

Spring Budget 2023

Chancellor Jeremy Hunt delivered a 'Budget for Growth' after the Office for Budget Responsibility forecast a stronger than expected performance from the UK economy this year with inflation continuing to fall.

Driving business investment

The Chancellor announced a £27 billion transformation of capital allowances from April this year, which will include the Full Expensing of investment in qualifying plant and machinery. There was also a £500 million package for research and development intensive businesses. In addition, Mr Hunt announced 12 Investment Zones across the UK with funding for skills and support.

Removing barriers to work

Reforms to childcare, which will see expanded free care and subsidies, were key to Mr Hunt's plans to remove the barriers to work for parents, the disabled and the over-50s. The Chancellor also made changes to the pension system to incentivise doctors and other highly-skilled workers to remain in the labour market.

As high energy costs continue, the Chancellor extended the Energy Support Guarantee at £2,500 for another three months while fuel duty was frozen once more.

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Personal Tax

The personal allowance

The income tax personal allowance was already fixed at the current level until April 2026 and will now be maintained for an additional two years until April 2028 at £12,570.

The government will uprate the married couple's allowance and blind person's allowance by inflation for 2023/24.

There is a reduction in the personal allowance for those with 'adjusted net income' over £100,000. The reduction is £1 for every £2 of income above £100,000. So there is no personal allowance where adjusted net income exceeds £125,140.

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The marriage allowance

The marriage allowance permits certain couples, where neither party pays tax in the tax year at a rate other than the basic rate (or intermediate rate in Scotland), to transfer £1,260 of their personal allowance to their spouse or civil partner.

Comment

The marriage allowance reduces the recipient's tax bill by up to approximately £250 a year. To benefit from the marriage allowance one spouse or civil partner must normally have no income or income below the personal allowance for the year. Since the marriage allowance was first introduced there are couples who are entitled to claim but have not yet done so. It is possible to claim for all years back to 2018/19 where the entitlement conditions are met. The total tax saving for all years up until 2022/23 could be over £1,000. A claim for 2018/19 will need to be made by 5 April 2023.

Tax bands and rates

The basic rate of tax is 20%. In 2023/24 the band of income taxable at this rate is £37,700 so that the threshold at which the 40% band applies is £50,270 for those who are entitled to the full personal allowance.

Once again, the basic rate band is frozen at £37,700 up until April 2028. The National Insurance contributions upper earnings limit and upper profits limit will remain aligned to the higher rate threshold at £50,270 for these years.

From 6 April 2023, the point at which individuals pay the additional rate will be lowered from £150,000 to £125,140.

The additional rate for non-savings and non-dividend income will apply to taxpayers in England, Wales, and Northern Ireland. The additional rate for savings and dividend income will apply to the whole of the UK.

Scottish residents

The tax on income (other than savings and dividend income) is different for taxpayers who are resident in Scotland from that paid by taxpayers resident elsewhere in the UK. The Scottish income tax rates and bands apply to income such as employment income, self-employed trade profits and property income.

In 2023/24 there are five income tax rates which range between 19% and 47%. Scottish taxpayers are entitled to the same personal allowance as individuals in the rest of the UK. The two higher rates are 42% and 47% rather than the 40% and 45% rates that apply to such income for other UK residents. For 2023/24, the 42% band applies to income over £43,662 for those who are entitled to the full personal allowance. The 47% rate applies to income over £125,140.

Welsh residents

Since April 2019, the Welsh Government has had the right to vary the rates of income tax payable by Welsh taxpayers (other than tax on savings and dividend income). The UK government has reduced each of the three rates of income tax paid by Welsh taxpayers by 10 pence. For 2023/24 the Welsh Government has set the Welsh rate of income tax at 10 pence which has been added to the reduced rates. This means the tax payable by Welsh taxpayers is the same as that payable by English and Northern Irish taxpayers.

Tax on savings income

Savings income is income such as bank and building society interest.

The Savings Allowance applies to savings income and the available allowance in a tax year depends on the individual's marginal rate of income tax. Broadly, individuals taxed at up to the basic rate of tax have an allowance of £1,000. For higher rate taxpayers the allowance is £500. No allowance is due to additional rate taxpayers.

Savings income within the allowance still counts towards an individual's basic or higher rate band and so may affect the rate of tax paid on savings above the Savings Allowance.

Some individuals qualify for a 0% starting rate of tax on savings income up to £5,000. However, the rate is not available if taxable non-savings income (broadly earnings, pensions, trading profits and property income, less allocated allowances and reliefs) exceeds £5,000.

