CBW's Spring Budget Report 2023

A considered opinion on the UK government's Spring 2023 Budget and how it could affect you.

17 March 2023

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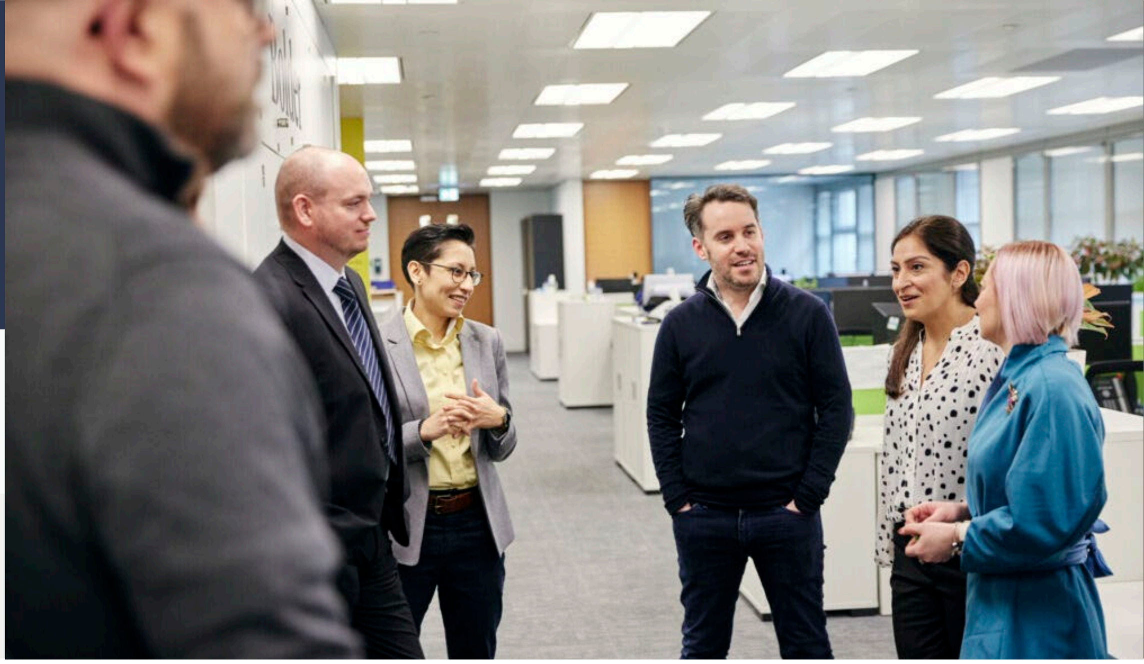

Foreword

It is a brave Chancellor that admits that under his Budget, the working population's taxes are going to go up without giving an inkling of when – or even if – they will come back down again. But that is exactly what this Chancellor has done.

Taxes are the highest they have been for 70 years – estimated at 37.7% of GDP by 2027 - and there was little for working families, 'young' or middle-aged people starting out in their careers to feel happy about in this Budget. We have sympathy with him though. The combination of borrowing as a result of the pandemic - £400billion – and the energy crisis - £100billon – coupled with stagnant growth, has left little opportunity to do anything other than tinker around the edges and raise taxes to pay for it all.

In an effort to tackle stagnation, the Chancellor has focused what little room he had on encouraging those not in work, back into the work force. With an estimated 1million vacancies and 7million working age adults not in work, he has looked to pull on three leavers to encourage them back into work: pension reform, changes in the rules that will look to encourage disabled people back into work and 30 hours childcare a week for families.

Which leads us neatly on to the one moment that has everyone very excited; pension reform.

The Chancellor insists that tax should not be a barrier to people working – and we agree. However, he also insists that by removing the taxes resulting from pension entitlements climbing above the lifetime allowance – a figure introduced to curtail the benefits of pensions and protect the public purse – will ensure that workers (mainly doctors) will stay in work or return. The OBR does not disagree, but it does say that it thinks that only 15,000 people will come back into the workforce as a result of this change. In all, the OBR predicts that circa 100,000 people will return to the workforce as a result of these measures, at a combined cost of £7billion. So fairly rudimentary maths shows that this is £70,000 per person per job. Seems like a lot for a little.

There was some good(ish) news for businesses where for the first time ever, a UK company will be able to write off 100% of its investment in capital assets that qualify for the main rate of capital allowances and 50% of its investment in those that fall within the special rate – with no cap!. The Chancellor tells us that this is a £9billion measure that is to offset the increase in the corporate tax rate from 19% to 25% for companies profits exceeding £250k per annum. Given that the Chancellor only expects that 10% of all UK companies will be within the new higher rate of tax, he is placing a lot of faith on those companies to invest heavily over the next three years.

With an election due in March 2024, the cynical will say that this is a Budget designed to deliver short term pain with the 2023 Autumn Statement laced with goodies to convince us that it was all necessary and worth it. We will wait and see.

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DFK INTERNATIONAL

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1. Personal Tax

1

Threshold for the Additional Rate of Tax

As previously announced, from 6 April 2023, the threshold for paying the additional rate of tax of 45% will be reduced from £150,000 to £125,140. This aligns the increase to the additional rate with the point at which the personal allowance is lost.

2

Personal Allowance, Basic Rate and Higher Rate Thresholds

The personal allowance will remain frozen for the 2023/24 tax year at £12,570. The basic to higher rate threshold will also remain frozen at £37,700, as will the threshold for personal allowance tapering, at £100,000. The personal savings allowance remains at £1,000 for basic rate taxpayers and £500 for higher rate taxpayers.

CBW Tax Reaction

Freezing allowances and thresholds when income is, in theory, rising, is a stealth tax – more people on low income will find themselves paying tax, and those on middle incomes will find that they pay tax at a higher rate.

3

Starting Rate for Savings

The 0% band for the starting rate of savings income remains at the current value of £5,000. This applies only where non savings income does not exceed the personal allowance.

1. Personal Tax

4

Pension Tax Thresholds

The Chancellor announced a number of significant changes to pensions:

- The pensions Annual Allowance will increase from £40,000 to £60,000 from 6 April 2023.
- For high earners, the Tapered Annual Allowance will be increased from £4,000 to £10,000, with the adjusted income threshold increasing from £240,000 to £260,000 from 6 April 2023.
- The Lifetime Allowance (currently at £1,073,100) is to be abolished from 6 April 2023.
- For those about to draw down from their pension pot, the maximum tax-free amount remains at 25%, which is capped at £268,275 (i.e. 25% of the current Lifetime Allowance).
- For those whose total income is below the Personal Allowance, who save into a pension scheme using a net pay arrangement, will from 6 April 2024, receive the basic rate tax relief paid direct into their bank account by HMRC.
- To harmonise the payments from a Collective Money Purchase pension scheme with those from a UK registered pension scheme, periodic payments of income during the winding up of the scheme will be treated as authorised payments (i.e. drawdown).
- Where an individual has contributed into different public service pension schemes, legislation will be introduced for the 2023-24 tax year to treat each scheme as one arrangement for determining the pension input amount and any Annual Allowance charges.

CBW Tax Reaction

Probably the biggest Budget surprise, as the Chancellor attempts to stem the wave of early retirements, was the scrapping, from 6 April 2023, of the pension Lifetime Allowance, which will be welcomed by the very highest earners.

The Chancellor delivered this budget as the 'back to work budget'. A key aim was to encourage the over 55s back into the workplace.

The OBR has commented that they estimate that the removal of the LTA charge – which triggers a tax charge of either 55% or 25% of pension savings over the LTA in force – will only encourage 15,000 people back into the workplace. The cost of the package is estimated at £1billion a year. We will leave it to you to decide if that is worth it.

5

Pensions Tax Administration – Digitalising relief at source

The government will legislate to improve the administration of pension tax relief and will enable the digitalisation of the current paper processes for relief at source, improving the experience for pension scheme administrators and reducing errors.

1. Personal Tax

6 Subscription Limits for ISAs and Child Trust Funds

The adult ISA annual subscription for 2023/24 remains unchanged at £20,000. The Junior ISA allowance also remains unchanged at £9,000. The annual subscription limit for Child Trust funds remains unchanged at £9,000. The government will legislate by Statutory Instrument to restrict the eligibility to manage ISA and Child Trust Fund to financial institutions with a UK presence from April 2024.

7 Amendments to the Self-assessment Tax Return Forms for Crypto Assets

Changes will be made to the self-assessment tax returns for 2024/25 onwards to enable taxpayers to declare capital gains in relation to crypto assets separately from other assets. This will apply for both personal tax returns and those for trusts and estates.

CBW Tax Reaction

HMRC are concerned that many investors into Crypto assets are not aware that gains are subject to tax. By separating out the asset class on the tax return it will enable HMRC to establish to what extent their concern is valid.

8 Reduction in Dividend Allowances

The reduction in the dividend allowance will proceed as planned so that the tax-free allowance in 2023/24 will be £1,000, reducing to £500 from 6 April 2024. Dividend rates will continue to be 8.75% at the basic rate, 33.75% at the higher rate and 39.35% at the additional rate.

CBW Tax Reaction

It would seem that the Chancellor is only willing to be helpful if you invest for your retirement through ISAs or a pension; not only will the Chancellor tax more of your personal investment to generate a return to live on now, it will be taxed at a higher rate.

9 Seed Enterprise Investment Scheme (SEIS)

As previously announced, the lifetime amount that an individual can invest in SEIS investment will increase from £100,000 to £200,000 from 1 April 2023.

