

# Spring Budget Summary 2023

*All you need to know*



*This Spring Budget summary briefing is provided strictly for general consideration only.*

*The information contained in this briefing is based on Positive Solutions' understanding of the relevant proposals contained within the Spring Budget 2023 (as of 15/03/23), which may change.*

*For information only. Always seek professional advice before acting.*

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# Introduction

*A 'back to work' budget was the theme presented by the Chancellor with measures aimed to encourage the 8 million or so economically inactive into work.*

*Anyone hoping that we would see major tax cuts will be sorely disappointed.*

Things aren't as bleak as forecast last November due to falling energy prices and higher tax revenues that will reduce Government borrowing this year and next by £30bn less than expected. But anyone hoping that we would see major tax cuts will be sorely disappointed. Whilst the economic backdrop is better than expected, the Government faces challenges of persistent low economic growth and public sector pay demands which makes broad relaxation of the tax burden unlikely for the foreseeable future.

Most of the key announcements were directed at getting people into work and keeping them there with changes on childcare and pensions. The changes to pensions were primarily directed at keeping doctors working in the NHS who have been leaving due to the way the pension tax rules penalised them. But the changes will also be of significant interest to people with larger pension funds or who are higher earners. The devil is in the detail and plans should be discussed with your financial adviser before being put into action.

# Budget highlights

- ▶ A major expansion in state-funded childcare was announced, with 30 hours a week of free childcare for eligible households in England, the provision being extended to children as young as nine months old. The phased plan aimed at removing barriers to work will be fully introduced in September 2025.
- ▶ The introduction of a package of measures aimed at encouraging people back to work including scrapping the work capability assessment, introducing a new voluntary employment scheme for disabled people and a £400 million scheme to make more support for mental and physical health available to workers with health problems.
- ▶ There was particular focus on the over-50s, with an increase in the number of people who get 'mid-life MOTs' from the Department of Work and Pensions and a new apprenticeship, called 'Returnships' for over-50s wanting to return to work in a new sector.
- ▶ The annual contribution limit on tax-free pension contributions was increased from £40,000 to £60,000 and the removal of the (55%) pension lifetime allowance tax charge from April 2023.
- ▶ The government's energy price guarantee will be extended for the next three months ending on 30 June 2023 keeping the typical amount households will pay at £2,500 a year. The rates for pre-pay energy meters will be brought in line with rates for those who pay by direct debit.
- ▶ A new £9 billion policy of 'full capital expensing' for businesses was introduced initially for the next three years, this will allow businesses to write off all investment against tax bills.

# Economic Update

*When Jeremy Hunt, the fourth UK chancellor of 2022, took office last October, inflation was raging at 40-year highs, UK interest rates had already risen seven times, and the country was in the grip of the most bitter cost-of-living crisis since the 1970s and UK house prices were falling. Soon after, the Bank of England announced that the UK was in recession and would remain that way in 2023.*

However, the UK economy wrong-footed observers by narrowly sidestepping recession in 2022 and, so far, UK economic data has been consistently ahead of expectations in 2023.

## *UK economic growth*

News that the UK had dodged a recession at the end of 2022 pushed the FTSE 100 Index to a new all-time high boosted markets in February. Although monthly UK GDP fell by 0.5% in December amid bitter strike actions and the sharpest fall and a fall in UK retail sales since records began, the UK economy was flat in the last quarter of 2022. This meant it avoided a technical recession, delivering 4% growth across 2022 as a whole.

In January, UK GDP grew 0.3% while the public finances also improved. Subsequent consumer spending data has also been stronger than forecast and signs are emerging that house prices may soon be on the mend.

Even so, UK monthly UK GDP is still 0.2% below its pre-coronavirus levels and Britain remains the only G7 economy that is smaller today than when the pandemic struck.

## *UK inflation*

As the new chancellor was arriving last October, UK year-on-year inflation hit a peak of 11.1%. It subsequently eased in both November and December and fell for a third consecutive month in January, hitting 10.1%.

