Dear <<First name or main contact first name>>

**BUDGET SUMMARY**

The Chancellor, Jeremy Hunt, delivered his second major fiscal statement of his first six months in office, confirming what many commentators had been predicting. That this would be a very light budget in terms of tax policy changes, leaving the focus firmly on tackling inflation, the cost of living crisis and fluctuating energy prices.

The focus was very much on growth, buoyed by an improved outlook for 2023 and beyond from the Office for Budgetary Responsibility. The Chancellor announced measures to deliver long-term sustainable growth, focusing on four key priorities: Employment, Education, Enterprise and Everywhere.

The key tax measures announced include the introduction of ‘full expensing’ for capital expenditure for at least the next three years and the abolition of the pensions lifetime allowance.

For many small businesses, this new capital allowance regime will be of little consequence given the generosity of the Annual Investment Allowance but, if made permanent, it may simplify the tax affairs of those claiming a combination of AIA and first year allowances which will presumably fall by the wayside.

The removal of the pensions lifetime allowance charge and eventual abolition of the lifetime allowance altogether was part of a range of measures to encourage people to continue working beyond an age at which they are currently opting to retire, including an increase in the annual allowance from £40,000 to £60,000. The Chancellor citing doctors as a key demographic for whom this was a big disincentive to continue practicing medicine beyond reaching that limit.

A £500 million per year package of support for 20,000 research and development (R&D) intensive businesses was also announced to be delivered through changes to R&D tax credits. There will also be reforms to tax reliefs for the creative sectors.

In the absence of big changes this time around, here is a reminder of the key tax takeaways from last year’s Autumn Statement, all of which come into effect from April 2023:

Reduction of additional rate tax threshold

The additional rate threshold reduces from £150,000 to £125,140 exposing more individuals to the 45% tax rate.

Increase in Corporation Tax

The main rate of Corporation Tax increases from 19% to 25% for businesses with profits exceeding £250,000. Businesses with profits under £50,000 will continue to pay at 19% and those in between will be subject to a marginal rate of 26.5% on profits falling between those upper and lower limits.

Reduction of the Dividend Allowance

The tax-free allowance for dividend income (the Dividend Allowance) reduces from £2,000 to £1,000 for individuals in receipt of dividend income.

Reduction of the CGT Annual Exempt Amount

The Capital Gains Tax (CGT) Annual Exempt Amount (AEA) reduces from £12,300 for individuals down to £6,000, and from £6,150 for most trustees down to £3,000.

CGT extension to the nil gain/nil loss period to three years for couples that separate or divorce

Increase to the period in which spouses and civil partners who are in the process of separating can make no gain and no loss transfers of assets between themselves to three years; and unlimited time if the assets are the subject of a formal divorce agreement. Previously, separating couples had until the end of the tax year of their separation.

Rebalancing of R&D tax reliefs

Tax relief claimable by businesses through the Research and Development Expenditure Credit (RDEC) and the research and development tax relief for small and medium-sized enterprises (SME), changes from April 2023. The new rates are 20% for RDEC (currently 13%), 86% additional deduction for SME (currently 130%), and 10% for SME payable credit (currently 14.5%).

Car fuel and van benefit charge to increase in line with inflation

The car fuel and van benefit charges are imposed when an employer provides their employee with car fuel for personal journeys or a van which is available for private use. A van benefit charge is not incurred for commuting where other conditions are met. The car fuel benefit multiplier increases from £25,300 to £27,800. The flat rate van fuel benefit increases from £688 to £757. The flat rate van benefit, for vans which emit CO2, increases from £3,600 to £3,960.

**If you would like to discuss any of the above measures in more detail then please do not hesitate to contact us.**

Yours sincerely,

<<Mailbox Signature>>