Companies will be able to raise £250,000 (previously £150,000) from 1 April 2023 under SEIS. Furthermore, the gross asset limit will be increased to £350,000 and the age limit on a qualifying trade from 2 to 3 years.

CBW Tax Reaction

Many new startup businesses and investors will be pleased with the changes that are due to come in from 1 April 2023. So much so, that there may have been slight delays in raising investment so that investors can take advantage from the generous tax reliefs which SEIS can offer.

1. Personal Tax

10

Social Investment Tax Relief (SITR)

As previously announced the government will not renew the SITR and will close to any new investments from 6 April 2023.

11

Marriage Allowance and Married Couples' Allowance

The Marriage allowance will be frozen for the coming year at £1,260. The maximum married couples' allowance, applying to those where at least one member of the marriage/civil partnership was born before 6 April 1935 will increase to £10,375 from 6 April 2023.

12

Carer Support Payment

The government will clarify the tax treatment of the Scottish Government's Carer Support Payment as taxable as a social security income.

13

Further Tax Provisions in Connection with the Dormant Assets Scheme

From Royal Assent of the Spring Finance Bill (and from 6 June 2022 for IHT purposes), legislation will apply to support the expansion of the Dormant Assets Scheme. Individuals who receive payments from pensions and other assets that have been transferred into the scheme will be treated as if the payment was from the original pension asset. For IHT purposes, the original owner will still be deemed to own the asset. The aim is to ensure that the act of reclaiming pension assets from an authorised reclaim fund are tax neutral for income tax purposes, and provides certainty of the tax treatment.

14

Modernising Income Tax Services

The government is to publish a discussion document exploring how HMRC can simplify and modernise HMRC's income tax services as part of its Tax Administration Framework Review. This sets out HMRC's intention to move to a "digital by default" approach for some of its outputs, seeks views on improving Pay As You Earn processes, and launches a review of the Income Tax Self-Assessment criteria.

CBW Tax Reaction

Some might point out that HMRC have recent form in this area with the to date abject failure of MTD for income tax. We wish them better success!

2. Employee Tax

2. Employee Tax

1

National Insurance Rates from 6 April 2023

The Lower Earnings Limit (LEL) and the Small Profits Threshold (SPT) will be maintained at the 2022/23 levels for 2023/24 and will be held at this level until 2027/28.

The LEL remains at £6,396 per annum (£123 per week) and the SPT (for the self-employed) remains at £6,725 per annum.

The Class 2 rate will be £3.45 per week, and the Class 3 rate will be £17.45 per week.

2

National Insurance Contributions Secondary Threshold from 6 April 2023

The level at which employers start to pay Class 1 Secondary NICs (i.e. the employers' contribution - the Secondary Threshold), will remain at £9,100 from April 2023 until April 2028.

3

Van Benefit Charge and Car and Van Fuel Benefit Charges

As previously announced, car and van fuel benefit charges and van benefit charges will increase in line with CPI in 2023/24. From 6 April 2023 the car fuel benefit charge will be set at £27,800 (with the relevant emissions percentage to be applied). The standard charge for private use of a company van will increase to £3,960 and van fuel benefit increases to £757.

2. Employee Tax

4

Taxation of New Devolved Security Benefits

From 6 April 2023, a new power will be introduced in relation to new welfare payments or top-up payments introduced by devolved administrations. This will permit the government to confirm by Statutory Instrument when new payments are taxable as social security income within the tax year, rather than be subject to the UK parliamentary timetable.

5

Tax Treatment of Payments from the Welsh Government's Jobs Growth Wales Plus Scheme

Payments of the training allowance under the Welsh Government's Jobs Growth Wales Plus scheme will be exempt from income tax, with retrospective effect from 1 April 2022. The scheme was introduced by the Welsh Government on 1 April 2022, to replace Traineeships and Jobs Growth Wales.

6

Qualifying Care Relief Increase

The amount of income tax relief available for foster carers and shared lives carers using Qualifying Care Relief will be increased from 6 April 2023. During the 2023/24 tax year, the annual fixed amount will increase from £10,000 to £18,140. The weekly amount for children under 11 will increase from £200 to £375. The weekly amount for children 11 or older and adults will increase from £250 to £450.

7

Company Car Tax Rates

Rates for company car tax rates for the tax years up to and including 2027/28 were announced in the Autumn Finance Bill 2022 and these have not changed. Incentives of lower rates will be offered for electric vehicles throughout the period, as for vehicles with lower CO_2 emissions (less than 75g/km).

3. Corporation Tax

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3. Corporation Tax

1 Corporation Tax Rate

The Chancellor has confirmed that the main rate of corporation tax will increase from 19% to 25% from 1 April 2023.

From that date there will be a new small profits rate of 19% which will apply to smaller companies with profits of £50,000 or less. Where a company's profits fall between £50,000 and £250,000, marginal relief will be available such that the company's effective tax rate will be between 19% and 25%.

The £50,000 and £250,000 figures will be reduced proportionally for short accounting periods and for the number of 'associated' companies.

CBW Tax Reaction

The Chancellor wanted to remind us that even with the corporation tax rise due from 1 April 2023 that the UK will still have the lowest headline corporate tax rate in the G7. He further added that only 10% of companies will pay the full rate. What he failed to mention is how many companies will now pay more than 19% corporation tax.

A company makes a profit of £500,000 after 1 April 2023. It pays tax of £125,000 at 25% (£30,000 more than before). The shareholder decides to pay themselves all of the post tax profits as a dividend – so a dividend of £375,000. If we assume that they are an additional rate taxpayer already, they will suffer a further £147,563 at 39.35%. Put another way, they will have £227,238 in their hands from £500,000 of profit – a 55% blended tax rate. Prior to these changes, the net position for the shareholder would have left them with £245,632 being a blended tax rate of 51%.

Historically where there has been a change in the corporate tax rate, the dividend rate has been adjusted to account for it. Not this time!

2 Full Expensing

Unlike the super deduction, this capital allowance relief is only available to companies and available for capital expenditure on plant and machinery in the year the expenditure is incurred (between 1 April 2023 – 1 April 2026).

The allowances available will be 100% first year allowance without any cap (currently 18%) for main rate expenditure and 50% first year for special rate expenditure (currently 6%).

CBW Tax Reaction

With various motivations, this party continues to entice business owners to invest in capital expenditure by creating potentially 100% first year tax relief new capital allowances (albeit this time only for companies) and by making the Annual Investment Allowance limit of £1 million permanent. This may help reduce profits subject to the new higher rates of corporation tax.

The full deduction of qualifying capital expenditure will be a welcome relief for some but for many it will not help as their businesses simply do not need to invest in capital items – not to mention it only applies to companies so businesses run through partnership, LLPs and sole traders do not get this relief.

3. Corporation Tax

3 Transfer Pricing

Businesses which are part of a large multinational enterprise (defined as those with global revenues of €750 million or more) will have to prepare transfer pricing documentation, comprising a master file and a local file in accordance with OECD transfer pricing guidelines. This will apply to accounting periods beginning on or after 1 April 2023.

In addition, HMRC will continue to consult on the introduction of a Summary Audit Trail, which would be a document detailing the steps undertaken by a UK business in preparing its transfer pricing documentation.

CBW Tax Reaction

HMRC say that they are doing this because 'the absence of specific transfer pricing documentation requirements, and supporting guidance, has created a degree of uncertainty for UK businesses regarding the appropriate transfer pricing documentation they need to keep, leading to inconsistency of approach'.

HMRC are being careful with their language here. Clearly, they are concerned with the quality of the documents and processes that sit behind groups' transfer pricing arrangements.

Fortunately, it will also allow them to test the information against competitors with a higher level of consistency which they believe will enable them to make adjustments to collect more tax from the UK operations.

4 Elective Accruals Basis for the Carried Interest Rules

Measures are to apply from 6 April 2022. This new elective accruals basis of taxation will allow UK resident investment managers to accelerate their tax liabilities in order to align their timing with the position in other jurisdictions, where they may obtain double taxation relief.

5 Multinational Top-up Tax and Domestic Top-up Tax

As previously announced, the government will implement the globally agreed G20-OECD Pillar 2 framework in the UK. The following changes will apply to large groups with over €750 million global revenues and will take effect in relation to accounting periods beginning on or after 31 December 2023. The government will:

- Introduce a multinational top-up tax which will require large UK headquartered multinational groups to pay a top-up tax where their operations in a foreign jurisdiction have an effective tax rate of less than 15%. The measure would also apply to non-UK headquartered groups with UK members that are partially owned by third parties or where the headquartered jurisdiction does not implement the Pillar 2 framework.
- Introduce a supplementary domestic top-up tax which will require large groups, including those operating exclusively in the UK, to pay a top-up tax where their UK operations have an effective tax rate of less than 15%.

CBW Tax Reaction

Global cooperation on taxation is becoming the norm. Those who were sceptical that the work done under the BEPS project by the OECD would have any meaningful outcomes, have been proven wrong. Pillar 2 is just the latest in a series of frameworks that have been incorporated into UK law.
The UK is of course not alone in enacting the Pillar 2 framework – many of the OECD members have done the same.
In simple terms, if you are a global business with at least €750million turnover, that includes profitable companies incorporated in low tax jurisdictions, you will need to consider these changes in detail.

