largely successful) HMRC attack and pension opportunities have been further constrained. In 2021/22, VCT fundraising amounted to £1,122m, over two thirds up on the previous tax year. Most of the long-established VCTs started their 2021/22 capital raising ahead of the Budget.

The Autumn Statement confirmed that one of the few proposals announced by Mr Kwarteng to survive would be the extension of the life of all three schemes and, from 2023/24, an increase in the amount SEISs could raise from £150,000 to £250,000 and a doubling of the annual investor limit to £200,000.

Planning Point

The most attractive VCT offers can sell out within 24 hours – well before you read about them in the weekend press. With many offers already open, make sure you let us know as soon as possible if you want to make any VCT investment in this tax year.

Pay later, not now?

For the growing number of higher and additional/top rate taxpayers, there can be a case for considering the options for tax deferral, once the decision on which sector to invest in has been made. The potential advantages and disadvantages of tax deferral include:

- What would be going to the Treasury instead remains invested, enhancing potential returns.

- There is the possibility that tax rates will be lower when the investment is realised. The opposite risk is that the 50% top tax rate could reappear following a change of Government – Scotland's will already be 47% from 2023/24. However, your marginal tax rate could rise anyway because of the impact of frozen (or falling, in the case of additional/top rate) tax bands and allowances - being frozen until 5 April 2028.

- Some tax liabilities might disappear completely. Under current rules there is generally no CGT on death, although several voices, have suggested this relief should be withdrawn.

- The investor may change their country of residence, giving rise to a lower tax rate or possible tax savings during the period of transition between the old and new homes.

There is a variety of tax-deferral options available but, as ever, advice is needed in making the 'customer' a client of HMRC.

ESTATE PLANNERS

Nil rate band

The nil rate band reached its current level of £325,000 in April 2009 and, following the announcement in the Autumn Statement, will remain at that level until 5 April 2028. Had the nil rate band been increased in line with CPI inflation since 2010, it would be about £465,000 in 2023/24 - £140,000 higher.

The frozen nil rate band drags more estates into the IHT net, an effect exacerbated by higher inflation. If your estate is already potentially liable to IHT, the 2028 freeze could mean it will suffer more tax in the future if property and/or investment values increase. Since April 2009, average UK house prices are up by about 70%, according to Nationwide, and UK share prices have more than doubled (March 2009 marked their low point in the wake of the financial crisis).

Residence nil rate band

The residence nil rate band (RNRB) came into effect on 6 April 2017 with an initial figure of £100,000. For 2021/22 through to 2027/28 inclusive, the RNRB is frozen at £175,000. The threshold above which the RNRB is subject to a 50% taper reduction is also fixed until 5 April 2028, at £2,000,000, meaning it is lost altogether for estates valued at £2,350,000 or more (£2,700,000 on second death for couples where the RNRB is unused on first death). While the RNRB does help to ease the burden of IHT for many estates, it is by no means a panacea.

IHT yearly exemptions

The frozen nil rate bands make the yearly IHT exemptions all the more important:

- *The £3,000 annual exemption.* Any unused part of this exemption can be carried forward one tax year, but it must then be used *after* the £3,000 exemption for that year. So, for example, if you made a gift of £1,000 covered by the annual exemption in 2021/22, you can make gifts totalling £5,000 covered by the annual exemption in 2022/23 by 5 April 2023.

- *The £250 small gifts exemption.* You can make as many outright gifts of up to £250 per individual per tax year as you wish free of IHT, provided that the recipient does not also receive any part of your £3,000 annual exempt amount.

- *The normal expenditure exemption.* Any gift that you make is exempt from IHT if:
    - it forms part of your normal expenditure; and
    - taking one year with another it is made out of income; and
    - it leaves you with sufficient income to maintain your usual standard of living.

Future changes?

In July 2019, the OTS made a range of proposals to simplify some of the complexities of IHT. After a prolonged period of procrastination, Rishi Sunak (the then Chancellor) decided to ignore the bulk of the ideas, making only a useful, but technical, change to estate reporting requirements. The current Government's main IHT strategy has been simply to freeze the various monetary limits, thereby allowing inflation to increase revenue in the stealthy manner beloved of Chancellors over the years.

Planning Point

While the current IHT regime is gradually tightening thanks to what economist call 'fiscal drag', it does remain surprisingly generous in its treatment of some lifetime gifts. This could change after the next election, meaning that, if you are considering, for example, help towards a deposit on a child's first house, it could be wise not to delay for too long.

BUSINESS OWNERS

Corporation tax rate

The main rate of corporation tax has been 19% since 1 April 2017. From 1 April 2023, for companies with profits of £250,000 and more, the rate will rise to 25%. For companies with profits of up to £50,000 a revived smaller companies' rate means that a 19% rate will continue. Between £50,000 and £250,000 of profits there will be a new relief which effectively means corporation tax will be 19% on the first £50,000 of profits and 26.5% on the excess.

Capital allowances and R&D allowances

Capital allowances have been subject to a variety of changes in recent years, ostensibly to encourage an increase in business investment.

The Annual Investment Allowance (AIA), which gives 100% initial relief for investment in plant and machinery, was 'temporarily' raised to £1,000,000 from 1 January 2019 and is now fixed at that level, following an announcement in the Autumn Statement.

However, the AIA has largely been eclipsed, *for companies,* by the March 2021 Budget's 'super-deduction' of 130% of the amount invested in qualifying plant and machinery which comes to an end on 31 March 2023. This was introduced to encourage investment before relief was effectively increased by the higher corporation tax rates arriving on 1 April 2023.

In the run up to the Budget there were calls to introduce a replacement for the super-deduction rather than revert to the previous capital allowance regime. The Chancellor has largely met those requests by introducing:

- A 100% first-year allowance for main rate expenditure – known as full expensing; and
- A 50% first-year allowance for special rate expenditure.