Within this, UK food price inflation is still at 45-year highs. This, along with burgeoning UK energy bills, kept only partially in check by government support, has had a disproportionately greater impact on lower-income households and intensified the worst cost-of-living crisis for 50 years.

Meanwhile, inflation added close to £3.3bn to the cost of government debt repayments in January alone, due to the rising cost of servicing index-linked gilts.

## *UK interest rates*

With double-digit UK inflation and stronger than expected growth in 2023, expectations are for another 0.25% increase in interest rates when the Bank of England's next meets on 23 March. This would be the eleventh consecutive hike, taking rates to 4.25%.

This may be close to their eventual peak but they're likely to remain at this level for some time in order to bring inflation back to the bank's 2% target.



# Personal Tax

## *Income tax*

As previously announced in the Autumn Statement in November 2022, the personal allowance will remain at £12,570 until 5 April 2028 and the higher rate threshold will stay at £50,270.

From April 2023, the 45% additional rate threshold will be reduced from £150,000 (the level set in 2010/11) to £125,140. In Scotland, the higher and top (additional) rate thresholds for non-savings, non-dividend income will also drop to £125,140 with the tax rates increasing to 42% and 47% respectively.

The blind person's allowance will be increased to £2,870 for 2023/24.

## *Starting Rate for saving*

The starting rate for savings will remain at the current level of £5,000 for the tax year 2023/24.

## *National insurance contributions (NICs)*

As previously announced, the class 1 primary threshold and class 2 lower profits limit will remain aligned with the personal allowance (£12,570) until April 2028.

The upper earnings limit and class 4 upper profits limit will remain aligned to the higher rate threshold at £50,270 through to April 2028. The lower earnings limit (£6,396) and the small profits threshold (£6,725) remain unchanged.

For 2023/24, the class 2 rate will be £3.45 a week and the voluntary class 3 rate will be £17.45 a week.

## *Capital gains tax*

As announced in the Autumn Statement 2022, the annual exempt amount for individuals and personal representatives is £6,000 from 2023/24 and will be halved to £3,000 in 2024/25. The annual exempt amount for most trusts is £3,000 (minimum £600) then halved in the following year.

In the Spring 2023 budget there were a couple of additional announcements on CGT.

### **Deadline extension**

A measure relating to disposals of an asset under an unconditional contract was announced. The change moves the 4-year deadline from the tax year the contract was entered into to 4 years from the end of the tax year completed.

The change will apply in relation to contracts entered into on or after 1 April 2023 for corporation tax and 6 April 2023 for Capital Gains Tax.

### **Separation and divorce**

As announced on 20 July 2022, changes to the rules that apply to transfers of assets between spouses and civil partners who are in the process of separating will apply to disposals on or after 6 April 2023. They will be given up to three years in which to make no gain/no loss transfers of assets between themselves when they cease to live together; and unlimited time if the assets are the subject of a formal divorce agreement.

In addition, some special rules will apply to individuals who have maintained a financial interest in their former family home following separation and that apply when that home is eventually sold.

## *Inheritance Tax*

As previously confirmed, the nil rate band is frozen until 2027/28 remaining at £325,000, which was the level first set for 2009/10. The residence nil rate band (RNRB) will likewise stay at £175,000 and the RNRB taper will continue to apply where the value of the deceased's estate is greater than £2 million.

## *State pensions*

A review of the state pension age will be published in May 2023.

## *Pensions*

From 6 April 2023 the following changes will apply:

- ▶ An increase in the annual amount you can save into pensions (known as the Annual Allowance) from £40,000 to £60,000;
- ▶ An increase in the Money Purchase Annual Allowance from £4,000 to £10,000. If you start taking money flexibly from a defined contribution pension the amount you can pay into such pensions currently falls to £4,000 a year. This lower limit will be increased to £10,000 from April;
- ▶ the amount very high earners (those with income of £360,000 and above) can put into pensions increases from £4,000 to £10,000 (known as the tapered annual allowance);
- ▶ nobody will face the Lifetime Allowance excess charge (55% lump sum or 25% pension plus marginal rate income tax on the residual fund) - this charge is applied to individuals with pension funds in excess of £1,073,100. Individuals will now be taxed at their marginal rate of income tax instead of the equivalent excess rate.