3. Corporation Tax

6 Corporation Tax Main Rate Amendment for Patent Box

As the corporation tax rates are set to change from 1 April 2023, the Patent Box deduction formula is slightly amended to refer to 'applicable rate' rather than 'main rate'. This amendment to the wording helps with those companies with profits of £50,000 or less pay the correct preferential rate of corporation tax on their Patent Box profits.

7 Amendments to Corporate Interest Restriction

These changes will only impact large businesses within the charge to corporation tax that incur net interest expense and other financing costs above £2m per annum. The changes address a number of issues to protect the Exchequer and reduce unfair outcomes or high administrative burdens.

Legislation will be introduced to make amendments to:

- Ensure that groups can carry forward interest allowance where a new holding company is inserted in the group part way through a period of account (sections 395A and 400A TIOPA)
- Clarify the position that notional untaxed interest income is not included in tax-EBITDA where a group has claimed double tax relief (section 407 TIOPA)
- Ensure that brought forward Income Tax losses of a non-resident corporate landlord that is now subject to corporation tax do not reduce tax-EBITDA, consistent with the treatment of corporation tax losses (section 407 TIOPA)
- Remove a mismatch between tax-interest and group-interest with relevant non-lending relationships (money debts that are not a loan relationship) (section 411 TIOPA)
- Remove a mismatch between tax-interest and group-interest where finance costs are brought into account under section 330, section 330ZA or section 607ZA of CTA 2009 by a company on the commencement of a business (section 413 TIOPA)
- Amend the definition of equity notes (which limit perpetual and long-dated instruments from inflating the group ratio) to extend the term to 100 years to accommodate loans that have a term of more than 50 years (sections 414 and 415 TIOPA)
- Ensure capitalised interest on assets that are appropriated from trading stock is treated appropriately where the 'alternative calculation' election applies (section 423 TIOPA)
- Allow interest allowance (non-consolidated investment) elections to be made for interests in certain transparent entities such as limited partnerships and property unit trusts (section 429 TIOPA)
- Align the deadline for making a joint public infrastructure election with the deadline for individual companies to make their public infrastructure elections (section 435)

CBW Tax Reaction

We have never seen this many amendments to one piece of legislation in one go! As you can see from the number of amendments that HMRC are intending to make to the law, it is a highly complex area where many advisors have discovered inconsistencies and legislative outcomes which produce unintended results. We hope that HMRC have listened and that the amendments that they intend to make will have the desired outcome to ensure that the legislation works as intended. For those affected, once we have the legislation we will contact you to explain what, if any, impact these changes have on your situation.

3. Corporation Tax

- Ensure a building under construction for use in a UK property business is not precluded from being a qualifying asset for the public infrastructure rules (section 436 TIOPA)
- Allow certain finance costs payable by an infrastructure company to be deductible where they are payable to third parties via an overseas group company (section 438 TIOPA)
- Clarify the circumstances in which separate CIR groups may arise under the special rules for investment managers (section 454A TIOPA)
- Revise the definition of a CIR group where assets are held for sale or distribution to shareholders (section 475 TIOPA)
- Extend the time limit by 12 months for HMRC to appoint a reporting company (paragraph 4(5)(a) of Schedule 7A)
- Require a group to submit a revised Interest Restriction Return whenever the figures have changed (paragraph 8 of Schedule 7A) and provide the power for HMRC to issue a penalty when such a return is not submitted (paragraph 29 of Schedule 7A)
- Remove the power for HMRC to issue determinations where there is no appointed reporting company (paragraph 56 of Schedule 7A TIOPA)
- Remove the additional time provided to make group relief and capital allowances claims following a determination made by HMRC when a group has failed to file an Interest Restriction Return (paragraph 72 of Schedule 7A TIOPA)
- Revise the meaning of insurance company so all relevant entities are within scope, following a change made to other legislation in consequence of EU Exit (part 7 of Schedule 11)
- Provide that changes to CIR disallowances are ignored in calculating CT inaccuracy penalties (paragraph 5 of Schedule 24 to Finance Act 2007)
- Clarify that companies which are charities cannot benefit from tax relief for financing costs incurred in respect of their tax-exempt activities and, as a result, avoid the need for these amounts to be included in CIR calculations (section 457 CTA 2009, section 382 TIOPA)

Under the worldwide debt cap rules at Part 7 of TIOPA 2010, treat a revised statement of allocated disallowances submitted within the 30-day window, for example, following the closure of an enquiry into a company tax return or litigation settlement as valid only if a valid revised statement of allocated exemptions is also submitted within that window.

8 Double Taxation Relief: Time Limit for Claims

This has been effective since 20 July 2022. The government will legislate to limit certain extended time limit claims for double tax relief calculated by reference to the foreign nominal rate of tax. This will only impact UK companies in receipt of overseas dividends for periods prior to the introduction of distribution exemption in 2009.

3. Corporation Tax

9 Creative Tax Reliefs Reform — Administrative Changes

The government will make 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 on payments between connected parties. Draft legislation will be published in summer 2023 for consultation. The changes will take effect from January 2024.

10 Reforming Film, TV and Video Games Tax Reliefs to Refundable Expenditure Credits

There are a number of reforms that the government intend to introduce.

The design of the expenditure credits will be based on the RDEC. Full details of the expenditure credits will be published alongside draft legislation in summer 2023 and stakeholders will be able to comment.

The government will legislate two expenditure credits:

- Audio-Visual Expenditure Credit - to cover the four existing film and TV tax reliefs. The existing specific eligibility criteria of each relief will be preserved.
- Video Games Expenditure Credit.

Video games, film and high-end TV will have a rate of 34%. Animation and children's TV will have a rate of 39%.

The reform to expenditure credits will change the way that relief is calculated. The expenditure credits will be calculated directly from qualifying expenditure instead of being an adjustment to the company's taxable profit as under the existing regime.

The expenditure credits will be available for companies to claim in respect of accounting periods ending on or after 1 January 2024. Productions that have claimed relief under the current system will be able to opt into the new regime. The current tax reliefs will close to new productions from 1 April 2025. Films and TV programmes that have not concluded principal photography, and video games that have not concluded development by 1 April 2025 may continue to claim relief under the current regime until 31 March 2027.

The government will also legislate in future legislation to reduce the minimum slot length required for a high-end TV production to be eligible for the Audio-Visual Expenditure Credit. The minimum slot length will be reduced from 30 to 20 minutes. This legislation will apply to every individual episode. This change will take effect from 1 January 2024. The current minimum slot length legislation for the existing high end TV tax relief will remain unchanged.

The government will provide in future legislation a definition of a documentary.

9. Corporation Tax

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Research & Development (R&D)

As previously announced, the rate of uplift for SME R&D claims will fall from 130% to 86% from 1 April 2023. This is broadly to adjust the tax value for the increased rate of corporation tax. However alongside this measure, the rate of payable tax credit will also reduce from 14.5% to 10% for most loss making SMEs.

Where this is a vital source of funding for many early stage businesses, particularly in the tech sector, the Chancellor has created an additional concession whereby R&D Intensive SMEs, those for whom their R&D expenditure exceeds 40% of their total expenditure, will have the 14.5% rate preserved.

The previously announced increase in the RDEC rate, for large companies conducting R&D, will increase from 13% to 20%.

There are also a number of minor changes to the types of expenditure that qualify for both reliefs.

It was also announced, both in the Autumn Statement and the Budget, that there would be substantial changes to the procedures under which R&D is claimed. This includes a duty to pre-notify of an intention to claim, where claims were not made in the previous three years, and also a standardisation of the information that will be required in order to make an R&D claim.

Previously it had been possible to make R&D claims purely as numerical entries on the claimant company's tax return without providing any supporting documentation. Most reputable advisers working in this space would already have been providing detailed reports setting out the activities and the costs, however HMRC has acknowledged that it allowed widespread fraud to be carried out in this area during the covid years and is clearly seeking to prevent this from happening again in the future by adding further burdens to some of our smallest and most innovative companies.

CBW Tax Reaction

Whilst the goal of preventing R&D fraud is both vital and admirable, I am not sure that placing further hurdles in front of these businesses is the right way to go, as there are a number of other ways that HMRC could achieve the same end by tightening its own procedures, without burdening the taxpayer.

Ultimately the changes to the SME R&D scheme may become moot as there is a clear drive towards bringing the R&D and RDEC schemes together, given the new reductions and restrictions to the SME scheme whilst increases are being applied to RDEC.

A simpler single-tier system would clearly reduce some of the complexities but the very reason for the SME scheme's introduction was to provide significant assistance to new innovations so the rates of relief would need to be considered carefully. Trying to fit a functional scheme around such extremely different companies represents a major challenge and one that will need to be carefully considered.

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4. Business Tax

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Theatre Tax Relief (TTR), Orchestra Tax Relief (OTR) and Museums and Galleries Exhibitions Tax Relief (MGETR)

5
Restriction of charitable reliefs to UK charities

4. Business Tax

1 Annual Investment Allowance (AIA)

As previously mentioned, the £1m lifetime limit will be made permanent from 1 April 2023.

2 First Year Allowance for Electric Vehicle Charge Points

As previously announced the 100% first year allowance for electric vehicle charge points will be extended to 31 March 2025 for corporation tax and 5 April 2025 for income tax.

CBW Tax Reaction

The Chancellor was fairly quiet on environmental issues during his budget, choosing to focus more on growth through jobs than meeting the challenges of climate change. However, this is a sign that they may be sticking to their plan where from 2030 you will only be able to buy an electric car. Although, you may argue, that with falling consumer demand and rising energy costs, they might be looking to do more earlier if they truly believe that electric vehicles are the future of UK mobility.