These new allowances will apply to companies (*not* the self-employed) incurring qualifying expenditure on the provision of new plant and machinery on or after 1 April 2023 but before 1 April 2026. The cost of these new allowances represents a tax giveaway of over £27bn in the next three fiscal years, in effect handing back more than half of the projected extra revenue from the corporation tax rate rise in those years.

On the R&D front, the Chancellor announced three changes in the Autumn Statement, all of which were legislated to take effect from 1 April 2023:

- The R&D Expenditure Credit (RDEC) rate will increase from 13% to 20%;
- The small and medium-sized enterprises (SME) additional deduction will decrease from 130% to 86%; and
- The SME credit rate will decrease from 14.5% to 10%.

The cuts for SMEs were seen as being driven by the tax cost of the current regime and were widely criticised by those set to be affected. In response, the Chancellor has reinstated a 14.5% SME credit rate for companies with qualifying R&D expenditure that represents at least 40% of their total expenditure.

The Government has also been consulting on the design of a single scheme, and to understand whether further support is necessary for R&D intensive SMEs, without significant change to the overall cost envelope for supporting R&D.

Planning Point

Remember that if your company's financial year straddles 31 March 2023, you could face a composite rate of corporation tax for the current financial year. For example, if your company has profits of over £250,000 and a year end of 30 June, for the financial year ending 30 June 2023 the applicable corporation tax rate will be:

19% x 9/12 + 25% x 3/12 = **20.5%**

Pensions

There have been many important pension changes in recent years, with three major measures announced in this year's Budget:

- The LTA which sets a tax efficient maximum value of pension benefits, will effectively be scrapped from 6 April 2023. LTA charges and the various transitional protections will thus fall away. The Labour Party has already announced it will reverse this move if it wins the next general election.

- The annual allowance, which sets a tax efficient ceiling on total yearly pension contributions, will increase to a maximum of £60,000 from 2023/24. Annual allowance tapering will apply when threshold income exceeds £200,000 and adjusted income exceeds £260,000. The minimum tapered annual allowance will be increased to £10,000 (which will apply when adjusted income is £360,000 or more).

- The MPAA, which is triggered the first time that certain pension benefits are drawn (for example on drawing income under flexi-access drawdown or taking an uncrystallised funds pension lump sum (UFPLS)), will rise to £10,000, also from 2023/24.

- A new cap on the tax-free pension commencement lump sum (tax free cash lump sum) will be introduced from 2023/24. This will be set at £268,275, matching the effective ceiling imposed by 25% of the current LTA. There will be an exception for anyone who already has a protected right to take a higher pension commencement lump sum.

Taken together, these reforms will simplify the pensions tax regime and make it more attractive for high earning individuals, such as hospital consultants, to remain in work rather than take early retirement. The MPAA increase should also encourage some of the already retired to re-join the workforce.

A Budget announcement on increasing the SPA from 67 to 68 between April 2037 and April 2039 had been expected, but Mr Hunt made no mention of this in his speech. Nevertheless, a decision on raising the SPA is due shortly. Any acceleration of the SPA would be controversial, given that projections of life expectancy have been declining in recent years.

Salary sacrifice

In 2017 the Treasury introduced measures to curtail the use of optional remuneration arrangements (OpRA) (salary sacrifice schemes). Most such arrangements are now subject to employer's NICs (and taxed on the employee) based on the amount of salary given up rather than the notional value (if any) of the fringe benefit received.

Salary sacrifice for pension contributions remains favourably treated and fully exempt from the rules. Cars with CO_2 emissions of 75g/km or less – typically electric or plug-in hybrids – are also exempt, which helps to explain why the Tesla Model Y was the third best-selling car in the UK in 2022, despite a then list price of over £50,000.

Planning Point

The exemption given from the OpRA rules to low emission vehicles makes these worth considering if you want to exchange salary for a company car.

Business rates

From 1 April 2023, business rate bills in England will be updated to reflect changes in property values since the last revaluation in 2017. The Autumn Statement announced a range of measures to mitigate the impact of the latest revaluation including:

- A freeze on the business rates multiplier for 2023/24.
- New upwards transitional relief, with 'upward caps' of 5%, 15% and 30%, respectively, for small, medium, and large properties in 2023/24, before any other reliefs or supplements. Unlike in past years, this will not be funded by imposing downward caps for businesses seeing a fall in values.
- An extension of support for eligible retail, hospitality, and leisure businesses with an increase from 50% to 75% business rates relief up to £110,000 per business in 2023/24.

Dividends or salary?

Hitherto operating via a company has created the opportunity to draw income as dividends, free of NICs, and shelter profits at a corporation tax rate that is below the basic rate of income tax – rather than personal tax rates on earnings of up to 45% (47% in Scotland from 2023/24). From April 2023, the increased corporation tax rate for all but the smallest companies, the greater tax on dividends and the lowered additional/top rate tax threshold will change the calculation of relative advantage. Dividends may not be the go-to solution for drawing profits which they have often been.

Dividend or salary revisited

Joan's company will make profits of around £80,000 in the financial year to 31 March 2024. She is already a higher rate taxpayer with income of around £75,000 a year and wants to draw £20,000 of those profits out of the company. The 2023/24 cut in the dividend allowance will mean any dividend she draws will be fully taxable. In past years she would have taken a dividend rather than a bonus, but that does not make financial sense in 2023/24:

	Bonus		**Company dividend**	
	2022/23 £	**2023/24 £**	**2022/23 £**	**2023/24 £**
Gross profit	20,000	20,000	20,000	20,000
Corporation tax			(3,800)	(5,300)
*Employer NIC**	(2,537)	(2,425)		
Gross pay/divi	17,463	17,575	16,200	14,700
Income tax†	(6,985)	(7,030)	(5,130)	(4,961)
*Employee NIC**	(477)	(352)		
Net income	**10,001**	**10,193**	**11,070**	**9,739**

** The Employment Allowance is assumed to be already used or otherwise unavailable. Employer's NIC in 2022/23 is 14.53% and director's is 2.73%, due to the November 2022 rate change.*

† Available dividend allowance assumed to be £1,000 in 2022/23 and nil in 2023/24.

