



Spring Budget 2023

17 March 2023

1

Presenters

- Anita Monteith – Head of Taxation Policy
- Richard Jones – Technical Manager, Business Tax
- Mei Lim-Cooper – Technical Manager, Personal Tax
- Caroline Miskin – Senior Technical Manager, Digital Taxation



2

Housekeeping

To ask a question

Click on the **Q&A** button in the bottom toolbar to open the submit question prompt. Type in your question and click **send**. You can also upvote other attendees questions.

Closed captions

Closed captions are enabled on this webinar. In order to view this feature please click on the "CC Live Transcript" icon at the bottom of your screen. Please note that the transcript is automatically generated and errors may occur.

Resources

All delegates were sent a reminder email approximately one hour prior to the start of this webinar, this email contained a link to a webpage where slides and accompanying resources can be downloaded. A recording of this webinar will be available to watch later at icaew.com/taxwebinars.

3

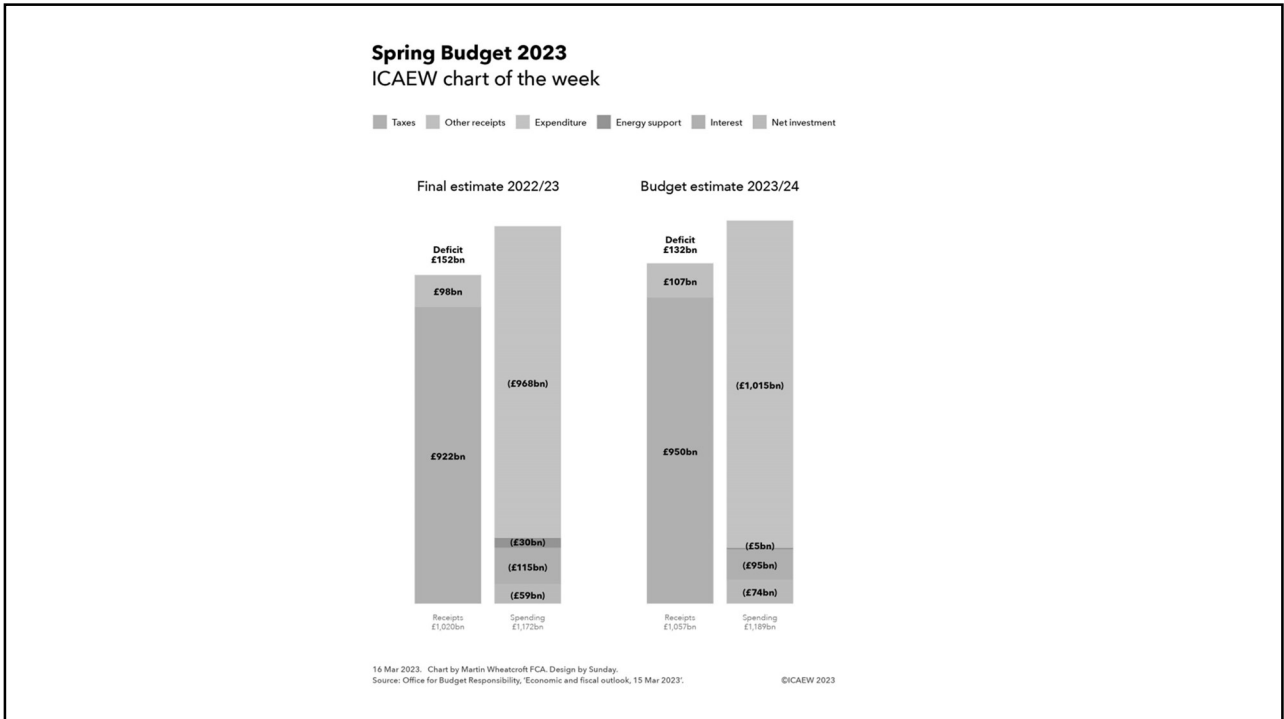
1



Overview


Anita Monteith

4



5

2



Business Taxes

Richard Jones

6

What I will cover in this section

- Capital allowances changes
- Investment Zones
- Seed Enterprise Investment Scheme expansion
- R&D tax reliefs and credits
- Creative sector reliefs
- Extension of cash basis for unincorporated businesses