3 Cash Basis

There will be a consultation on reforming the cash basis for the self-employed. The cash basis is currently available to certain businesses and enables them to calculate the profits of the trade etc instead of using GAAP. It is generally available to smaller sized businesses.

CBW Tax Reaction

We are all in favour of simplification although little that has been lauded as a simplification has actually simplified the tax system in recent years – if anything it has done the reverse. With the changes to basis periods approaching, we hope that the consultation will make it easier for taxpayers to account for business profits and pay their share of taxes.

4 Theatre Tax Relief (TTR), Orchestra Tax Relief (OTR) and Museums and Galleries Exhibitions Tax Relief (MGETR)

The government will legislate to extend the current headline rates of relief for the TTR, OTR and MGETR for two years. The rates for TTR and MGETR, which were due to taper to 30% (for non-touring productions) and 35% (for touring productions) on 1 April 2023, will remain at 45% and 50% respectively until 31 March 2025. From 1 April 2025, the rates will be 30% and 35% and rates will return to 20% and 25% on 1 April 2026.

The rates for OTR will remain at 50% for expenditure taking place from 1 April 2023, reducing to 35% from 1 April 2025 and returning to 25% from 1 April 2026. MGETR will expire after 31 March 2026 and no expenditure after this date will be eligible for relief.

The chancellor announced in the Budget that the government will legislate in future legislation to change the type of expenditure that will qualify for theatre, orchestra and museums and galleries exhibition tax relief.

From 1 April 2024, the definition of qualifying expenditure will be changed from ‘expenditure that is incurred on goods and services provided from within the UK or EEA’, to ‘expenditure on goods and services that are used or consumed in the UK.’

The eligibility requirement for the reliefs will be changed to require a minimum 10% of expenditure to be on ‘goods and services used or consumed in the UK.’ This will replace the existing requirement for at least 25% of core costs to be incurred on goods and services from within the UK or EEA.

From 1 April 2024 no new theatrical or orchestral productions, or museum and gallery exhibitions will be permitted to claim EEA expenditure under the old definition.

Productions that have not concluded by 1 April 2024 will be permitted to continue to claim EEA expenditure under the old definition until 31 March 2025.

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5 Restriction of charitable reliefs to UK charities

As announced at Spring Budget 2023, the government will legislate to restrict UK charity tax reliefs and exemptions to UK charities and Community Amateur Sports Clubs (CASCs). The taxes affected are income tax, Capital Gains Tax, corporation tax, inheritance tax, Stamp Duty, SDLT, Stamp Duty Reserve Tax, Annual Tax on Enveloped Dwellings (ATED) and Diverted Profits Tax.

CBW Tax Reaction

We are left wondering why reliefs should be restricted to only UK Charities. We in the UK are a charitable lot and gift regularly to Charities all over the world to support causes we believe in. Given the challenges that many in the world are facing, and the obvious desire for the UK public to want to be involved in helping, we would have thought that maybe the Government would not be so unkind as to create a barrier for Charities to operate here in the UK.

5. Incentive Schemes

1
Company Share Option Plan (CSOP)

2
Enterprise Management Incentives (EMI)

3
Non-discretionary Tax Advantaged Share Scheme Call for Evidence

4
Investment Zones

5. Incentive Schemes

1

Company Share Option Plan (CSOP)

As previously announced the following changes will take place to the tax advantaged employee share scheme from 6 April 2023:

- The employee share options limit will be doubled from £30,000 to £60,000.
- The 'worth having' condition, which limits which types of shares are eligible for inclusion within a CSOP scheme will be removed.
- Changes to the share options limit will now be achievable through secondary rather than primary legislation.

2

Enterprise Management Incentives (EMI)

From 6 April 2023 the following two administrative requirements will be removed:

- The requirement for the company to set out within the option agreement the details of any restrictions on the shares to be acquired under the option.
- The requirement for the company to declare that an employee has signed a working time declaration when they are issued an EMI option. This does not remove the working time requirement itself.

From 6 April 2024, the EMI deadline notification for grants will be extended from 92 days to the 6th July following the end of the tax year.

CBW Tax Reaction

The administrative changes are welcomed. In particular the extended deadline for notifying EMI options (albeit not in effect until 6 April 2024), offers some relief.

In other news more changes may be on the horizon as the government will be launching a call for evidence on the Share Incentive Plan and Save As You Earn employee share schemes.

3

Non-discretionary Tax Advantaged Share Scheme Call for Evidence

The government will be launching a call for evidence on the Share Incentive Plan and Save as You Earn employee share schemes.

5. Incentive Schemes

4 Investment Zones

The government will establish 12 Investment Zones across the UK, subject to successful proposals being submitted. Each zone will have access to interventions of £80 million over 5 years. Building on Freeports legislation, the government will legislate to allow designation of special tax sites in or connected with Investment Zones. Special tax sites will be subject to approval by the government and will be designated using secondary legislation.

Once designated, special tax sites will benefit from a package of tax reliefs including Stamp Duty Land Tax (SDLT) relief, enhanced capital allowances for plant and machinery, enhanced structures and buildings allowances, and secondary Class 1 National Insurance contributions (NICs) relief. The reliefs will be time limited with the exact end date confirmed at a future date. The legislation will also provide for the power to amend the date by which conditions need to be met for the purposes of the tax reliefs and NICs relief using secondary legislation. For special tax sites in England, SDLT relief will be made available for purchases of land or buildings, subject to that property being acquired for qualifying commercial purposes and used for such purposes in a control period of up to 3 years.

Enhanced capital allowances of 100% will be made available for companies incurring qualifying expenditure on new plant and machinery primarily for use in a special tax site.

An enhanced rate of structures and buildings allowances of 10% per year for 10 years will be made available for qualifying expenditure on non-residential structures and buildings situated in special tax sites. To qualify, construction must begin, expenditure must be incurred and the building or structure must be brought into non-residential use for the purposes of a qualifying activity between the date the special tax site is designated and the relevant end date for that site.

Secondary Class 1 NICs relief will be made available for employers with physical premises in a special tax site on the earnings of new employees who spend 60% or more of their working time within special tax sites. This rate can be applied on the earnings of all new hires up to £25,000 per year for up to 3 years.

6. Capital Gains Tax

1. Annual Exemption
2. Rate of Tax
3. Preventing Avoidance Through Share Exchange
4. No Gain/No Loss Transfers on Separation and Divorce
5. Capital Gains assessment time period
6. Allowing Capital Gains Tax relief of disposals of joint interests in land and private residences for LLPs and Scottish Partnerships

6. Capital Gains Tax

1

Annual Exemption

As announced in the Autumn Statement 2022, the CGT annual exemption will be halving to £6,150 from its current £12,300 as of 6 April 2023. From 6 April 2024, the allowance will reduce further to £3,000 per annum.

CBW Tax Reaction

CGT is the one area that we hear a lot of rumours about ahead of a budget – the main one being that the rates will be brought into line with income tax rates, which have been higher than CGT rates for many years now. Again, the chancellor did not do that, but the reduction in tax free allowances will erode a small part of the savings afforded by obtaining CGT treatment – the impact in 2023/24 will be a maximum of £1,722, and a further £862 in 2024/25. The bigger issue is that the reduction of the allowance will bring more people who would usually not need to complete a tax return within the reporting threshold, which appears to remain at 4 times the annual exemption. Those with proceeds of as little as £12,000 could be brought into self-assessment from 2024/25, even where they have no CGT to pay.

2

Rate of Tax

The rate of CGT remains frozen at 10% and 20% on most assets, and 18% and 28% for UK residential property and carried interest.

3

Preventing Avoidance Through Share Exchange

Measures were announced in the Autumn Statement 2022 to address tax avoidance so that shares and securities in a non-UK company acquired in exchange for securities in a UK close company will be deemed to be located in the UK, with effect from 17 November 2022. Non-domiciled individuals will now pay tax on gains or income received from the shares or securities in the non-UK company as if it had been a UK company. The measure will only apply where the UK company is a close company and the non-UK company would also be a close company had it been a UK company. The aim is to prevent non-domiciled individuals from accessing the remittance basis in relation to gains realised on the disposals of non-UK securities received in this way.

6. Capital Gains Tax

4

No Gain/No Loss Transfers on Separation and Divorce

In accordance with the announcement on 20 July 2022, the rules will be relaxed in relation to transfers of assets between separating spouses and civil partners for disposals made after 5 April 2023. Currently, a couple who are divorcing have until the end of the tax year of separation to make transfers of assets on a no gain no loss basis. Thereafter, normal capital gains tax applies using market value principles. The changes aim to make the position fairer, with divorcing couples having up to 3 years after the year they cease to live together to make a no gain or no loss transfer, or an unlimited period of time where the assets are the subject of a formal divorce agreement.

CBW Tax Reaction

This is incredibly welcome news! The last thing most couples need to be worrying about when they are making arrangements for their lives post-divorce is the tax implications. This should go a long way in removing that particular headache in future.

5

Capital Gains Assessment Time Period

An avoidance loophole where an asset is disposed of under an unconditional contract will be closed in relation to contracts entered into on or after 1 April 2023 for companies and 6 April 2023 for individuals. This applies in relation to chargeable gains or allowable losses accruing under an unconditional contract, where the disposal is transferred over 6 months after the end of the tax year of disposal for individuals, or one year after the end of the accounting period for companies. The changes give HMRC the ability to assess tax due in circumstance where more than four years between an unconditional contract being entered into and an asset being transferred, and provides a taxpayer safeguard which allows the same time frame for an allowable loss to be claimed.