A corollary of the harsher treatment of corporate profits and dividends is that the tax incentive for sole traders and partners to incorporate will not be as strong in 2023/24 as it was in earlier years. However, incorporation is not just about tax and is an area where expert advice is essential.

...Or nothing at all?

For some business owners, the ultimate way to limit their tax bill is to choose to leave profits in the company rather than draw them either as dividend or salary. With the top rate of income tax currently at 45% (47% in Scotland from 2023/24) - and marginal rates potentially much higher - there is an obvious argument for allowing profits to stay within the company, where the maximum marginal tax rate from April will be 26.5%.

This strategy has tax risks in terms of eligibility for business asset disposal relief and IHT business relief. There is also a risk that further reform or abolition of CGT business asset disposal relief (the former entrepreneurs' relief) could increase tax payable, or there could be moves to re-characterise accumulated profits as income for tax purposes on liquidation or sale of the company. IHT reform might also have an impact. Money left in the company is also money exposed to creditors, so professional advice should be sought before turning a business into a money box.

Planning Point

The abolition of the LTA and higher annual allowance may reopen the opportunity to make pension contributions that was closed off, possibly many years ago.

EMPLOYEES

Company cars

The percentage scale charges for company cars in 2023/24 (and 2024/25) will be unchanged from 2022/23. The Autumn Statement announced that:

- The scale percentages for electric and ultra-low emission cars (less than 75g/km CO_2) will increase by 1 percentage point in each year from 2025/26 to 2027/28, subject to a maximum scale percentage of 5% for electric cars and 21% for ultra-low emission cars.

- Rates for all other vehicles bands will be increased by 1 percentage point for 2025/26 up to a maximum appropriate percentage of 37% and will then be fixed for 2026/27 and 2027/28.

The Autumn Statement also confirmed that the car fuel benefit base figure would rise by 10.1% to £27,800 in 2023/24. The latest HMRC data showed that, in 2020/21, only 60,000 drivers received this benefit, a reflection on the fact that it requires a very substantial private mileage to make financial sense.

Planning Point

If you are changing your car soon, think ahead to what it will cost you in tax terms. It may make sense to accept cash instead of a new car, switch to a hybrid vehicle or join the growing band of Tesla drivers.

Pensions

The pensions landscape has altered dramatically in recent years and the Budget produced three radical changes of its own, one of which was completely unexpected:

- Before the Budget, the LTA, which sets a tax efficient maximum value of pension benefits, was widely predicted to increase to £1.8m, the level it first reached in 2010/11. Instead, in what probably comes closest to being the rabbit out of Mr Hunt's hat, the LTA will effectively be abolished from 6 April 2023. The mechanism used to achieve this is (fittingly) complex, but it means that, from 2023/24, LTA charges and the various transitional protections will fall away. However, the Labour Party has already announced it will reverse this move, should it win the next election.

- The annual allowance, which sets a tax efficient ceiling on total yearly pension contributions, will survive, but its impact will be reduced by an increase to a maximum of £60,000 from 2023/24. The tapering of the annual allowance will continue when threshold income exceeds £200,000 and adjusted income exceeds £260,000 (previously £240,000). The minimum tapered annual allowance will rise from £4,000 to £10,000 and will apply when adjusted income is £360,000 or more (£312,000 in 2023/24).

- The MPAA, which is triggered the first time that certain pension benefits are drawn (for example on drawing income under flexi-access drawdown or taking an uncrystallised funds pension lump sum (UFPLS)), will also rise to from £4,000 to £10,000 from 6 April 2023.

- A new cap on the tax-free pension commencement lump sum will be introduced from 2023/24, reducing some of the tax benefit of the LTA abolition. The cap will be set at £268,275, a level that equals the current effective ceiling based on the 2022/23 LTA. There will be an exception for anyone who already has a protected right to take a higher pension commencement lump sum.

These three measures are aimed at encouraging high earners to stay in work and lure those who have already retired back into harness. However, the major beneficiaries will also include high earners across the board.

Planning Point

The limits on the lifetime allowance and annual allowance have long been a constraint on retirement planning. If you have been affected by either – or both – now is the time to revisit the role pensions can play.

Salary sacrifice

Following the various changes in 2022/23, in 2023/24 NICs will settle down at up to 25.8% of gross pay – up to 13.8% for the employer and up to 12.0% for the employee. The corollary is that avoiding NICs can save up to 25.8% of pay. A widely applied example of turning NICs to an advantage is in the use of salary sacrifice to pay pension contributions. Instead of making personal contributions out of your net pay, you accept a lower salary and your employer makes a pension contribution. If the employer passes on all the NIC saving, the pension contribution could be up to almost 34% higher, as the example shows.

A worthwhile sacrifice

	Personal contribution		Salary sacrifice employer contribution (sacrificed amount + NIC saving)	
Tax rate	**20%**	**40%**	**20%**	**40%**
	£	**£**	**£**	**£**
Gross salary	1,000	1,000	Nil	Nil
Employer pension contribution	Nil	Nil	1,138	1,138
Employer NIC (13.8%)	138	138	Nil	Nil
Total employer outlay	1,138	1,138	1,138	1,138
Employee salary	1,000	1,000	Nil	Nil
Less: income tax	(200)	(400)		
NICs (12.0%/2.0%)	(120)	(20)		
Net pay = net pension contribution	680	580		
Tax relief	170	386.7		
Total pension contribution	**850**	**966.7**	**1,138**	**1,138**

Planning Point

The increase in the money purchase annual allowance has made phased retirement easier by allowing greater pension contributions *after* pension benefits have started to be drawn. More than ever, retirement does not need to be a cliff edge event.