Tax on dividends

Currently, the first £2,000 of dividends is chargeable to tax at 0% (the Dividend Allowance). This will be reduced to £1,000 for 2023/24 and £500 for 2024/25.

These changes will apply to the whole of the UK.

Dividends received above the allowance are taxed at the following rates for 2023/24:

- 8.75% for basic rate taxpayers
- 33.75% for higher rate taxpayers
- 39.35% for additional rate taxpayers

As corporation tax due on directors' overdrawn loan accounts is paid at the dividend upper rate, this will also remain at 33.75%.

Dividends within the allowance still count towards an individual's basic or higher rate band and so may affect the rate of tax paid on dividends above the Dividend Allowance.

To determine which tax band dividends fall into, dividends are treated as the last type of income to be taxed.

Comment

Dividends on shares held in ISAs and pension schemes are not subject to dividend tax and thus will not be affected by the increase in rates.

Homes for Ukraine scheme

In March 2022 the government announced the Homes for Ukraine scheme, a humanitarian sponsorship visa scheme allowing individuals, charities, community groups and businesses in the UK to sponsor Ukrainians arriving in the UK. As part of this scheme the government announced that sponsors would receive 'thank you' payments for housing an individual or family.

Income tax and corporation tax exemptions for 'thank you' payments made by local authorities to sponsors under the Homes for Ukraine scheme will be introduced. Also, temporary reliefs from the Annual Tax on Enveloped Dwellings and Stamp Duty Land Tax will be introduced.

Pension tax limits

This measure supports the government's efforts to encourage inactive individuals to return to work, in particular those aged 50 and above, and it removes incentives to reduce hours or leave the labour market due to pension tax limits. Legislation will be introduced in Spring Finance Bill 2023 and will have effect from 6 April 2023. This will:

- Increase the Annual Allowance from £40,000 to £60,000
- Increase the Money Purchase Annual Allowance from £4,000 to £10,000
- Increase the income level for the tapered Annual Allowance from £240,000 to £260,000
- Ensure that nobody will face a Lifetime Allowance charge
- Limit the maximum an individual can claim as a Pension Commencement Lump Sum to 25% of the current Lifetime Allowance (£268,275), except where previous protections apply
- Change the taxation of the Lifetime Allowance excess lump sum, serious ill-health lump sum, defined benefits lump sum death benefit and uncrystallised funds lump sum death benefit, where they are currently subject to a 55% tax charge above the Lifetime Allowance, to taxation at an individual's marginal rate

Legislation will be introduced in a future Finance Bill to remove the Lifetime Allowance from pensions tax legislation.

Comment

The government states that evidence suggests recent increases in inactivity have been driven primarily by those aged 50-64, and self-reported retirement has been the main driver for these individuals to leave the labour market. This measure supports individuals' ability to build up retirement savings and so improves the financial incentive of work whilst continuing to balance the cost of pensions tax relief.

Rendering void assignments of income tax repayments

This measure will apply to individuals entitled to income tax repayments from HMRC who wish to use a business, accountancy firm or agent to facilitate their access to a repayment. It will also affect the facilitating businesses, accountancy firms and agents.

It will remove a taxpayer's ability to legally assign to a third party their income tax repayment, or their right to an income tax repayment. The effect of this is that assignments of income tax repayments will have no legal effect and the repayment will remain the property of the taxpayer.

This will affect assignments of which notice is received by HMRC on or after 15 March 2023.

Employment

National Insurance Contributions (NICs)

A similar principle to that outlined above for income tax thresholds will be followed in respect of many of the NICs thresholds, namely that they are frozen at the limits for the preceding year and will remain at those levels until 2028. Full details are laid out at the end of this publication.

However, the government will uprate the Class 2 and Class 3 NICs rates for 2023/24 to £3.45 per week and £17.45 respectively. National Living Wage (NLW) and National Minimum Wage (NMW)

The government will increase the hourly NLW and NMW from 1 April 2023 as follows:

- £10.42 for those 23 years old and over
- £10.18 for 21-22 year olds
- £7.49 for 18-20 year olds
- £5.28 for 16-17 year olds
- £5.28 apprentice rate for apprentices under 19, and those 19 and over in their first year of apprenticeship

Comment

This represents an increase of over £1,600 to the annual earnings of a full-time worker on the NLW and is expected to benefit over two million workers.