6

Allowing Capital Gains Tax Relief of Disposals of Joint Interests in Land and Private Residences for LLPs and Scottish Partnerships

From 6 April 2023, legislation will be introduced to clarify the position for LLPs and Scottish Partnerships in relation to claiming Roll-over Relief and Principal Private Residence relief (PPR) in relation to residential property. Previously, due to the wording of the relevant legislation, these reliefs were not available but this discrepancy was not intended and all individuals are entitled to these.

CBW Tax Reaction

Again a welcome change that may only help a small number of people but they will be grateful for it.

7. Value Added Tax & Excise Duties

1
Registration Threshold

2
Alcohol Duty Reform

3
VAT and Deposit Return Schemes

4
Penalty Reform for VAT Technical Changes to Late Payment Interest, Late Payment Penalties, and Repayment Interest Rules for VAT

5
Consultation on VAT Energy Saving Materials Relief – Improving Energy Efficiency and Reducing Carbon Emissions

6
Extending the Zero Rate of VAT for Medicines Dispensed on Prescription

7
Fund Management Review

8
Review of VAT Treatment of Financial Services

9
VAT: DIY Housebuilders Scheme Digitisation Project

10
Introduction of Customs Advance Valuation Rulings

11
Tobacco Duty Rates

12
Vehicle Excise Duty (VED)

7. Value Added Tax & Excise Duties

13

Temporary Approvals for Certain Excise Regimes

7. Value Added Tax & Excise Duties

1

Registration Threshold

The VAT registration threshold will be unchanged remaining at £85,000 for 2023/2024.

CBW Tax Reaction

It was interesting to see that the VAT registration threshold of £85,000 remains for the ninth year.

Retaining that VAT registration threshold will bring more SMEs into the VAT regime, due to inflation and price increases to cover costs increasing the requirement to be compliant, bringing more revenue to HMRC for a tax that is becoming, if not already, one of the biggest income generators for the Government.

2

Alcohol Duty Reform

The Government is to increase the duty rates under the revised duty structure for alcohol products being introduced from 1 August 2023 in line with the Retail Price Index (RPI). This includes all alcoholic products produced in, or imported into, the UK.

The Government will also increase the value of Draught Relief from 5% to 9.2% for qualifying beer and cider products and from 20% to 23% for qualifying wine, other fermented products (previously made-wine) and spirits.

The new alcohol duty rates and increasing the Draught Relief duty differential will take effect from 1 August 2023, aiming to support the hospitality industry by ensuring the duty on an average pint does not increase from 1 August 2023.

HMRC will also take forward plans to modernise the approval, return and payment processes for domestic producers of alcohol products. These changes are currently scheduled to take effect from late 2024 with the introduction of a new digital system.

7. Value Added Tax & Excise Duties

3 VAT and Deposit Return Schemes

With effect from 1 August 2023, simplifications to the VAT treatment of deposits charged under a drink container deposit return scheme (DRS) will change.

Currently, VAT is chargeable on the price payable for goods and services including any deposit added to the price. In the event that part of the price is refunded to the customer, the VAT is adjusted to ensure that the net amount of VAT paid to HMRC reflects the amount actually paid.

Therefore, in order to avoid complexity for businesses, this new measure will achieve the same result for DRS deposits but by different means. In effect, it removes the need to account for VAT on the value of the deposit when the drink is sold at each stage in the supply chain. Instead, the manufacturer or importer who first sells the product in the UK will be required to account for VAT on the value of the deposits for DRS containers that have not been returned in exchange for a deposit refund. This will be achieved by a periodic VAT accounting adjustment.

The measure places the obligation on the manufacturer or importer to account for the VAT on unreturned containers. These businesses receive the deposit amount when they first sell the drink, and they are normally the persons who are obliged, under the DRS, to ensure that deposits are refunded to consumers in exchange for used containers.

4 Penalty Reform for VAT Technical Changes to Late Payment Interest, Late Payment Penalties, and Repayment Interest Rules for VAT

The measures will only be relevant to an amount of VAT if it is subject to the Finance Act 2009 interest rules or new late payment penalties under Schedule 26 to Finance Act 2021. In general, these correspond to amounts of VAT payable for prescribed accounting periods starting on or after 1 January 2023.

The measures will make the following technical changes to the new harmonised interest rules and late payment penalties for VAT, which took effect from 1 January 2023:

- When HMRC makes an assessment to recover money, because HMRC has made a payment or repayment to a taxpayer which is too high, late payment interest will be charged from the date HMRC made the original payment. Currently, the interest is charged 30 days after the date of the assessment.
- For customers who use the VAT Annual Accounting Scheme, late payment interest and late payment penalties will not be charged on instalments that are paid late. Late payment interest and late payment penalties will still apply to any balancing payment that is not paid on time.
- An uncommenced repayment interest provision, which is no longer needed, will be removed

The measures will have effect:

- For the measure on late payment interest from 15 March 2023
- For the measure on late payment penalties from 1 January 2023
- For the measure on repayment interest from the date of Royal Assent of Spring Finance Bill 2023

5

Consultation on VAT Energy Saving Materials Relief – Improving Energy Efficiency and Reducing Carbon Emissions

At Spring Statement 2022, the Government announced changes to expand the VAT energy saving materials relief in Great Britain, providing tax incentives worth approximately £280 million to improve the energy efficiency of homes over a five-year period to 31 March 2027.

This Consultation builds on those changes and seeks views on two further potential areas of reform for this relief to meet its intended objectives more effectively. The first potential area of reform is the inclusion of additional technologies and the second is to extend the relief to installations of energy saving materials in buildings intended solely for a relevant charitable purpose.

The period of consultation closes on 31 May 2023.

6

Extending the Zero Rate of VAT for Medicines Dispensed on Prescription

The Government will extend the zero-rate of VAT on prescriptions for medicines supplied through Patient Group Directions.

Patient Group Directions provide a legal framework that allows some registered health professionals to supply and/or administer specified medicines to a pre-defined group of patients, without them having to see a prescriber (such as a doctor or nurse prescriber).

This measure will be introduced in autumn 2023.

7

Fund Management Review

Following the consultation on proposed reform of the VAT rules on fund management to improve legal clarity and certainty, which closed in February, the Government is considering the responses and continuing to discuss the proposals with interested stakeholders.

The Government will publish its response to the consultation in the coming months.

7. Value Added Tax & Excise Duties

8

Review of VAT Treatment of Financial Services

Building on the recommendations of the industry working group established to consider the future of VAT and financial services, the Government will continue working with industry stakeholders to consider possible reforms to simplify the VAT treatment of financial services, reducing perceived inconsistencies and providing businesses with greater clarity and certainty.

9

VAT: DIY Housebuilders Scheme Digitisation Project

The Government will legislate to digitise the VAT DIY housebuilders' scheme and will also extend the time limit for making claims from three to six months. The aim is to improve the overall customer experience, reducing the administrative burden for both claimants and HMRC.

10

Introduction of Customs Advance Valuation Rulings

The government will provide the means to introduce Advance Valuation Rulings. Advance Valuation Rulings are written decisions made by customs authorities at the request of a trader that are legally binding on both parties. They are a trade facilitation and are not mandatory. These rulings will provide traders with certainty on the valuation method that determines the customs value of goods they are importing into the UK. This will provide reassurance that the valuation method is correct and will assist in the completion of customs declarations.

CBW Tax Reaction

This is very welcome given the impact that we are no longer a member of the single market and so more goods now attract duty on importation.

11

Tobacco Duty Rates

With effect from 6pm on 15 March 2023, there will be an increase to the following; -

1. The duty rate for cigarettes will be either the duty rate plus the ad valorem element, or the minimum excise tax, whichever is higher.
2. Duty rate plus ad valorem element will be an amount equal to 16.5% of the retail price plus £294.72 per 1,000 cigarettes.
3. Minimum excise tax will be £393.45 per 1,000 cigarettes.
4. The rate for hand-rolling tobacco by an additional 4% above the escalator, to 6% above RPI inflation.
5. The Duty rate plus ad valorem element £351.03 per kg and the Minimum excise tax is not applicable.

Please also note that under 'Tobacco Products Duty' further details are provided regarding Tobacco Products Duty if you make or import tobacco, how much it is and when you can suspend or defer payment.

CBW Tax Reaction

Whilst the Budget 2023 seemed to have the usual VAT hikes for tobacco and certain alcohol products, together with the extension to the VAT exemption for applicable healthcare services and the extension to the zero-rating of VAT for medicines meeting the relevant criteria, it would appear that the Government are looking to assist individuals from a health perspective with increasing the price of 'unhealthy' products, whilst reducing the costs of certain health care and medicines. This seems to be a pattern when the economy is not doing so well.

7. Value Added Tax & Excise Duties

12 Vehicle Excise Duty (VED)

From 1 April 2023, all affected vehicles will have an increase in the VED rates for cars, vans and motorcycles. This is in support of the haulage sector, VED for Heavy Goods Vehicles (HGVs) will remain frozen for 2023 to 2024.

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13 Temporary Approvals for Certain Excise Regimes

Currently businesses involved with goods that fall under the excise rules must be approved by HMRC to conduct certain controlled activities. HMRC may revoke a business's approval where it fails to meet HMRC's 'fit and proper' criteria. The Finance Act 2021 gave HMRC power to grant temporary excise approval to those seeking a review of or appealing against an approval decision (or a review of it), providing they could demonstrate a real risk that the business could fail before the court heard the appeal.