RETIREE / AT RETIREMENT

The pension landscape in Spring 2023

There have been many changes to pensions in recent years. The latest revolved around the tax regime:

- The LTA, which sets a tax efficient maximum value of pension benefits, will effectively be scrapped from 6 April 2023. LTA charges and the various transitional protections will thus fall away. The Labour Party has already announced it will reverse this move if it wins the next election.

- The annual allowance, which sets a tax efficient ceiling on total yearly pension contributions, will increase to a maximum of £60,000 from 2023/24, subject to tapering and a new £10,000 minimum tapered allowance. More importantly for those leaving full time employment, the MPAA, which is triggered the first time that certain pension benefits are drawn (for example on drawing income under flexi-access drawdown or taking an uncrystallised funds pension lump sum (UFPLS)), will rise to £10,000, making phased retirement easier.

- A new cap on the tax-free pension commencement lump sum will be introduced from 2023/24. This will be set at £268,275, matching the effective ceiling imposed by 25% of the current LTA. There will be an exception for anyone who already has a protected right to take a higher pension commencement lump sum.

If you had planned to draw benefits soon, you should seek advice as soon as possible on the effects of these reforms.

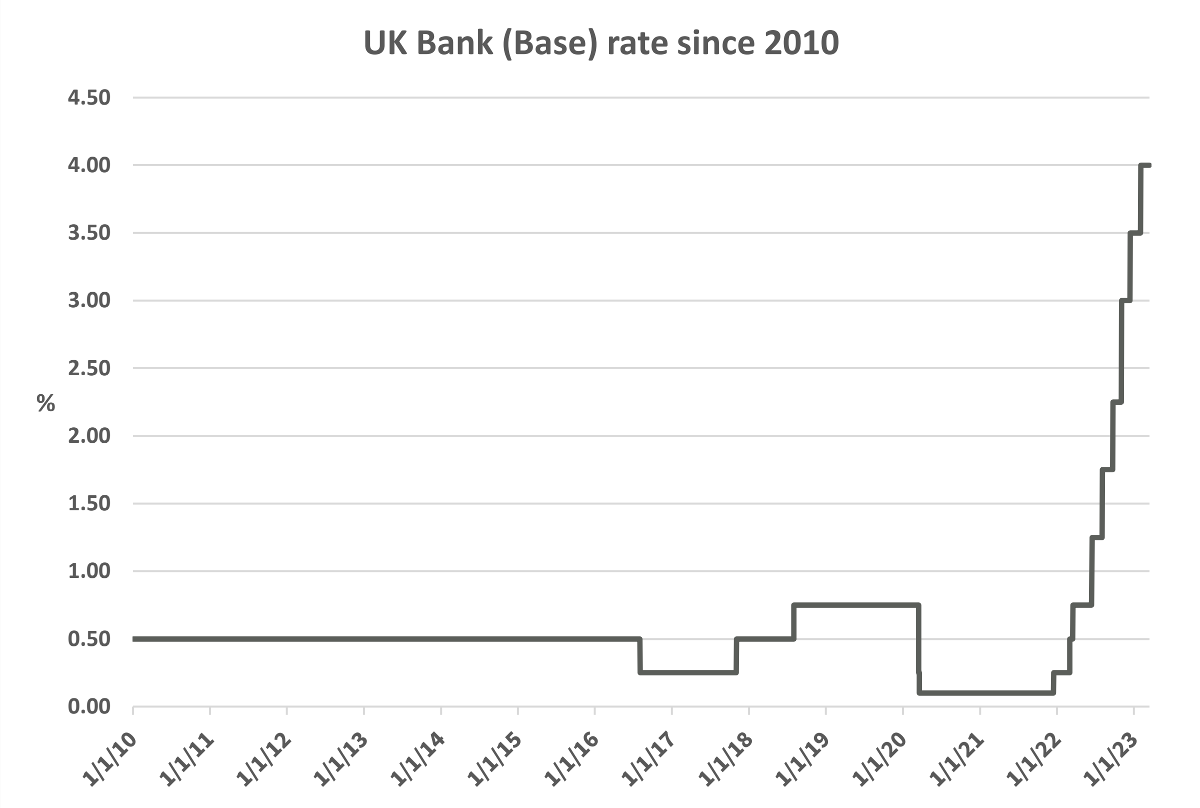
Earlier changes to pensions include:

- Increases to the SPA, both legislated for and planned. For men and women, SPA reached 66 last year. The next step up to a SPA of 67 will start in April 2026. An announcement of a further phased rise in the SPA to 68 from April 2037 had been expected in the Budget but did not appear. The move remains on the agenda with a DWP announcement now imminent.

- The single-tier state pension started on 6 April 2016. It is worth checking whether your NICs record will gain you the maximum pension available. If not, there is a window recently extended until 31 July 2023 to catch up missed NICs back to 2006/07.

- The Triple Lock, which increased the new and old state pension by the greater of earnings growth CPI inflation and 2.5%, and was suspended for April 2022, but reinstated for this April's increase, which will be 10.1%.

Interest rates: no longer flatlining



The Bank of England has increased its bank rate at ten consecutive meetings of the decision-making Monetary Policy Committee (MPC), taking it from 0.1% in January 2021 to 4.0% now. How much further the Bank will go and how long it will be before rates start to fall are both hot topics. On the one hand, CPI inflation appears to have peaked, the economy is cooling and there are cracks appearing in global banking. On the other hand, core inflation, which strips out the volatile components of food, energy, alcohol and tobacco, is 'sticky' and earnings growth (6.5% in November 2022-January 2023) is too high to be compatible with the Bank's 2.0% inflation target.

