

## SPRING BUDGET 2023

Chancellor Jeremy Hunt delivered a 'Budget for Growth' on 15 March 2023, after the Office for Budget Responsibility forecast a stronger than expected performance from the UK economy this year, with inflation predicted to fall significantly by the end of the year. We have set out below some of the major announcements from the Budget.

### Pension Tax Limits

In an attempt to encourage 'inactive' individuals to return to work, in particular those aged 50 and above, the Chancellor announced that the following measures will be introduced from 6 April 2023:

- An increase to the pension annual allowance from £40,000 to £60,000.
- An increase in the money purchase annual allowance from £4,000 to £10,000.
- An increase in the income level for the tapered annual allowance from £240,000 to £260,000.
- The abolition of the lifetime allowance charge.
- A limit to the maximum amount an individual can claim as a tax-free lump sum from their pension pot to 25% of the current lifetime allowance. This equates to a maximum tax-free lump sum of £268,275, except where previous protections apply.

### Corporation Tax Measures

Although it was rumoured in the run up to the Budget that the Chancellor would drop this measure, the increase in the main rate of Corporation Tax will go ahead on 1 April 2023. The rate will increase to 25% for companies with profits over £250,000. The 19% rate will become a small profits rate payable by companies with profits of £50,000 or less. Companies with profits between £50,001 and £250,000 will pay tax at the main rate reduced by a marginal relief fraction, providing a gradual increase in the effective corporation tax rate.

In changes to Capital Allowances for companies, the Chancellor announced that the 'Super-Deduction' (which runs up to 31 March 2023) will be replaced by 'Full Expensing', a 100% relief which allows companies to deduct in full the cost of brand new and unused plant and machinery from their profits, with no expenditure limit. Full Expensing will apply to expenditure incurred on or after 1 April 2023, up to 31 March 2026, but is only available for companies and not for unincorporated businesses. However, the Annual Investment Allowance (AIA) is available to both incorporated and unincorporated businesses and gives a 100% write-off on most plant and machinery, up to £1m per year and it had already been announced that the £1m level of the AIA will be made permanent.

### Research and Development (R&D) relief

For expenditure incurred on or after 1 April 2023, the Research and Development Expenditure Credit (RDEC) rate for large companies will increase from 13% to 20% but 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%. A higher rate of SME payable credit of 14.5% will apply to loss-making SMEs which are R&D intensive. To be R&D intensive the ratio of the company's qualifying R&D expenditure must be 40% or above the company's 'total expenditure' for the period.

It was also confirmed that all claims for R&D reliefs will have to be made digitally and be accompanied by a compulsory additional information form. Companies will also need to notify HMRC that they intend to make a claim within six months of the end of the period of account to which the claim relates, generally if they have not made an R&D claim in the previous three years.

### Childcare

Although not a tax measure, one of the biggest announcements made by the Chancellor will be welcomed by many working parents in England, who will be able to access 30 hours of free childcare per week, for 38 weeks of the year, from when their child is nine-months old to when they start school. This will be rolled out in stages:

- From April 2024, all working parents of two-year-olds can access 15 hours per week.
- From September 2024, all working parents of children aged nine months up to three-years old can access 15 hours per week.
- From September 2025 all working parents of children aged nine months up to three-years old can access 30 hours free childcare per week.
- Where parents need childcare for more than 38 weeks a year, they are able to spread their free hours entitlement over a higher number of weeks.

*Further details of the announcements made in the Budget and a summary of the tax rates and thresholds for the new 2023/24 tax year can be found in our Spring Budget 2023 publication, available on our website or from any of our offices.*

*The above is for general guidance only and no action should be taken without obtaining specific advice.*

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