### *Social Security benefits*

A series of changes have been made to Universal Credit (UC), including:

- ▶ The UC surplus earnings threshold has been frozen for another year until April 2024 at £2,500. This is the amount you can earn over the point at which your UC is reduced to nil.
- ▶ Those who are transitioned to UC from another social security benefit, who were entitled to a Severe Disability Premium (SDP) before the transition will see an increase in the transitional SDP. The rates will increase in line with the Consumer Prices Index (CPI) for 2023/24 and annually thereafter until 2027/28.
- ▶ Additional support in child care cost with a change the maximum limit. Parents on UC will be able to claim 85% of their costs up to a maximum of £951 (one child) or £1,630 (two children). This change applies from July 2023 and will increase with CPI until 2027/28.

### *Help returning to work*

- ▶ Wider childcare support will be available for all working parents with an extension to the 30 hours of free childcare per week. Currently only available from age 3, the new provisions will apply to children aged 9 months to 2 years from September 2024. 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. The change aims to help and encourage parents to return to work.

- ▶ Parents on Universal Credit in work can claim back 85% of their childcare costs but this is currently paid in monthly arrears. This currently creates problems with finding the funds to pay for childcare upfront. To address this issue, the government will make sure they have support with childcare costs upfront rather than in arrears.
- ▶ A new employment programme in England and Wales to be known as Universal Support will help match participants with health conditions and disabilities to job vacancies - providing training and support to help them succeed.
- ▶ The Department of Work and Pensions (DWP) mid-life MOT programme will be available to more Universal Credit claimants. Government plans will also see the introduction 'Returnships' a new form of apprenticeship for the over 50's. The scheme aims to help encourage more over 50s to learn new skills and return to work. Special focus will be placed on flexibility and using existing experience to shorten training time.

### *Energy price support*

The domestic energy price guarantee (EPG) will be maintained at £2,500 per year until 30 June 2023 after which it will increase to £3,000 per year. This date will also see an alignment of the EPG for those on pre-payment meters.

### *Fuel duty*

Fuel duty is to be maintained at the 2022/23 level of 57.95p per litre through an extension to the temporary 5p fuel duty cut and cancelling the planned increase in line with inflation.

### *Simplification measures for 'low income trust and estates'*

A package of measures was announced:

- ▶ trusts and estates with income up to £500 will not pay tax on that income as it arises.
- ▶ removal of the basic rate and dividend ordinary rate of tax that applies to the first £1,000 slice of discretionary trust income.
- ▶ beneficiaries of UK estates will not pay tax on income distributed to them that was within the £500 limit for the personal representatives.
- ▶ technical amendments to ensure for beneficiaries of estates that their tax credits and savings allowance continue to operate correctly.

This will be effective from April 2024, with the exception of the last bullet which will take effect from April 2023.

# Business Taxes

## *Capital allowances*

As a result of measures announced at this Budget, businesses will now benefit from:

- ▶ Full expensing - which offers 100% first-year relief to companies on qualifying new main rate plant and machinery investments from 1 April 2023 until 31 March 2026.
- ▶ The 50% first-year allowance (FYA) for expenditure by companies on new special rate (including long life) assets until 31 March 2026.
- ▶ The Annual Investment Allowance (AIA) providing 100% first-year relief for plant and machinery investments up to £1 million, which is available for all businesses including unincorporated businesses and most partnerships.

## *Energy Bills Discount Scheme (EBDS)*

The Energy Bills Discount Scheme provides a discount per unit consumed on wholesale gas and electricity process for qualifying non-domestic consumers - this includes UK businesses, voluntary and public sectors. The discounted rates are £19.61 per MWh for electricity and £6.97 per MWh for gas. Higher rates of discount are available for energy intensive industries.