Last month the main UK banks were lambasted by the Treasury Select Committee for their tardiness in passing bank rate rises on to their depositors, as opposed to the borrowers. NS&I has been quicker off the mark than many, probably because the Government has plenty of borrowing to do. The NS&I Income Bond now pays 2.85%, which compares unusually well with the best instant access rates in the open market, mostly around 3.1%. Sadly, all these rates are well below current inflation, so in real (inflation-adjusted) terms deposits will continue to lose investors' money in the short term.

If making the best of current interest rates is a concern to you:

- Make sure you take maximum advantage of your PSA and, where possible, your starting rate band.

- Consider your cash ISAs, which pay interest tax free. However, do not assume a cash ISA will always give a better return than a taxable deposit, especially if you are a basic rate taxpayer with no PSA remaining. For example, NS&I's Direct ISA pays 2.15% whereas its Direct Saver pays 2.85% gross, which equates to 2.28% for a basic rate taxpayer.

- Regularly check the interest rate on all your deposit accounts. It is especially important to watch accounts with bonus rates – once the bonus period ends they can look very unattractive. Do not simply wait for the next statement: if you are earning much below 3% you need to know now. By a curious twist, the best NS&I variable offerings are Premium Bonds, which have a prize fund (tax-free) rate of 3.30%, meaning that the once ubiquitous £25 is no longer the most common prize.

- Consider investing in UK equity income funds, where yields of over 4% are widely available. You will lose capital security, but your initial income would be higher and the dividend allowance in 2023/24 means you receive £1,000 of dividends before paying any dividend tax, regardless of your personal tax rate (£500 from 2024/25 onwards). While dividend payments fell sharply in 2020 in the wake of the pandemic, they recovered strongly in 2021 and continued to rise by 8% in 2022.

Planning Points

If you have not yet arranged an ISA or invested up to the 2022/23 maximum, think about doing so. If you are unsure where to invest at present, you can always leave your money on deposit, even in a stocks and shares ISA. And in 2023, you should earn more than negligible interest on your 'parked' cash.

Drawing your pension

If you are due to start drawing an income from your pension plan, make sure that you take *advice* about your options, especially in the light of the Budget changes. While the Financial Conduct Authority (FCA) has required providers to offer pointers to guidance and some default investment options, these do not amount to personal advice: the final decisions rest with you. There is no attempt to integrate your pension arrangements with other aspects of your financial planning, e.g. estate planning.

If you think how long you might live with the cost of a wrong choice, it is clear that getting independent advice is the route to take.

Planning Points

The current death benefit rules mean your pension plan could provide income for future generations, as your beneficiaries will be able to pass the remaining fund to their children and so on down the line. One consequence is that, from a IHT planning viewpoint, it can be better to draw on – and even run down – non-pensions assets in retirement rather than use your pension arrangements as a source of income. The further freeze to 5 April 2028 in the nil rate band has heightened the attraction of pensions as part of estate planning.

PARENTS

Childcare

Major extensions to free childcare provision in England were announced by Mr Hunt, although they do not take effect for at least a year:

- From April 2024, working parents of two year-olds will be eligible for 15 hours of free childcare per week.
- From September 2024, 15 hours availability will be widened to include working parents of children aged between nine months to two year-olds.
- From September 2025, all eligible working parents of children aged nine months up to three years will be entitled to 30 free hours per week.

Although not mentioned in the Budget technical material, it is assumed that the current exclusion from free childcare that applies when one or both parents have adjusted net income of over £100,000 a year will remain in force.

In a parallel (and more rapid) move, there will be significant improvements to the childcare amounts payable as part of Universal Credit (UC). From April 2023, the maximum childcare amount for one child increases from the previously announced £646.35 a month to £951. For two or more children, the maximum rises from £1,108.04 to £1,630. For parents who either move into work or wish to increase their working hours, the UC childcare payments will be paid upfront rather than in arrears, as applies at present.

Child benefit

The High Income Child Benefit Tax Charge – the child benefit tax – means that if you or your partner has income of £60,000 or more in the current tax year there will be a tax charge equal to your total child benefit unless you have taken a decision to stop benefit payments.

Between £50,000 and £60,000 of income, the tax charge is 1% of benefit for each £100 of income above £50,000 – a threshold in 2023/24 (and through to 2027/28) that is below the starting point for higher rate tax (other than in Scotland). The result can be high marginal rates of tax in the £50,000 - £60,000 income band. If you have three children eligible for child benefit, the marginal rate is over 69% (71% in Scotland).

Planning Points

As the High Income Child Benefit Tax Charge is based on taxable income, you could reduce the impact of the tax by making a pension contribution.

Junior ISAs

JISAs were launched in November 2011 with an annual investment limit of £3,600, which has since been increased to £4,368 in 2019/20. For 2020/21 the limit was more than doubled to £9,000, a ceiling that will continue to apply for 2023/24. JISAs can be invested in cash deposits and/or stocks and shares in any proportion and can usually be arranged for any child aged under 18 who was born before 1 September 2002 or after 2 January 2011. A child cannot have both a JISA and a CTF account (which has the same investment limits). It is possible to transfer CTF accounts to a JISA, a move that may result in reduced fees and a wider investment choice.

The first CTF accounts, for children born in September 2002, reached maturity in September 2020. By default, matured CTF accounts have continued to enjoy the current UK ISA tax exemptions as a 'protected account'. If instructions are given, they can be transferred to an adult ISA, with any such transfer not counting as a contribution for the tax year, unless it is to a LISA. According to research published by the National Audit Office in the days before the Budget, as at April 2021 there were 145,000 unclaimed CTFs with a total value of £394m (an average of over £2,700 per account). Many CTFs are 'lost' with just one payment of £250 having been made by the Government over a decade ago. To trace a CTF, go to https://www.gov.uk/child-trust-funds/find-a-child-trust-fund.

