



Spring Budget 2023

17 March 2023

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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



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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

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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.

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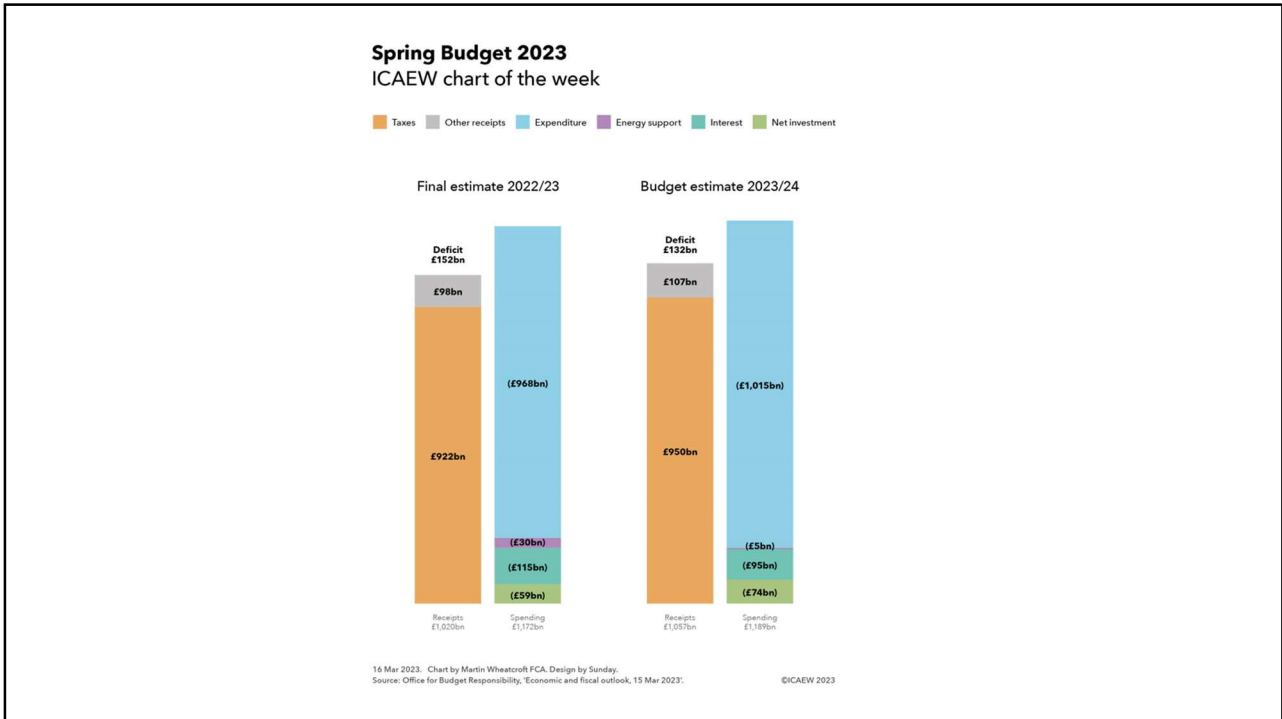
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Overview

Anita Monteith

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Business Taxes

Richard Jones

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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

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'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

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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

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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

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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

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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

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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

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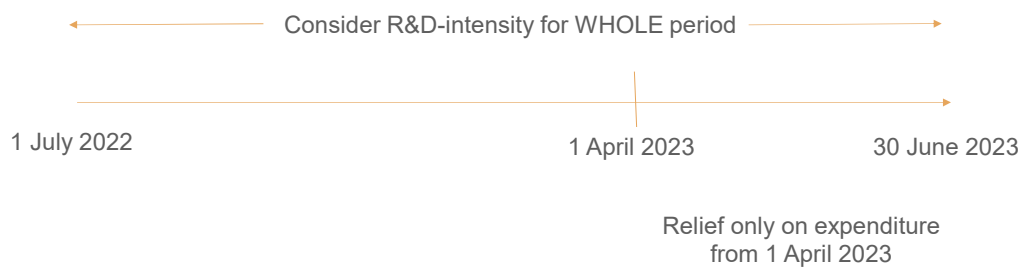
SME tax reliefs and credits

	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%

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R&D-intensive companies

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



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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

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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

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Extension of cash basis for unincorporated businesses

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

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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

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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

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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

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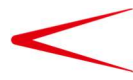
Cash basis consultation

- [Consultation](#) runs until 7 June 2023
- Please send any comments to me by end of April

- [VAT and duties changes in the Spring Budget](#)

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Personal Taxes

Mei Lim-Cooper

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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

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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

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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

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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

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What's coming next

Caroline Miskin

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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

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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

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Thank you for attending

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