Taxable benefits for company cars for 2023/24

The rates of tax for company cars remain frozen until 2024/25. Future car benefit rates have been announced for 2025/26 to 2027/28:

- For 2025/26, the rates for emissions under 75gm/km increase by 1%
- For 2026/27, the rates for emissions under 75gm/km increase by a further 1%
- For 2027/28, the rates for emissions under 75gm/km increase by a further 1%

The charge for electric cars will rise from 2% to 5% over that period.

For cars with emissions of 75gm/km and above, there will be a 1% rise in 2025/26 only, subject to a maximum of 37%.

From 6 April 2023 the figure used as the basis for calculating the benefit for employees who receive free private fuel from their employers for company cars is increased to £27,800.

Company vans

For 2023/24 the benefit increases to £3,960 per van and the van fuel benefit charge where fuel is provided for private use increases to £757. If a van cannot in any circumstances emit CO₂ by being driven, the cash equivalent is nil.

Reform of the Company Share Option Plan (CSOP)

This reform makes changes to the CSOP, a tax-advantaged employee share scheme available to all UK companies and their employees as follows:

- 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

These changes will have effect for share options granted under CSOP schemes on or after 6 April 2023. Existing options granted before 6 April 2023 will also benefit from these changes.

Enterprise Management Incentives (EMI): improvements to the process to grant options

The measure makes changes to simplify EMI by removing two administrative requirements when companies grant EMI options on or after 6 April 2023. Existing EMI share options granted before 6 April 2023 that have not been exercised will also benefit from the changes.

Firstly, it removes 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.

Secondly, it removes the requirement for the company to declare that an employee has signed a working time declaration when they issued an EMI option. It does not remove the working time requirement itself.

From 6 April 2024, the government will also extend the deadline for notifying an EMI option from 92 days following the grant to the 6 July following the end of the tax year. This will be legislated separately and the impacts will be set out at that point.

Business

Corporation tax rates

The expected increase in the rate of corporation tax for many companies from April 2023 to 25% will go ahead. This means that, from April 2023, the rate will increase to 25% for companies with profits over £250,000. The 19% rate will become a small profits rate payable by companies with profits of £50,000 or less. Companies with profits between £50,001 and £250,000 will pay tax at the main rate reduced by a marginal relief, providing a gradual increase in the effective corporation tax rate.

In addition:

- Bank corporation tax surcharge changes will proceed, meaning that from April 2023 banks will be charged an additional 3% rate on their profits above £100 million
- From April 2023 the rate of diverted profits tax will increase from 25% to 31%

Capital allowances

The super-deduction regime, which gives a 130% enhanced first year allowance (FYA) to companies on the purchase of qualifying plant and machinery, comes to an end on 31 March 2023. Instead, the government has announced Full Expensing, a 100% FYA, which allows companies to deduct the cost of qualifying plant and machinery from their profits straight away with no expenditure limit. Qualifying expenditure will include most plant and machinery, as long as it is unused and not second-hand, but will not include cars. Full Expensing will be effective for acquisitions on or after 1 April 2023 but before 1 April 2026.

A 50% FYA for other plant and machinery including long life assets and integral features (known as special rate assets) will operate along similar lines.

Full Expensing and the 50% FYA are only available for companies and not for unincorporated businesses.

The Annual Investment Allowance (AIA) is available to both incorporated and unincorporated businesses. It gives a 100% write-off on certain types of plant and machinery up to certain financial limits per 12-month period. The limit has been £1 million for some time but was scheduled to reduce to £200,000 from April 2023. The government has announced that the temporary £1 million level of the AIA will become permanent and the proposed reduction will not occur.

The government will also extend the 100% FYA for electric vehicle charge points to 31 March 2025 for corporation tax purposes and 5 April 2025 for income tax purposes.

Comment

The AIA amounts to full expensing for 99% of businesses. The long-term ambition is to make Full Expensing and the 50% FYA permanent.

Research and Development (R&D) relief

For expenditure on or after 1 April 2023, the Research and Development Expenditure Credit (RDEC) rate will increase from 13% to 20% but the small and medium-sized enterprises (SME) additional deduction will decrease from 130% to 86% and the SME credit rate will decrease from 14.5% to 10%. A higher rate of SME payable credit of 14.5% will apply to loss-making SMEs which are R&D intensive. To be R&D intensive the ratio of the company's qualifying R&D expenditure must be 40% or above the company's 'total expenditure' for the period. This equates to a receipt of £27 for every £100 of R&D expenditure.