University funding

The £9,250 a year maximum tuition fee for new 2023/24 students in England and Wales is, for now, a fact of student life, even if the educational process is much less certain. However, the new academic year sees this year's undergraduate intake in England being placed into a revised loan repayment system which will mean loans start to be repaid at a lower earnings threshold than today's and will only be written off after 40 years, rather than the current 30 years.

If you have children likely to go to university, it makes sense to consider your funding options. For example, JISAs are a potentially valuable tool to build up a fund by age 18. For those who prefer a greater degree of control over the student's access to the investment at age 18 (while retaining tax efficiency) collective investments held subject to an appropriate trust can look attractive, as could an offshore investment bond.

Despite these tax-efficient "pre-funding" opportunities, under the current rules many experts consider that it makes sense to take the student fee loans while at university rather than pay fees from capital. That is because repayment for most recent English and Welsh loans only begins once earnings reach £27,295 and any debt is currently written off after 30 years from the April after graduation.

FACTS AND FIGURES

MAIN INCOME TAX ALLOWANCES

	2022/23	2023/24
	£	£
Personal allowance – standard	12,570	12,570
Personal allowance reduced if total income exceeds ∞	100,000	100,000
Transferable tax allowance (marriage allowance) §	1,260	1,260
Property allowance	1,000	1,000
Trading allowance	1,000	1,000
Rent a room relief	7,500	7,500
Employment termination lump sum limit	30,000	30,000

∞ For 2022/23 and 2023/24 the reduction is £1 for every £2 additional income over £100,000. As a result, there is no personal allowance if total income exceeds £125,140.

§ Available to spouses and civil partners born after 5 April 1935, provided neither party pays tax at above basic rate.

INCOME TAX RATES (UK EXCLUDING SCOTTISH TAXPAYERS' NON-DIVIDEND, NON-SAVINGS INCOME)

	2022/23	2023/24
	£	£
Starting rate	0%	0%
Starting rate on savings income	1-5,000	1-5,000
Personal savings allowance (for savings income):		
- Basic rate taxpayers	1,000	1,000
- Higher rate taxpayers	500	500
- Additional rate taxpayers	Nil	Nil
Basic rate	20%	20%
Higher rate - 40%	37,701-150,000	37,701-125,140
Additional rate on income over £150,000/£125,140	45%	45%
Discretionary & accumulation trusts (except dividends) °	45%	45%
Discretionary & accumulation trusts (dividends) °	39.35%	39.35%
Dividend nil rate band (dividend allowance)	1-2,000	1-1,000
Basic rate on dividends	8.75%	8.75%
Higher rate on dividends	33.75%	33.75%
Additional rate on dividends	39.35%	39.35%
High income child benefit charge	1% of benefit per £100 income between £50,000 and £60,000	

° Up to the first £1,000 of gross income is generally taxed at the standard rate (unless more trusts were created by the same settlor), i.e. 20% or 8.75% as appropriate.

For Scotland, the 2022/23 and 2023/24 tax bands and tax rates, which cover only non-dividend and non-savings income, are:

Band name	Tax rate	Taxable income £	
		2022/23	2023/24
Starter	19%	0 - 2,162	0 - 2,162
Basic	20%	Over 2,162 - 13,118	Over 2,162 - 13,118
Intermediate	21%	Over 13,118 – 31,092	Over 13,118 – 31,092
Higher	41%/42%	Over 31,092 - 150,000	Over 31,092 - 125,140
Top	46%/47%	Over 150,000	Over 125,140

For dividends and savings income, the 'rest of UK' (rUK) rates and bands set by Westminster apply. Westminster also fixes the personal allowance (set at £12,570 for 2022/23 and 2023/24), which Scotland adds in when publishing out its tax bands.

NATIONAL INSURANCE CONTRIBUTIONS (NICs)

Class 1 employee NIC - 2022/23						
	06/04/22 to 05/07/22		06/07/22 to 05/11/22		06/11/22 to 05/04/23	
	Employee	Employer+	Employee	Employer+	Employee	Employer+
Main NIC rate	13.25%	15.05%	13.25%**	15.05%**	12%**	13.8%**
No NICs on first: Under 21* 21* & over	 £190 pw £190 pw	 £967 pw £175 pw	 £242 pw £242 pw	 £967 pw £175 pw	 £242 pw £242 pw	 £967 pw £175 pw
Main NIC charged up to	£967 pw	No limit	£967 pw	No limit	£967 pw	No limit
Additional NIC rate on earnings over	3.25% £967 pw	N/A	3.25% £967 pw	N/A	2% £967 pw	N/A

Class 1 employee NIC - 2023/24		
	Employee	Employer+
Main NIC rate	12%	13.8%
No NICs on first: Under 21* 21* & over	 £242 pw £242 pw	 £967 pw £175 pw
Main NIC charged up to	£967 pw	No limit
Additional NIC rate on earnings over	2% £967 pw	N/A

* Under 25 for apprentices.

\+ No employer NICs for veterans in first 12 months of employment.

** Company directors pay a blended rate of NICs in 2022/23 – taking into account the changes in rates throughout the year.

Employment Allowance		
	2022/23	**2023/24**
Per business*	£5,000	£5,000

* Not available if a director is the sole employee or the previous tax year's secondary NICs were £100,000 or more.

NIC limits and thresholds	**06/04/22 to 05/07/22**	**06/07/22 to 05/04/23**	**2022/23**	**2023/24**	
	Weekly £	**Weekly £**	**Yearly £**	**Weekly £**	**Yearly £**
Lower earnings limit	123	123	6,396	123	6,396
Primary earnings threshold	190	242	11,908	242	12,570
Secondary earnings threshold	175	175	9,100	175	9,100
Upper secondary threshold - U21s*	967	967	50,270	967	50,270
Upper earnings limit	967	967	50,270	967	50,270

* Under 25 for apprentices.