Under that legislation the temporary approval automatically ends once an approval decision has been cancelled on a review, upheld on a review and not subsequently appealed, or an appeal against the approval decision (or a review of it) has been finally determined. For those dealing in the storage of excise goods this approach is unworkable, as it offers no opportunity for the business to wind down its operations if their appeal is unsuccessful.

The measure adds a new discretionary power that would allow HMRC to extend the temporary approval for a short period following a review of an approval decision that has been upheld and not subsequently appealed or an unsuccessful appeal against that decision (or a review of it). This would enable the business to legally sell any excise goods it holds without incurring a penalty. As a minor but necessary change to the operation of temporary excise approvals the measure has not been previously announced or consulted on, but implementation of an effective solution at the earliest opportunity is beneficial for businesses.

CBW Tax Reaction

VAT receipts for April 2022 to January 2023 are £136.5 billion, which is £1.3 billion higher than in the same period a year earlier, with the new measures being introduced this will only increase further.

What was also interesting to see was the investment by the Government of £47.2m into HMRC to enhance the collection of debts, whilst aiming to support those unable to pay such debts.

With regards to fraud, another measure was to double the sentencing for the more serious cases of tax fraud from 7 years to 14, with a consultation on a new criminal offence for promoters of tax avoidance who fail to comply with legal notices issued by HMRC.

With the introduction of Making Tax Digital for VAT that was mandatory from last year, this will enable HMRC to conduct reviews far more easily that before, looking to issue assessments for incorrect VAT accounting. With the changes announced in respect of the technical changes to the new harmonised interest rules and late payment penalties for VAT, it seems that HMRC are looking to increase further the way HMRC increase that already large pot.

8. Stamp Duty Land Tax & ATED

1

Stamp Duty Land Tax (SDLT)

2

Stamp Duty Land Tax (Transaction Funded with the Assistance of a Subsidy)

3

Annual Tax on Enveloped Dwellings (ATED)

4

Homes for Ukraine: Tax Exemptions and Reliefs

8. Stamp Duty Land Tax & ATED

1 Stamp Duty Land Tax (SDLT)

Currently the SDLT threshold stands at £125,000 as well as the first-time buyers threshold increased to £425,000 on properties valued at less than £625,000. As previously announced the increased thresholds will remain in place until 31 March 2025.

2 Stamp Duty Land Tax (Transaction Funded with the Assistance of a Subsidy)

An amendment which is effective from 15 March 2023, so that certain acquisitions by registered providers of social housing that are funded with the assistance of a grant under section 31 of the Local Government Act 2003 are exempted from stamp duty land tax.

3 Annual Tax on Enveloped Dwellings (ATED)

ATED, which is the charge payable by companies that own residential property which is used or available to be used by a shareholder or someone connected with a shareholder, will rise in line with inflation.

A new valuation as at 1 April 2022 will be required for the ATED period ended 31 March 2024. This value will then apply for the next five years.

CBW Tax Reaction

The ATED charges are nasty but unavoidable by those caught under it. Companies who fail to file the annual return (even where a charge does not apply) can also end up with a build-up of late filing penalties.

4 Homes for Ukraine: Tax Exemption and Reliefs

As announced on 31 March 2022, the government will legislate to introduce temporary reliefs from the ATED and the 15% rate of SDLT for dwellings made available for occupation by individuals granted entry clearance or permission to stay in the UK under the Homes for Ukraine Sponsorship Scheme. For ATED, the relief will apply to chargeable periods beginning on or after 1 April 2022 and for SDLT, the relief will have retrospective effect from 31 March 2022.

It will also legislate to exempt ‘thank you’ payments made by Local Authorities to sponsors under the Homes for Ukraine scheme from income tax and corporation tax.

The measure will have retrospective effect from 14 March 2022 when the sponsorship scheme was launched.

9. Inheritance Tax & Trusts

9. Inheritance Tax & Trusts

1

Inheritance tax nil-rate band and residence nil-rate band

The rate of inheritance tax remains at 40%, with estates leaving more than 10% to charity paying at a rate of 36%. The Nil rate band and Residential Nil rate band remain frozen at £325,000 and £175,000 respectively.

CBW Tax Reaction

No one was really expecting there to be any changes, but as the value of property continues to climb, freezing the tax-free allowances will bring more and more people into the IHT net over time.

2

Geographical Scope of Agricultural Property Relief and Woodlands Relief for Inheritance Tax

Legislation will be introduced in the Finance Bill 2023-24 to restrict the scope of agricultural property relief and woodlands relief to property in the UK from 6 April 2024. Property located in the European Economic Area (EEA), the Channel Islands and the Isle of Man will be treated the same as other property located outside the UK.

3

Simplifications for Trusts and Estates

The government will legislate to simplify how income tax applies to trusts, estates and their beneficiaries from 6 April 2024. Trusts and estates with income of up to £500 will not pay tax on the income as it arises. This formalises and extends the current concession that removes trusts and estates from income tax, where the only source of income is savings interest and the tax liability is less than £100. Beneficiaries of UK estates will also not pay tax on income distributed to them within this £500 limit.

In addition, the basic rate of tax that applies to the first £1,000 discretionary trust income will be removed.

HMRC also intend to make changes to inheritance tax regulations during 2023/24 to remove some non-taxpaying trusts from reporting requirements.

CBW Tax Reaction

More good news! Small, simple trusts and estates have been able to benefit from a concession in the past, but this formalises the position and provides certainty that the trustees/executors will not need to incur the additional cost of administering a tiny amount of tax for HMRC.

Removing the basic rate is a very sensible move as the existence of this lower tax bracket often triggers an additional tax liability for the trustees anyway, if they wish to distribute all the income accumulated, making this lower rate a nonsense and making the calculation of the tax liability more cumbersome than it needs to be.

10. Environmental Taxation

1
Aggregates Levy Rates and Reform

2
Climate Change Levy (CCL)

3
Plastic Packaging Tax

4
Electricity Generator Levy

5
Energy Profits Levy: Decarbonisation Investment Allowance

6
Carbon Capture, Usage and Storage (CCUS): Tax Treatment of Payments into Decommissioning Funds

7
Reform of Heavy Goods Vehicle (HGV) Levy

10. Environmental Taxation

1 Aggregates Levy Rates and Reform

The government will freeze the Aggregates Levy rate in 2023-24. From 1 April 2024 the government will increase the levy in line with RPI.

The government will reform the levy exemptions affecting aggregate (rock, sand and gravel) extracted during construction works.

The two-part measure will tax previously untaxed aggregate extracted for use on construction sites. It will also simplify and extend exemptions for by-product aggregate arising unavoidably from construction projects.

The changes, which follow a consultation launched in Spring 2021, will take effect from 1 October 2023, rather than 1 April 2023 as indicated in the draft legislation, to give affected businesses time to prepare.

2 Climate Change Levy (CCL)

The government will legislate to increase the main rates of CCL for gas and solid fuels. The gas rate will be aligned with that for electricity and the rate for solid fuels will increase proportionally to the gas rate increase. The CCL main rates on electricity and liquefied petroleum gas (LPG) will continue to be frozen for 2024 to 2025.

The government will also adjust the reduced rates of CCL on gas and solid fuels for qualifying businesses in the Climate Change Agreement (CCA) scheme. These businesses will pay no more tax on these fuels than had the main rates for these fuels been increased by the RPI. The reduced rates on electricity and LPG will be frozen at 2023 to 2024 levels in 2024 to 2025.

Amended main and reduced rates all take effect on 1 April 2024.

The government will extend the CCA scheme by two years. This will provide access to reduced CCL rates from 1 April 2025 to 31 March 2027 to eligible energy intensive businesses that meet energy efficiency improvement targets in 2024.

A consultation on the detail of the scheme extension and proposals for any potential scheme beyond 31 March 2027 will be published by the Department for Energy Security and Net Zero (DESNZ) on 15 March 2023.

CBW Tax Reaction

The government is keen to enhance its green credentials and is therefore introducing, bolstering and consulting on these taxes duties and levies: Electricity Generator Levy; Energy Profits Levy; Fuel Duty; Air Passenger Duty; Vehicle Excise Duty; Heavy Goods Vehicle Levy; Aggregates Levy; Landfill Tax; Climate Change Levy; Climate Change Agreement; Plastic Packaging Tax; taxation of environmental land management and ecosystem service markets and the tax treatment of payments into decommissioning funds in relation to Carbon Capture, Usage and Storage. They may be hoping to attract more votes in this area.

10. Environmental Taxation

3 Plastic Packaging Tax

As announced at Spring Budget 2023, the government will increase the rate of Plastic Packaging Tax in line with CPI. The change will take effect from 1 April 2023.

The government will also amend the penalty rules for late payment of Plastic Packaging Tax to ensure that all late payments are treated consistently.

4 Electricity Generator Levy

A new 45% charge applies from 1 January 2023 to exceptional electricity generation receipts arising from non-fossil fuel sources to corporate groups with more than 50,000 MWh of in-scope generation per annum. It applies to wholesale receipts for electricity in excess of a benchmark price of £75 per MWh. The benchmark will be adjusted in line with the Consumer Prices Index from 1 April 2024. Exceptional receipts are calculated after deducting increases in generation fuel costs, and groups have an annual allowance of £10m.