## *Research and development (R&D) tax reliefs*

For R&D expenditure after 31 March 2023:

- ▶ the R&D expenditure credit rate has been increased to 20%.

- ▶ the small and medium-sized enterprises (SME) additional deduction has decreased from 130% to 86%; and
- ▶ the SME credit rate has decreased to 10%.

From 1 April 2023 a higher rate of relief for loss making R&D intensive SMEs will be introduced. The new rate of 14.5% will apply to qualifying companies where at least 40% of their total expenditure is on R&D.

## *Creative industry tax reliefs*

Following a consultation, the government will legislate several administrative changes to all eight of the creative industry tax reliefs to address unintended consequences and improve compliance. This will include an anti-abuse measure. The draft legislation will be introduced Summer 2023.

## *Investment Zones*

The government will establish 12 Investment Zones across the UK. Each zone will have access to interventions of £80 million over 5 years. The government will legislate to allow designation of special tax sites in or connected with Investment Zones. These sites will be subject to approval by the government and will include reliefs such as Stamp Duty Land Tax (SDLT), capital allowances for plant and machinery and secondary Class 1 National Insurance contributions relief.





# Facts and figures



# Personal taxation

Main personal allowances and reliefs	2022/23	2023/24	2024/25 (Where known)
Personal allowance*	£12,570	£12,570	£12,570
Marriage/civil partner's transferable allowance	£1,260	£1,260	-
Married couple's/civil partner's allowance at 10%† - maximum	£9,415	£10,375	-
(if at least one born before 6/4/35) - minimum	£3,640	£4,010	-
Blind person's allowance	£2,600	£2,870	-
Rent-a-room relief	£7,500	£7,500	-
Property allowance	£1,000	£1,000	-
Trading allowance	£1,000	£1,000	-

\* Personal allowance reduced by £1 for every £2 of adjusted net income over £100,000

† Married couple's/civil partner's allowance reduced by £1 for every £2 of adjusted net income over £31,400, until minimum reached

## Income tax rates and bands

UK taxpayers	2022/23	2023/24	2024/25 (Where known)
20% basic rate on first slice of taxable income up to	£37,700	£37,700	£37,700
40% higher rate on next slice of taxable income over	£37,700	£37,700	£37,700
45% additional rate on taxable income over	£150,000	£125,140	£125,140

Scottish taxpayers (non-dividend, non-savings income only)	2022/23 Band	2022/23 Rate	2023/24 Band	2023/24 Rate
<b>Starter</b> - First taxable income above the personal allowance	£1 - £2,162	19%	£1 - £2,162	19%
<b>Basic</b>	£2,163 - £13,118	20%	£2,163 - £13,118	20%
<b>Intermediate</b>	£13,119 - £31,092	21%	£13,119 - £31,092	21%
<b>Higher</b>	£31,093 - £150,000	41%	£31,093 - £125,140	42%
<b>Top</b>	£150,001 +	46%	£125,141 +	47%

All UK taxpayers	2022/23	2023/24	2024/25 (Where known)
Starting rate at 0% on band of savings income up to**	£5,000	£5,000	-
Personal savings allowance at 0%:	Basic rate	£1,000	-
	Higher rate	£500	-
	Additional rate	£0	-
Dividend allowance at 0%: All individuals	£2,000	£1,000	£500
Tax rates on dividend income:	Basic rate	8.75%	-
	Higher rate	33.75%	-
	Additional rate	39.35%	-

\*\* Not available if taxable non-savings income exceeds the starting rate band

## High Income Child Benefit Charge:

1% of benefit per £100 of adjusted net income between £50,000-£60,000

Non-domicile remittance basis charge after UK residence in at least:	2022/23	2023/24
7 of the last 9 tax years	£30,000	£30,000
12 of the last 14 tax years	£60,000	£60,000

