

TODAY'S BUDGET – HEADLINES

- **PENSIONS**

The annual limit/allowance on tax-free pension contributions will increase from £40,000 to £60,000 from 6 April 2023. Taxpayers going over their allowance in a tax year can continue to make use of unused allowances from the three previous tax years.

“Adjusted income”, the threshold at which high income individuals can start seeing their annual allowance reduced, will be increased from £240,000 to £260,000 per tax year from 6 April 2023. Adjusted income broadly equals the individual's total income for the tax year plus their occupational pension contributions and employer pension contributions.

Further to the above, the minimum annual allowance increases from £4,000 to £10,000 from 6 April 2023.

The lifetime limit on the total value of a pension fund which can attract tax relief, currently £1,073,100, will effectively be abolished from 6 April 2023.

These changes aim to disincentivise people from reducing their hours or taking early retirement in order to stay under the limits and avoid additional charges.

- **ENERGY COSTS**

The Energy Price Guarantee, which limits the amount that suppliers can charge customers, will remain at its current level for a further three months (April – June 2023). The current level equates to an energy bill of £2,500 per annum for a typical household. The increase to £3,000 per annum will begin from 1 July 2023.

An Energy Bills Discount Scheme to support those on certain non-domestic contracts for the period from 1 April 2023 to 31 March 2024 had already been announced in January.

- **CAPITAL GAINS TAX**

As previously announced, the annual exempt amount for capital gains – currently £12,300 per annum – will reduce to £6,000 from April 2023 and to £3,000 from April 2024.

Separating spouses or civil partners will be given up to three years after the year they cease to live together in which to make no gain/no loss transfers (currently only until the end of the tax year in which the separation happens). The no gain/no loss treatment will also apply to assets that separating spouses or civil partners transfer between themselves as part of a formal divorce agreement. Applies to disposal on or after 6 April 2023.

- **CORPORATION TAX**

As previously announced, corporation tax will be 25% from April 2023 with 19% small profits rate. Marginal relief is available for companies with profits between £50,000 and £250,000.

- **CAPITAL ALLOWANCES**

From 1 April 2023 until 31 March 2026, companies can claim 100% capital allowances on qualifying new main rate plant and machinery investments. This replaces the current 130% super-deduction and coincides with the changes in corporation tax main rate.

The 50% first-year allowance for expenditure by companies on new special rate (including long life) assets continues until 31 March 2026.

The Annual Investment Allowance remains at £1m for all businesses including unincorporated businesses and most partnerships.

- **RESEARCH AND DEVELOPMENT TAX RELIEFS**

As previously announced from 1 April 2023:-

- Research and Development Expenditure Credit (RDEC) will increase from 13% to 20%.
- SME additional deduction to decrease from 130% to 86% and credit rate from 14.5% to 10%.

From 1 April 2023, eligible loss-making R&D intensive SMEs will be able to claim a credit of up to £27 from HMRC for every £100 of R&D investment, instead of £18.60 for non R&D intensive loss makers. A company is considered R&D intensive where its qualifying R&D expenditure is worth 40% or more of its total expenditure.

The scope of qualifying R&D is expanded to include data and cloud computing costs. Various procedural changes are being implemented.

- **OTHER MATTERS**

- Fuel duty will be maintained at current levels for the next 12 months.
- Changes to the Enterprise Management Incentives (EMI) scheme from April 2023 to simplify the process to grant options and reduce the administrative burden on participating companies.
- 12 new Investment Zones create high-potential knowledge-intensive growth clusters across the UK with enhanced tax allowances.
- The Budget introduces 'Returnerships': a new type of apprenticeship targeted at the over-50s, which brings together existing skills programmes, supported by additional funding.
- As widely reported prior to the Budget, childcare provision is a key element of the Chancellor's strategy for encouraging parents back into work.

- **PREVIOUSLY ANNOUNCED RATES AND ALLOWANCES**

Most other rates and allowances were announced in the Autumn Statement on 17 November 2022. These were set out in our email of that date, and will be published in our annual tax data card which will be posted to you.