5 Energy Profits Levy: Decarbonisation Investment allowance

As announced at Autumn Statement 2022, the government will legislate to set the rate of the investment allowance in the Energy Profits Levy to 80% for investment expenditure incurred on upstream decarbonisation. This change will take effect from 1 January 2023.

The government will review the use of this decarbonisation investment allowance to ensure the benefit remains purely in relation to a company's ring fence trade, and if necessary, legislate in a future Finance Bill to provide for this. In the meantime the government will continue to engage with the sector and relevant stakeholders.

6 Carbon Capture, Usage and Storage (CCUS): Tax treatment of payments into decommissioning funds

The government will legislate in a future Finance Bill on the tax consequences of oil and gas companies making payments into decommissioning funds where this relates to the repurposing of assets within the oil and gas corporation tax ring-fence for use in CCUS activities.

The changes will take effect at a future date, following Royal Assent of the Energy Bill.

7

Reform of Heavy Goods Vehicle (HGV) Levy

From August 2023, the existing HGV levy applies to HGVs of 12 tonnes or more and is aimed at making sure these vehicles make a contribution reflecting the wear and tear of the road network.

Until it was suspended in August 2020, the levy amount varied according to the levy duration and the vehicle's weight, axle configuration and EURO emissions class.

The current levy is suspended until August 2023 and a new reformed levy will then be introduced.

The reforms to the HGV levy are a further step towards reflecting the environmental performance of the vehicle. For foreign-registered vehicles, the reforms also ensure that the levy is focused on road usage and that it is more clearly aligned with the Government's international obligations.

11. Treasury and HMRC

1. Community Investment Tax Relief (CITR) expansion
2. Appeals and reviews of HMRC decisions requiring financial guarantees
3. Strengthening HMRC’s ability to implement Financial Sanctions
4. Doubling maximum sentences for tax fraud
5. Red Diesel
6. Consultation on the Taxation of environmental land management and ecosystem service markets
7. Automatic Exchange of Information (AEOI) powers and Mandatory Disclosure Rules (MDR)
8. Licence renewal applications in Scotland and Northern Ireland
9. Genuine Diversity of Ownership (GDO)
10. Trade Remedies
11. Rendering Void Assignments of Income Tax Repayments
12. Tackling Promoters of Tax Avoidance

11. Treasury & HMRC

1 Community Investment Tax Relief (CITR) expansion

The government will legislate to expand the limits that apply to the funds that can be raised and deployed by accredited Community Development Finance Institutions using the CITR scheme.

2 Appeals and reviews of HMRC decisions requiring financial guarantees

The government will legislate to enable traders to request a review of, or appeal against, a decision by HMRC to require a financial guarantee as a condition of releasing imported goods from customs control in circumstances where the amount of duty due is not clear when a customs declaration is accepted by HMRC. The legislation will also bring provisions relating to these guarantees within the framework of legislation covering other forms of customs guarantee.

This measure will take effect from Royal Assent of Spring Finance Bill 2023.

3 Strengthening HMRC's ability to implement Financial Sanctions

The government will legislate to clarify the exercise of HMRC's functions in relation to Designated Persons subject to financial sanctions as defined by the Sanctions and Anti-Money Laundering Act 2018.

This legislation ensures any future changes to UK sanctions legislation concerning Designated Persons subject to financial sanctions are automatically reflected in the exercise of HMRC's functions.

4 Doubling maximum sentences for tax fraud

The government is doubling the maximum sentences for the most egregious forms of tax fraud from 7 to 14 years.

CBW Tax Reaction

CBW recognises that tax fraud results in everyone having to pay more tax and therefore welcomes this announcement.

5 Red Diesel

The government will legislate to make minor amendments to restrictions on the use of rebated (red) diesel and rebated biofuels. The original restrictions were legislated for in Finance Act 2021 and amended by Finance Act 2022.

The changes that take effect from 6pm on 15 March 2023 permit the use of rebated fuel in tractors and gear used by charities for launching lifeboats and in machines used for arboriculture, and extend entitlement to use rebated fuel to machines used primarily for providing heat and electricity for non-commercial premises.

11. Treasury & HMRC

6 Consultation on the Taxation of environmental land management and ecosystem service markets

As announced at Spring Budget 2023, the government is publishing a call for evidence and consultation to explore both the taxation of ecosystem service markets and the potential expansion of agricultural property relief from inheritance tax to cover certain types of environmental land management.

7 Automatic Exchange of Information (AEOI) powers and Mandatory Disclosure Rules (MDR)

The government will legislate to consolidate five powers that allow AEOI regulations to be laid. AEOI regulations enable the automatic exchange of tax information between jurisdictions to support compliance, in line with international agreements. These powers cover the MDR, the Common Reporting Standard (CRS), Foreign Account Tax Compliance Act (FATCA), Country by Country Reporting (CBCR) and Reporting Rules for Digital Platforms (DP)regulations. All perform similar functions and are currently in various Finance Acts.

This measure will consolidate these powers into one provision to simplify the legislation, and the previous powers will be repealed once this consolidation has happened. At the same time there will be a technical amendment to the power that allows MDR regulations to be laid so that these regulations work as intended.

This measure will take effect from Royal Assent of Spring Finance Bill 2023.

CBW Tax Reaction

A genuine and welcome simplification in the same Budget where the Office of Tax Simplification is abolished. There is some irony in this surely.

8 Licence renewal applications in Scotland and Northern Ireland

The government will legislate to make the renewal of certain licences in Scotland and Northern Ireland conditional on applicants completing checks that confirm they are appropriately registered for tax.

In Scotland, this will apply to licences to drive taxis and private hire cars, operate from booking offices, and operate as a metal dealer. In Northern Ireland, this will apply to licences to drive taxis.

Licensing bodies will have to obtain confirmation that an applicant has completed the check before making a decision on their renewal application, making it more difficult for non-compliant traders to operate in the hidden economy. These changes will take effect from 2 October 2023. This extends existing reforms that have applied to taxi, private hire vehicle, and scrap metal licensing in England and Wales since 4 April 2022.

11. Treasury & HMRC

9

Genuine Diversity of Ownership (GDO)

The government will legislate to amend the GDO condition in the QAHC, REIT and Non-Resident Chargeable Gains (NRCG) rules. The GDO condition is intended to prevent funds that are only open to a small number of predetermined investors from benefitting from those regimes. The changes will improve the operation of the GDO condition for fund structures involving multiple pooling vehicles and will take effect from Royal Assent of Spring Finance Bill 2023.

10

Trade Remedies

As announced on 9 March 2023 by the Secretary of State of the Department for Business and Trade (DBT), the government will legislate to make changes to the existing trade remedies legislation. These will allow for a greater flow of information between the Trade Remedies Authority (TRA) and Ministers and provide greater flexibility for Ministers when taking evidence-based decisions on trade remedy measures. It will also provide Ministers the power to ask the TRA to reassess recommendations or determinations before Ministers make a decision, allow the TRA to provide options within its recommendations, allow Ministers the power to revoke trade remedies measures without a TRA recommendation and for Ministers to apply alternative provision and final remedies to that recommended by the TRA, where justified to do so. The DBT will bring forward further implementing legislation in due course.

The government will also legislate to provide powers for the Secretary of State to make secondary legislation relating to the repayment or collection of duties following a review of a trade remedies measure. These provisions do not, in themselves, change the current trade remedies framework as it applies to businesses, instead they provide legal powers for the government to make subsequent legislation to allow for the reimbursement or collection of monies under our trade remedies framework in certain circumstances. The changes will take effect following Royal Assent of Spring Finance Bill 2023.

In addition, the government will legislate to set out the role of the TRA and the government in investigating and implementing bilateral safeguard measures which the UK has agreed with our Free Trade Agreement partners. The provisions will enable Ministers to direct the TRA to open an investigation to determine whether the requirements to apply a bilateral safeguard measure are met and to recommend the form a potential measure should take. It will provide Ministers with the power to apply a measure, to ask the TRA to reassess its determination, and enable Ministers to take a different decision to that recommendation on public interest grounds. The DBT will bring forward further implementing legislation in due course.

11. Treasury & HMRC

11

Rendering Void Assignments of Income Tax Repayments

From 15 March 2023, HMRC will no longer accept assignments of income tax repayments to a third party. This removes the taxpayer's ability to legally assign a refund to a third party, such as an agent. The main aim is to protect taxpayers and to maintain trust in the tax system.

CBW Tax Reaction

Whilst this has no doubt been a useful tool for agents to collect fees on occasion, recent abuse of the system by the unscrupulous to collect fraudulent repayments, coupled with the fact that an assignment could not be unilaterally withdrawn by the assignor, means that this had become an inevitable step HMRC would need to take to protect taxpayers.

12

Tackling Promoters of Tax Avoidance

The government will consult shortly on the introduction of a new criminal offence for promoters of tax avoidance who fail to comply with a legal notice from HMRC to stop promoting a tax avoidance scheme. The government will also consult on expediting the disqualification of directors of companies involved in promoting tax avoidance including those who exercise control or influence over a company. In addition, the maximum sentences for those found guilty of tax fraud will be doubled from 7 to 14 years.

12. Miscellaneous Taxes

1
Air Passenger Duty (APD)

2
Consultation on occupational health tax incentives

3
Soft Drinks Industry Levy

4
Insurance Premium Tax (IPT)

5
Abolition of the Office of Tax Simplification

6
Real Estate Investment Trust (REIT)

7
Qualifying Asset Holding Companies (QAHC) rules

8
Life Insurance Taxation

9
Write-downs for annuities products and insurers' liabilities

10
Control of movement of Aircraft

11
Taxation of Lump Sum Exit Scheme payment for farmers

12
Tonnage Tax changes

12. Miscellaneous Taxes continued

12. Miscellaneous Taxes

1

Air Passenger Duty with Effect from April 2023

The Government will introduce a new domestic band for Air Passenger Duty (APD) for flights within the UK and a new ultra long-haul band, covering destinations with capitals located more than 5,500 miles from London.