## Capital Gains Tax

Allowances	2022/23		2023/24		2024/25 (Where known)
Annual Exempt Amount	£12,300		£6,000		£3,000
Business Asset Disposal Relief - Lifetime limit	£1,000,000		£1,000,000		-
Rates	Basic Rate	Higher Rate	Basic Rate	Higher Rate	
Main rate	10%	20%	10%	20%	-
Residential property	18%	28%	18%	28%	-
Business Asset Disposal Relief - Rate within lifetime limit	10%		10%		

## Rates for trusts

Income Tax		
Rate applicable to trusts	Dividends	39.35%
	Other income	45%
Standard Rate Band: Where basic rate applies	Up to £1,000 (min £200)*	

\*will no longer apply from 2024/25

Capital Gains Tax		
Rate applicable to trusts	Main rate	18%
	Residential property	28%
Annual Exempt Amount	Up to £3,000 (min £600)	

# Inheritance Tax

Nil rate band	
Nil rate band	£325,000 (frozen until April 2028)
Residence nil rate band	£175,000 (frozen until April 2028)

Rates	
Main Rate	40%
Reduced Rate (Where 10% of the estate is left to charity)	36%
Lifetime Rate (CLT entry charge)	20%

Taper relief	Death after	Relieved rate
Reduced rate of IHT for taxable gifts where death occurs within 7 years	0 - 3 Years	40%
	3 - 4 Years	32%
	4 - 5 Years	24%
	5 - 6 Years	16%
	6 - 7 Years	8%

Gift exemptions		
Gifts to Spouse / Civil Partner	Unlimited	
To non-UK domicile Spouse / Civil Partner	£325,000 lifetime limit	
Annual exemption	£3,000	
Small gift allowance	£250 per recipient	
Excess Income: Unlimited exemption where three conditions are met	1. The payment is intended to be regular / habitual	
	2. The payment is made from excess income	
	3. The payment does not cause a reduction in standard of living	
Gifts for wedding or civil partnerships	to a child	£5,000
	to a grandchild / great grandchild	£2,500
	to any other person	£1,000

# Tax Incentivised Investments

	2022/23	2023/24
Total Individual Savings Account (ISA) limit, excluding Junior ISAs (JISAs)	£20,000	£20,000
Lifetime ISA	£4,000	£4,000
JISA and Child Trust Fund	£9,000	£9,000
Venture Capital Trust (VCT) at 30%	£200,000	£200,000
Enterprise Investment Scheme (EIS) at 30%*	£2,000,000	£2,000,000
EIS eligible for CGT deferral relief	No limit	No limit
Seed Enterprise Investment Scheme (SEIS) at 50%	£100,000	£200,000
SEIS CGT reinvestment relief	50%	50%

\*Above £1,000,000 investment must be in knowledge-intensive companies

# Registered Pensions

	2022/23	2023/24
Lifetime allowance	£1,073,100	No LTA excess charge from this date
Money purchase annual allowance	£4,000	£10,000
Annual allowance	£40,000*	£60,000**
Annual allowance charge on excess is at applicable tax rate(s) on earnings		
Lifetime allowance charge if excess is drawn as cash 55%: as income 25%. LTA excess charge removed from 2023/24		
Pension commencement lump sum up to 25% of pension benefit value (up to lifetime allowance) capped from 2023/24 at £268,275		

\* Reduced by £1 for every £2 of adjusted income over £240,000 to a minimum of £4,000, subject to threshold income being over £200,000.

\*\* Reduced by £1 for every £2 of adjusted income over £260,000 to a minimum of £10,000, subject to threshold income being over £200,000.

# Corporation tax rate

	Profits	Rate
Small	£0 - £50,000	19%
Marginal	£50,001 - £250,000	19% - 25%
Main rate	£250,000 +	25%

# Property Taxes

Property transaction taxes have different rates and names depending on where in the UK a purchase takes place.