Other announced changes to the R&D regime include expanding qualifying expenditure to include the costs of datasets and of cloud computing. All claims for R&D reliefs will have to be made digitally and be accompanied by a compulsory additional information form. Companies will also need to notify HMRC that they intend to make a claim within six months of the end of the period of account to which the claim relates, generally if they have not made an R&D claim in the previous three years. These changes apply to claims in respect of accounting periods which begin on or after 1 April 2023 apart from the additional information form, which will be required for claims made on or after 1 August 2023.

The restriction to relief on overseas expenditure, designed to refocus support towards UK innovation, will now come into effect from 1 April 2024 instead of 1 April 2023.

Comment

The increase in the RDEC rate means the UK now has the joint highest uncapped headline rate of tax relief in the G7 for large companies.

The government is currently considering responses to a consultation on merging the RDEC and SME schemes and expects to publish draft legislation for technical consultation in the summer.

Making Tax Digital (MTD) for income tax

The MTD regime is based on businesses being required to maintain their accounting records in a specified digital format and submit extracts from those records regularly to HMRC. In what appears to be a never-ending story, the government has announced a further delay in MTD for income tax self assessment (ITSA).

The mandation of MTD for ITSA will now be introduced from April 2026, with businesses, self-employed individuals and landlords with income over £50,000 mandated to join first, a change from the original £10,000 limit.

Those with income over £30,000 will be mandated from April 2027.

The government will also review the needs of smaller businesses and look in detail at whether the MTD for ITSA service can be shaped to meet the needs of smaller businesses.

Following the new approach, the government will not extend MTD for ITSA to general partnerships in 2025.

HMRC has previously announced that MTD for corporation tax will not be mandated before 2026. This now looks even further away.

Accounting periods that are not aligned to tax years

As part of the MTD project, changes have been made to alter the rules under which trading profits made by self-employed individuals and partnerships are allocated to tax years.

The changes mainly affect unincorporated businesses that do not draw up annual accounts to 31 March or 5 April. The transition to the new rules will take place in the 2023/24 tax year and the new rules will come into force from 6 April 2024.

Affected self-employed individuals and partnerships may retain their existing accounting period but the trade profit or loss that they report to HMRC for a tax year will become the profit or loss arising in the tax year itself, regardless of the chosen accounting date. Broadly, this will require apportionment of accounting profits into the tax years in which they arise.

Example

A business draws up accounts to 30 June every year. Currently, income tax calculations for 2024/25 would be based on the profits in the business' accounts for the year ended 30 June 2024. The change will mean that the income tax calculations for 2024/25 will be based on 3/12 of the profits for the year ended 30 June 2024 and 9/12 of the profits for the year ended 30 June 2025.

This change will potentially accelerate when business profits are taxed but transitional adjustments in 2023/24 are designed to ease any cashflow impact of the change.

Comment

An estimated 93% of sole traders and 67% of trading partnerships draw up their accounts to 31 March or 5 April and the proposed changes will not affect them. Those with a different year end might wish to consider changing their accounting year end to simplify compliance with the tax rules.

Simplification measures for small businesses

The government is introducing a number of simplification measures to the tax system for small businesses with the aim of encouraging growth by reducing the administrative burden.

The announcements include changes to IT systems to allow tax agents to payroll benefits in kind on behalf of their clients and simplifications to the customs import and export processes.

Further consultations were launched which may lead to additional reforms including expanding the use of the cash basis. Proposed changes in the consultation include:

- Increasing the thresholds so that more unincorporated businesses would be eligible
- Making it the default for eligible businesses
- Relaxing the restrictions on interest costs and loss reliefs

Investment Zones

An Investment Zones programme is being launched to encourage investment in 12 high-potential knowledge-intensive growth clusters across the UK. It is expected that eight sites will be in England and four across Scotland, Wales and Northern Ireland.

A five-year tax package will allow businesses located on special tax sites within Investment Zones to benefit from a number of tax reliefs including Stamp Duty Land Tax relief, enhanced capital allowances, structures and buildings allowances and secondary Class 1 NICs relief for eligible employers.

Freeports

The UK and Scottish governments have jointly announced that Inverness & Cromarty Firth and the Firth of Forth are the two locations for Scotland's Green Freeports. The two winning bids will be supported by up to £52 million in start-up funding and will benefit from tax reliefs and other incentives through a combination of devolved and reserved powers.

Following bids in Wales, a Welsh Freeport is also expected to be announced during Spring 2023. Eight Freeports already exist in various locations in England.