The measure will also set Air Passenger Duty rates for the tax year 2023 to 2024. The reduced rate for the domestic band will be set at £6.50 and for the ultra long-haul band at £91. The rates for the short- and long-haul bands will increase in line with the retail price index (RPI) as forecast at Autumn Budget 2021, aiming to support UK air connectivity and align APD more closely with the Government's environmental objectives.

2

Consultation on occupational health tax incentives

The government will consult on options to increase investment in occupational health services by employers through the tax system, including a potential expansion of the existing benefits in kind for occupational health services or a potential super-deduction style relief for businesses who provide services to their employees.

CBW Tax Reaction

This is a welcome tax incentive. CBW's HR Consultancy will be happy to advise you about this.

3

Soft Drinks Industry Levy

The government will amend the definition of a soft drink liable to the Soft Drinks Industry Levy to include concentrates which are mixed with sugar when dispensed.

Following publication of draft legislation on 20 July 2022, powers to make regulations will be included to provide the appropriate flexibility for future changes.

The changes will take effect from 1 April 2023.

12. Miscellaneous Taxes

4

Insurance Premium Tax (IPT)

The government will legislate to broaden existing powers to allow HMRC to move IPT forms from secondary legislation and into a public notice by way of a Statutory Instrument. This will make it easier to make administrative updates to the forms without the need for legislation, and also provides a necessary step for any future legislation allowing HMRC to further digitise the IPT forms.

This measure will take effect from Royal Assent of Spring Finance Bill 2023.

5

Abolition of the Office of Tax Simplification

The OTS will be abolished from the date of Royal Assent.

CBW Tax Reaction

The OTS does – or rather didn't – have a great reputation for doing much to simplify the tax system. It has been argued that they merely acted to remove reliefs that were helpful to only a few people but helpful none the less. It is perhaps informative that under their watch the depth of UK tax legislation has grown by over 12 inches. I think it is fair to say that they perhaps weren't as effectual as some of us had hoped they would be!

6

Real Estate Investment Trust (REIT)

As announced in the Edinburgh Reforms on 9 December 2022, the government will legislate to amend the REIT regime and enhance its competitiveness. The amendments will relax the requirement for a REIT to own at least three properties where a REIT owns at least one commercial property worth £20 million or more; and amend the rule for disposals of property within three years of significant development work to ensure that this rule operates in line with its original intention and is not compromised by the effects of inflation. The changes will also reduce administrative burdens for certain partnerships investing in REITs.

The changes to the three-year development rule will take effect in relation to disposals made from 1 April 2023. The other changes will take effect from Royal Assent of Spring Finance Bill 2023.

7

Qualifying Asset Holding Companies (QAHC) rules

As announced on 20 July 2022, the government will legislate in Spring Finance Bill 2023 to amend the QAHC rules so that the conditions that must be met by a company to qualify as a QAHC better align with the intended scope of the regime and the rules better achieve their intended effect. Changes will variously take effect from Royal Assent of Spring Finance Bill 2023, 20 July 2022 and 15 March 2023, or are deemed to have always had effect.

12. Miscellaneous Taxes

8

Life Insurance Taxation

As announced on 15 December 2022, the government will legislate to address the risk of a tax mismatch in the life insurance rules where re-insurance precedes a transfer of Basic Life Assurance and General Annuity Business (BLAGAB). The measure will also address an industry concern that the scope of an existing rule may be unnecessarily wide and is blocking commercial transactions. This measure has effect from 15 December 2022.

9

Write-downs for annuities products and insurers' liabilities

As announced at Spring Budget 2023, the government will legislate to address the pensions tax and corporation tax consequences of write-downs of liabilities of insurers in financial distress, and any subsequent court-ordered variation or termination of those write-down orders.

10

Control of movement of Aircraft

The government will legislate to improve the approval and enforcement regime for aerodromes which handle international movements of people and goods. This legislation will have effect from Royal Assent of Spring Finance Bill 2023. However, approvals under this legislation will not be put into practice until 1 January 2024 onwards.

11

Taxation of Lump Sum Exit Scheme payment for farmers

As announced on 8 February 2022, the government will legislate to clarify that payments received by retiring farmers relating to an eligible claim under the Lump Sum Exit Scheme are treated as capital receipts.

Draft legislation was published for consultation on 20 July 2022. Minor changes have been made to the draft legislation to ensure it applies to all relevant payments as intended.

12

Tonnage Tax changes

The government will allow shipping companies to benefit from the reforms to Tonnage Tax by opening an election window (for 18 months from June 2023) which permits shipping companies that have left the Tonnage Tax regime to return to the UK.

The government will also permit third party ship management companies to join the Tonnage Tax regime and raise the limit on capital allowances to £200m for lessors of ships into the regime. These measures will take effect from 1 April 2024.

12. Miscellaneous Taxes

13

Landfill Tax Rates for 2023 to 2024

With effect from 1 April 2023, there will be an increase to the standard and lower rates of Landfill Tax in line with RPI, rounded to the nearest 5 pence.

Material sent to landfill	Rate from 1 April 2023	Rate from 1 April 2024
Coverage	England and Northern Ireland	England and Northern Ireland
Standard rated (per tonne)	£102.10	£103.70
Lower rated (per tonne)	£3.25	£3.30

A consultation was held that focused on how Landfill Tax can continue to support the Government's environmental objectives, including achieving zero avoidable waste by 2050. This consultation outcome confirms that the Government will continue engagement with stakeholders before making further announcements in due course.

14

Fuel Duty Rates

With effect from 23 March an extension to the cut in the rates of Fuel Duty introduced at Spring Statement in March 2022 will be in place for a further 12 months. This will maintain the cut in the rates for heavy oil (diesel and kerosene), unleaded petrol, and light oil by 5 pence per litre (ppl), and the proportionate percentage cut (equivalent to 5ppl from the main Fuel Duty rate of 57.95ppl) in other lower rates and the rates for rebated fuels, where practical.

15

Gaming Duty

From 1 April 2023, the Gross Gaming Yield bandings used to determine the rate of gaming duty will be frozen.

16

Landfill Tax Rates for 2024 to 2025

From 1 April 2024, there will be an increase to the standard and lower rates of Landfill Tax in line with RPI, rounded to the nearest 5 pence.

12. Miscellaneous Taxes

17

Two-year Extension of the Climate Change Agreement Scheme

The Government will extend the Climate Change Agreement (CCA) scheme by two years. This will provide access to reduced CCL rates from 1 April 2025 to 31 March 2027 to eligible energy intensive businesses that meet energy efficiency improvement targets in 2024.

A consultation on the detail of the scheme extension and proposals for any potential scheme beyond 31 March 2027 has been published by the Department for Energy Security and Net Zero.

13. New Tax Rates at a Glance

Income Tax	Proposed 2023/24	2022/23
Basic Rate	20%*	20%*
- on income up to	37,700	37,700
Higher Rate	40%	40%
- on income up to	125,140	150,000
Additional Rate on excess	45%	45%

*The starting rate of 0%, for savings income only, had a limit of £5,000 in 2022/23 and this will continue in 2022/23. If an individual's taxable non-savings income is above this, that rate will not apply.

Dividend Allowance	1,000	2,000
Tax rate on dividends above the Dividend Allowance		
•Basic Rate Taxpayer	8.75%	8.75%
•Higher Rate Taxpayer	33.75%	33.75%
•Additional rate Taxpayer	39.35%	39.35%

	£	£
Personal allowance (born after 5 April 1938)	12,570**	12,570**
Personal Savings Allowance		
•Basic Rate Taxpayer	1,000	1,000
•Higher Rate Taxpayer	500	500
•Additional rate Taxpayer	-	-
Married couple's allowance (born before 6 April 1938)		
Maximum	10,375	9,415
Minimum	4,010	3,640
Married couple's allowance is reduced by half of the excess of income over £31,400 (£31,400 in 2022/23).		
Blind person's relief	2,870	2600
Marriage Allowance	1,260***	1,260***
Maximum Enterprise Investment Relief	1,000,000****	1,000,000****
Maximum Seed Enterprise Investment Relief	300,000	100,000

** This allowance reduces where the income is above £100,000 – by £1 for every £2 of income above the £100,000 limit. This reduction applies irrespective of age.
*** This transferable allowance is available to married couples and civil partners born after 5 April 1935. A non-taxpayer or a basic rate taxpayer can transfer up to this amount of their personal allowance to their spouse or civil partner. The recipient must be a basic rate taxpayer. The relief is given at 20%.
**** £2m if amounts over £1m are invested in knowledge-intensive companies.

Corporation Tax	2023/24	2022/23
Main rate	25%	19%

Capital Gains Tax	£	£
Annual Exemption for individuals	6,000	12,300

Value Added Tax		
VAT Registration Threshold	85,000	85,000

Inheritance Tax		
Rate	40%*****	40%*****
Nil Rate Band	325,000	325,000
Residence Nil Rate Band	175,000	175,000

***** 36% where 10% or more of the deceased person's net estate is left to charity

Maximum Personal Pension Contribution	60,000	40,000

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