Self-employed and non-employed NICs	2022/23	2023/24
Class 2 NICs *		
Flat rate Small profits threshold	£3.15 pw £6,725 pa	£3.45 pw £6,725 pa
Class 4 NICs (*Unless over State Pension Age on 6 April*)		
On profits	£11,908 – £ 50,270 pa: 9.73%** Over £ 50,270 pa: 2.73%**	£12,570 – £ 50,270 pa: 9% Over £ 50,270 pa: 2%
Class 3 NICs (Voluntary)		
Flat rate	£15.85 pw	£17.45 pw

* From 6 April 2022, Class 2 NIC liabilities will be reduced to nil on profits between the small profits threshold (£6,725 from 6 April 2022) and the lower profits limit.

** Self-employed people pay a blended rate of NIC in 2022/23 – taking account of the changes in rates throughout the year.

CAPITAL GAINS TAX

Main exemptions and reliefs

	2022/23 £	2023/24 £
Annual exemption	12,300*	6,000*
Principal private residence exemption	No limit	No limit
Chattels exemption	6,150	6,150
Business assets disposal relief	Lifetime cumulative limit £1,000,000. Gains taxed at 10%	

* Reduced by at least 50% for most trusts.

Individuals, personal representatives and trustees will not have to complete the capital gains tax pages of a tax return if their chargeable gains for the tax year do not exceed their annual exemption and, for 2022/23, four times the £12,300 annual exemption (£49,200), or, for 2023/24, £50,000.

Rates of tax

Individuals	10% on gains within UK basic rate band, 20% for gains in UK higher and additional rate bands
Trustees and personal representatives	20%
Additional rate for residential property and carried interest gains	8%

TAX PRIVILEGED INVESTMENTS (MAXIMUM INVESTMENT)

	2022/23 £	2023/24 £
ISA		
Overall per tax year	20,000	20,000
Maximum cash ISAs for 16 and 17 year olds	20,000	20,000
Junior ISA (additional to overall limit for 16-17 year olds)	9,000	9,000
Lifetime ISA	4,000	4,000
Help to buy ISA°	*£200 p/m*	*£200 p/m*
Help to Save savings account	£50 p/m	£50 p/m
ENTERPRISE INVESTMENT SCHEME (30% income tax relief)	2,000,000*	2,000,000*
Maximum carry back to previous tax year for income tax relief	2,000,000	2,000,000
SEED ENTERPRISE INVESTMENT SCHEME (50% income tax relief)	100,000¶	200,000¶
VENTURE CAPITAL TRUST (30% income tax relief)	200,000	200,000
SOCIAL INVESTMENT TAX RELIEF (30% income tax relief)	1,000,000	N/A

° Closed to new investors from 1 December 2019. Existing investors may continue to contribute.

* Income tax-relieved investment above £1m must be in knowledge-intensive companies. No limit for capital gains tax reinvestment relief.

¶ 50% capital gains tax reinvestment exemption in 2022/23 and 2023/24.

PENSIONS

	2022/23	2023/24
Lifetime allowance*	£1,073,100	N/A
Lifetime allowance charge: Excess drawn as cash Excess drawn as income	 25% of excess 55% of excess	 N/A N/A
The maximum an individual can claim as a PCLS (tax free cash lump sum), except where protections apply to take a higher PCLS	£268,275	£268,275
Annual allowance	£40,000	£60,000
Annual allowance taper: ¶ Threshold income limit	 £200,000	 £200,000 (TBC)

Adjusted income limit Minimum annual allowance	£240,000 £4,000	£260,000 £10,000
Money purchase annual allowance	£4,000	£10,000
Annual allowance charge	20%-45% of excess	20%-45% of excess
Max. relievable personal contribution	100% relevant UK earnings *or* £3,600 gross if greater	

* May be increased under 2006, 2012, 2014 or 2016 transitional protection provisions. However, from 6 April 2023, there will be no need for individuals to rely on these transitional protection provisions.

¶ 50% taper down to the minimum allowance based on excess over adjusted income limit if threshold income limit is also exceeded.

INHERITANCE TAX

	Cumulative chargeable transfers [gross]		Tax rate on death	Tax rate in lifetime*
	2022/23 £	2023/24 £	%	%
Nil rate band +	325,000	325,000	0	0
Residence nil rate band ¶	175,000	175,000	0	N/A
Residence nil rate band reduced if estate exceeds°	2,000,000	2,000,000	N/A	N/A
Excess above available nil rate band(s)	No limit	No limit	40∞	20

* Chargeable lifetime transfers only.

\+ On the death of a surviving spouse/civil partner on or after 9 October 2007, their personal representatives may claim up to 100% of any unused proportion of the nil rate band of the first spouse/civil partner to die (regardless of their date of death).

¶ On the death of a surviving spouse/civil partner on or after 6 April 2017, their personal representatives may claim up to 100% of any residence nil rate band of the first spouse/civil partner to die (regardless of their date of death, but subject to the tapered reduction).

° The reduction is £1 for every £2 of additional estate over £2,000,000. As a result, there is no residence nil rate band available if the total estate exceeds £2,350,000 (£2,700,000 on second death if 100% is transferable).

∞ 36% where at least 10% of the net chargeable estate, before deducting the charitable legacy, is left to charity.

CAR BENEFITS

Company car tax

The charge is based on a percentage of the car's "price". "Price" for this purpose is the list price at the time the car was first registered including delivery and the price of extras but excluding the first registration fee or annual road tax. For cars first registered after 31 December 1997 the charge, based on the car's "price", is graduated according to the level of the car's approved CO_2 emissions.

For zero emission cars

2022/23	2023/24
2%	2%

For petrol or diesel hybrid cars with an approved CO_2 emission figure of up to 50g/km.