England & N Ireland – Stamp Duty Land Tax (SDLT) on slices of value			
Residential property	%	Commercial property*	%
Up to £250,000	0	Up to £150,000	0
£250,001 – £925,000	5	£150,001 – £250,000	2
£925,001 – £1,500,000	10	Over £250,000	5
Over £1,500,000	12		
<b>First time buyers:</b> 0% on first £425,000 for properties up to £625,000			
<b>Non-resident purchasers:</b> 2% surcharge on properties £40,000 or more			
<b>Residential properties</b> bought by companies etc. over £500,000: 15% of total consideration, subject to certain exemptions			

\*0% for freeport qualifying property in England only

Scotland – Land and Buildings Transaction Tax (LBTT) on slices of value			
Residential property	%	Commercial property	%
Up to £145,000	0	Up to £150,000	0
£145,001 – £250,000	2	£150,001 – £250,000	1
£250,001 – £325,000	5	Over £250,000	5
£325,001 – £750,000	10		
Over £750,000	12		
<b>First time buyers:</b> 0% on first £175,000			



# Property Taxes

Wales – Land Transaction Tax (LTT) on slices of value			
Residential property	%	Commercial property	%
Up to £225,000	0	Up to £225,000	0
£225,001 – £400,000	6	£225,001 – £250,000	1
£400,001 – £750,000	7.5	£250,001 – £1,000,000	5
£750,001 – £1,500,000	10	Over £1,000,000	6
Over £1,500,000	12		

Higher rates for additional residential property		
England	3% surcharge on top of standard rates	
Scotland	6% surcharge on top of standard rates	
Wales	Separate rates apply:	
	<b>Band</b>	<b>Rate</b>
	Up to £180,000	4%
	£180,000 - £250,000	7.5%
	£250,001 - £400,000	9%
	£400,001 - £750,000	11.5%
	£750,001 - £1,500,000	14%
	£1,500,000 +	16%

Stamp Duty and Stamp Duty Reserve Tax (SDRT):	%
Stocks and marketable securities	0.5%

# National Insurance contributions 22/23

## Class 1

Employee – Primary	Employer – Secondary*
£242–£967pw: 12.00% Over £967 pw: 2.00%	Over £175 pw: 13.80%
Director – Primary	Director – Secondary*
£11,908–£50,270 pa: 12.73% Over £50,270 pa: 2.73%	Over £9,100 pa: 14.53%

\*No employer NICs on the first £967pw for employees generally under 21 years, apprentices under 25 years and veterans in first 12 months of civilian employment. No employer NICs on the first £481pw for employees at freeports in Great Britain in the first three years of employment starting from 6 April 2022

Employment allowance	£5,000	
Per business - not available if sole employee is a director or employer's NICs for the prior tax year were £100,000 or more		
Limits and thresholds	Weekly	Annual
Lower earnings limit	£123	£6,396
Primary threshold	£242	£12,570
Primary threshold for company directors	N/A	£11,908
Secondary threshold	£175	£9,100
Upper earnings limit (and upper secondary thresholds for younger/veteran employees)	£967	£50,270
Upper secondary threshold for freeport employees	£481	£25,000
<b>Class 1A Employer</b> On car and fuel benefits and most other taxable benefits provided to employees and directors		14.53% pa
<b>Class 2 Self-employed</b> Flat rate	£3.15 pw	
Small profits threshold		£6,725
Lower profits limit		£11,908
<b>Class 4 Self-employed</b> On profits	£11,909 to £50,270:	9.73% pa
	Over £50,270:	2.73% pa
<b>Class 3</b> Voluntary flat rate	£17.45 pw	£907.40 pa

*The value of pensions and investments can fall as well as rise and you can get back less than you invested.*

*Tax treatment varies according to individual circumstances and is subject to change.*

This summary is for general information only. You are recommended to seek competent professional advice before taking or refraining from taking action on the basis of the contents of this publication. The guide represents our understanding of the law, the Spring Budget Summary 2023 and HM Revenue & Customs practice as at 15 March 2023, which are subject to change.



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Approver Quilter Financial Planning Solutions Limited. 16 March 2023.