7

'Full expensing' from 1 April 2023

| | 1 April 2021 – 31 March 2023 | | 1 April 2023 – 31 March 2026 | |
|-----------------|------------------------------|---------------|------------------------------|---------------|
| | Tax rate (%) | Allowance (%) | Tax rate (%) | Allowance (%) |
| Super deduction | 19 | 130 | | |
| Full expensing | | | 25 | 100 |
| 50% allowance | 19 | 50 | 25 | 50 |

8

What qualifies for which relief?

| | AIA (£1m) | Full expensing* | 50% allowance* |
|--------------------------------|-----------|-----------------|----------------|
| General P&M | ✓ | ✓ | |
| Second-hand assets | ✓ | | |
| Assets acquired by way of gift | | | |
| Assets acquired for leasing | ✓ | | |
| Cars | | | |
| Integral features | ✓ | | ✓ |
| Long life assets | ✓ | | ✓ |

*Companies only

9

Investment Zones

- 12 new Investment Zones across the UK
- Tax and other benefits available once a zone become designated
- Same tax benefits as tax zones within Freeports:
 - SDLT relief
 - Business rates relief
 - Enhanced capital allowances for plant & machinery (companies only)
 - Enhanced structures and buildings allowances
 - Secondary Class 1 NIC relief
- See point 1.28 of [OOTLAR](#) and [policy prospectus](#) for more details

10

Seed Enterprise Investment Scheme (SEIS)

| | Up to 5 April 2023 | From 6 April 2023 |
|-------------------------------|--------------------|-------------------|
| Total company investment | £150,000 | £250,000 |
| Gross asset limit | £200,000 | £350,000 |
| Age limit on qualifying trade | 2 years | 3 years |
| Annual investor limit | £100,000 | £200,000 |

11

R&D tax changes – what we knew already

- Summer consultation:
 - Extension of qualifying expenditure definition
 - Restriction on overseas expenditure for sub-contracted expenditure and EPWs
 - Additional admin requirements eg pre-notification of claims, additional information form
 - To apply for accounting periods beginning on or after 1 April 2023
- Autumn Statement:
 - Adjustment of rates of relief and tax credits under SME and RDEC schemes
 - To apply to expenditure incurred on or after 1 April 2023
- Plus, a consultation on merging the SME and RDEC schemes

12

R&D tax changes – Budget day announcements

- R&D-intensive companies:
 - Higher R&D tax credit rate under SME scheme
- Additional information form:
 - For all claims made on or after 1 August 2023
- Overseas expenditure:
 - For accounting periods commencing on or after 1 April 2024

13

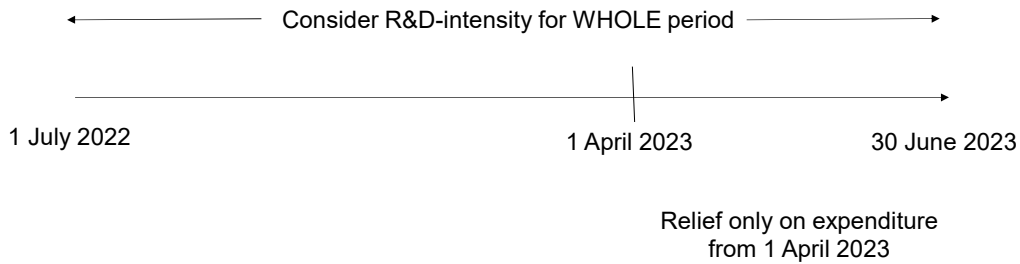
SME tax reliefs and credits

| | Tax relief prior to 1 April 2023 | Tax credit prior to 1 April 2023 | Tax relief after 1 April 2023 | Tax credit after 1 April 2023 |
|--------------------|----------------------------------|----------------------------------|-------------------------------|-------------------------------|
| SMEs | 130% | 14.5% | 86% | 10% |
| R&D-intensive SMEs | N/A | N/A | 86% | 14.5% |
| RDEC | N/A | 13% | N/A | 20% |

14

R&D-intensive companies

At least 40% of expenditure is qualifying R&D expenditure



15

Calculation of R&D-intensity

$$\frac{\text{Qualifying R\&D expenditure}}{\text{Total expenditure in P\&L + s1308 CTA '09 expenditure - expenses not CT deductible}}$$

Results of connected companies will be aggregated. See definition at s1122 CTA 2010

Can only make claim for R&D-intensive company credit once legislation is in place