	2022/23		2023/24	
Electric-only range (miles)	NEDC: Registered before 6/4/2020	WLTP: Registered after 5/4/2020	NEDC: Registered before 6/4/2020	WLTP: Registered after 5/4/2020
Less than 30	14%	14%	14%	14%
30-39	12%	12%	12%	12%
40-69	8%	8%	8%	8%
70-129	5%	5%	5%	5%
130 or more	2%	2%	2%	2%

For petrol and RDE2° diesel cars with an approved CO_2 emission figure of more than 50g/km.

	2022/23		2023/24	
Emissions g/km	NEDC: Registered before 6/4/2020	WLTP: Registered after 5/4/2020	NEDC: Registered before 6/4/2020	WLTP: Registered after 5/4/2020
51-54	15%	15%	15%	15%

55 and above	16%* - 37%	16%* - 37%	16%* - 37%	16%* - 37%

° For diesels not meeting RDE2 emission standards (which became mandatory for registrations from 1 January 2021), add 4%, maximum 37%.

* Calculated as 1% above 51-54g/km scale percentage for each extra 5g/km above 50g/km, subject to a maximum of 37%.

Car fuel benefit

For cars with an approved CO_2 emission figure, the benefit is based on a flat amount of £25,300 for 2022/23 and £27,800 for 2023/24. To calculate the amount of the benefit, the percentage figure in the above car benefits table (that is from 0% to 37%) is multiplied by £25,300 in 2022/23 or by £27,800 in 2023/24. The percentage figures allow for a diesel fuel surcharge. For example, in 2022/23, a petrol car registered before 6 April 2020 emitting 118g/km would give rise to a fuel benefit of 28% of £25,300 = £7,084; in 2023/24, a petrol car registered before 6 April 2020 emitting 118g/km would give rise to a fuel benefit of 28% of £27,800 = £7,784.

CORPORATION TAX

	Year ending 31 March	
	2023	**2024**
Small profits rate (companies with profits under £50,000)	N/A	19%
Main rate (companies with profits over £250,000)	N/A	25%
Main rate (all profits except ring fence profits)	19%	25%
Marginal relief lower limit	N/A	£50,000
Marginal relief upper limit	N/A	£250,000
Standard fraction		3/200
Special rate for unit trusts and open-ended investment companies (OEICs)*	20%	20%

From 1 April 2023, the 19% rate will apply to the first £50,000 of profits and a marginal rate of 26.5% will apply to any excess up to £250,000 (£50,000 @ 19% + £200,000 @ 26.5% = £62,500 = £250,000 @ 25%). The 19% rate will not apply to close investment-holding companies. So, for close investment-holding companies and companies with profits of more than £250,000, the rate of corporation tax will be 25%. (Note that the 19% rate can apply to a property letting company with profits of up to £50,000.)

* The special rate for unit trusts and OEICs will remain at 20% from 1 April 2023 as it is based on the basic rate of income tax from 1 April 2023, which will also be remaining at 20%.

STAMP DUTY LAND TAX, LAND AND BUILDINGS TRANSACTION TAX, LAND TRANSACTION TAX AND STAMP DUTY

England and Northern Ireland: Stamp Duty Land Tax

Residential property	%	Commercial property	%
From 1 October 2021 to 22 September 2022 on slices of value			
Up to £125,000	0	Up to £150,000	0
£125,001 – £250,000	2	£150,001 – £250,000	2
£250,001 – £925,000	5	Over £250,000	5
£925,001 – £1,500,000	10		
Over £1,500,000	12		

From 23 September 2022 to 31 March 2025 on slices of value			
Up to £250,000	0	Up to £150,000	0
		£150,001 – £250,000	2
£250,001 – £925,000	5	Over £250,000	5
£925,001 – £1,500,000	10		
Over £1,500,000	12		

- 15% for purchases over £500,000 by certain non-natural persons.

- First-time buyers: to 22 September 2022, first £300,000 slice of value at 0% if property consideration is not more than £500,000; from 23 September 2022, first £425,000 slice of value at 0% if property consideration is not more than £625,000.
- All rates increased by 3% for purchase of additional residential property if value is £40,000 or more.
- All rates increased by 2% for purchase of residential property by non-UK resident if value is £40,000.

Scotland: LBTT from 1 April 2021 on slices of value

Residential property	%¶	Commercial property	%
£145,000* or less	0	£150,000 or less	0
£145,001* to £250,000	2	£150,001 to £250,000	1
£250,001 to £325,000	5	Over £250,000	5
£325,001 to £750,000	10		
Over £750,000	12		

¶ All rates increased by 4% for purchase of additional residential property if value is £40,000 or more.

* £175,000 for first-time buyers.

Wales: LTT from 10 October 2022

Residential (on slice of value)	%¶	Commercial (on slice of value)	%
£225,000 or less	0	£225,000 or less	0
		£225,001 to £250,000	1
£225,001 to £400,000	6	£250,001 to £1,000,000	5
£400,001 - £750,000	7.5	Over £1,000,000	6
£750,001 to £1,500,000	10		
Over £1,500,000	12		

¶ All rates increased by 4% for purchase of additional residential property if value is £40,000 or more.

UK Stamp Duty (including SDRT)

Stocks and marketable securities	0.5%

No stamp duty charge unless the duty exceeds £5.

Past performance is not a reliable guide to the future. The value of investments and the income from them can go down as well as up. The value of tax reliefs depend upon individual circumstances and tax rules may change. The FCA does not regulate tax advice. This newsletter is provided strictly for general consideration only and is based on our understanding as at 15 March 2023 of law, HM Revenue & Customs practice and the contents of the Spring Budget March 2023. No action must be taken or refrained from based on its contents alone. Accordingly, no responsibility can be assumed for any loss occasioned in connection with the content hereof and any such action or inaction. Professional advice is necessary for every case.

If you have any questions, please speak to your Wealth Manager in the first instance.

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