16

Creative sector reliefs – consultation response

- From APs ending on or after 1/1/2024
- High-end TV } 34% tax credit
 - Films } 34% tax credit
 - Animation } 39% tax credit
 - Children's TV } 39% tax credit
 - Video games 34% tax credit
- Old regime closed to new productions from 1 April 2025
 - But still available until 31 March 2027 for productions not completed by 1 April 2025

17

Extension of cash basis for unincorporated businesses

- Turnover restriction
- Cash basis as the default option
- Interest deduction restriction
- Loss relief restrictions

18

Extension of cash basis - turnover

| Current position | Standard | With Universal Credit |
|---------------------------|----------|-----------------------|
| Enter if turnover below | £150,000 | £300,000 |
| Leave if turnover exceeds | £300,000 | £300,000 |

Future options:

1. Align with VAT cash accounting scheme
 - Join if turnover below £1.35m
 - Leave if turnover above £1.6m
2. Remove the threshold entirely

19

Cash basis as default

Perceived benefits by HMRC:

1. Alignment with property business tax calculations
2. Simplification of tax calculations
3. Removes need to make election
4. Alignment with quarterly reports under MTD for ITSA

20

Cash basis- other potential changes

- Extend £500 limit on interest and incidental costs of finance
 - Amounts up to £1,000 are suggested
- Allow sideways loss relief for cash basis users
 - Maximum loss size could be set
 - Could be limited to early years of trade
 - Could be restricted to off-set against other cash basis sources

21

Cash basis consultation

- Consultation runs until 7 June 2023
- Please send any comments to me by end of April

- VAT and duties changes in the Spring Budget

22

3

Personal Taxes
Mei Lim-Cooper

23

Pension changes: annual allowance

| | Up to 5 April 2023 | From 6 April 2023 | |
|---------------------------------|--------------------|-------------------|--------------------------|
| Annual allowance | £40,000 | £60,000 | |
| Tapered annual allowance (min) | £4,000 | £10,000 | } Taper for high earners |
| Threshold income | £200,000 | £200,000 | |
| Adjusted income | £240,000 | £260,000 | |
| Money purchase annual allowance | £4,000 | £10,000 | |

- Carry forward rules continue to apply (not applicable for MPAA)
- Any excess subject to annual allowance charge at marginal rates

24

Pension changes: lifetime allowance

- Abolishment of lifetime allowance
- Tax free amount will be restricted to £268,275 (25% of the current LTA)
- Protections may apply

25

MCO

Other personal tax changes

- Social Investment Tax Relief will expire on 5 April 2023
- APR and woodlands relief restricted to UK only from 6 April 2024
- 30 hours free childcare extended to 9months+
- CGT on separation changes taking effect from 6 April 2023
 - Extension of time limits to make tax neutral transfers
 - Changes to availability of PRR for marital home

26

Slide 26

MCO [@Caroline Miskin] I've dropped a couple of the personal tax changes points and condensed down to one slide. (Deleted the crypto and the low income trust points as they are quite niche but let me know if I should add them back in and divide into two slides)

Mei Lim Cooper, 2023-03-16T16:45:57.152

4



What's coming next

Caroline Miskin

27

What's coming next

- Finance Bill to be published on 23 March 2023
- Tax Administration and Maintenance Day later in the spring
- Discussion document: Simplifying and modernising HMRC's Income Tax services through the tax administration framework
- Consultation: Expanding the cash basis
- Forthcoming consultation: Tackling Promoters of Tax Avoidance
- Measures to better manage outstanding tax debt
- Transforming HMRC Guidance and Forms for Small Businesses

28



***Any
questions?***

29

Future webinars and events

Webinars

20 April: Research & Development tax relief changes

16 May: Payroll & Reward update 2023

Events

22 May: VAT at 50 – where next

30

Thank you for attending

- Please take the time to fill out our short survey
- Contact the Tax Faculty
- Phone: +44 (0)20 7920 8646
- Email: taxfac@icaew.com
- Web: icaew.com/taxfac

This webinar is presented by the Tax Faculty. Tax Faculty membership gives you access to exclusive premium resources including our regular e-bulletin, webinars, discounts on events and conferences and extensive online resources to support your career.

ICAEW will not be liable for any reliance you place on the information in this presentation. You should seek independent advice.

31



icaew.com

© ICAEW 2023

32