Freeports are special areas within the UK's borders where different economic regulations apply. They are part of the government's work to 'level up' and boost economic activity across the UK. The aim is to create innovative hubs, boost global trade, attract inward investment, and increase productivity.

Seed Enterprise Investment Scheme

From April 2023, companies will be able to raise up to £250,000 of Seed Enterprise Investment Scheme (SEIS) investment, a two-thirds increase. To enable more companies to use SEIS, the gross asset limit will be increased to £350,000 and the age limit from two to three years. To support these increases, the annual investor limit will be doubled to £200,000.

Tax treatment of payments to farmers under the lump sum exit scheme

As part of the transition to a new agriculture policy in England, the government announced in November 2020 that it planned to:

- In 2022, offer farmers who wish to exit the industry the option of taking a lump sum payment in place of any further Direct Payments
- In 2024, 'delink' Direct Payments from the land for all farmers. This means that recipients will no longer have to farm the land to receive the payments

Payments received under the Basic Payment Scheme are generally taxable as receipts of a trade. Legislation will be introduced to ensure that payments received under the Lump Sum Exit Scheme which relate to an eligible claim are neither receipts of a trade nor miscellaneous income. This will allow the payments to be treated as the proceeds from the disposal of a chargeable asset, as is currently the case when Basic Payment Scheme entitlements are disposed of. In the case of a company receiving Lump Sum Exit Scheme payments, the payments will be treated as the proceeds from the disposal of an intangible asset.

Other

Other announced changes include:

- The reform of film, TV and video games tax relief to give expenditure credits instead of an additional deduction from 1 April 2024
- Extending the temporary higher headline rates of relief for Theatre Tax Relief, Orchestra Tax Relief and Museums and Galleries Exhibitions Tax Relief (MGETR) for two years to 31 March 2025
- Extension of the period for which MGETR will be available for a further two years to 31 March 2026

Capital Taxes

Capital gains tax (CGT) rates

No changes to the current rates of CGT have been announced. This means that the rate remains at 10%, to the extent that any income tax basic rate band is available, and 20% thereafter. Higher rates of 18% and 28% apply for certain gains, mainly chargeable gains on residential properties, with the exception of any element that qualifies for Private Residence Relief.

There is still potential to qualify for a 10% rate, regardless of any available income tax basic rate band, up to a lifetime limit for each individual. This is where specific types of disposals qualify for:

- Business Asset Disposal Relief (BADR). This is targeted at directors and employees who own at least 5% of the ordinary share capital in the company, provided other minimum criteria are also met. It can also apply to owners of unincorporated businesses
- Investors' Relief. The main beneficiaries of this relief are investors in unquoted trading companies who have newly-subscribed shares but are not employees

Current lifetime limits are £1 million for BADR and £10 million for Investors' Relief.

CGT annual exemption

The government has announced that the capital gains tax annual exempt amount will be reduced from £12,300 to £6,000 from 6 April 2023 and to £3,000 from 6 April 2024.

Chargeable gains: separated spouses and civil partnerships

The current legislation applying to the transfer of assets between an individual and their spouse or civil partner provides that such transfers made in any tax year in which they are living together are on a no gain/no loss basis. Where spouses or civil partners separate, no gain/no loss treatment is currently only available in relation to disposals made in the remainder of the tax year in which they cease to live together. After that, transfers are treated as normal disposals for CGT purposes.

A number of changes are proposed to the rules that apply to transfers of assets between spouses and civil partners who are in the process of separating and no longer living together. These include the following:

- Separating spouses or civil partners will be given up to three years after the year they cease to live together in which to make no gain/no loss transfers
- No gain/no loss treatment will also apply to assets that separating spouses or civil partners transfer between themselves as part of a formal divorce agreement
- A spouse or civil partner who retains an interest in the former matrimonial home will be given an option to claim Private Residence Relief when it is sold
- Individuals who have transferred their interest in the former matrimonial home to their ex-spouse or civil partner and are entitled to receive a percentage of the proceeds when that home is eventually sold will be able to apply the same tax treatment to those proceeds when received that applied when they transferred their original interest in the home to their ex-spouse or civil partner

The changes are expected to apply in relation to a disposal made on or after 6 April 2023.

Other CGT changes

A number of other technical changes to CGT legislation have been announced from April 2023:

- Changes to ensure that Roll-Over Relief and Private Residence Relief are available for LLPs and Scottish partnerships when an exchange of interest in land or private residences held by the LLP or partnership occurs
- Changes to prevent UK resident non-domiciled individuals who exchange securities in a UK close company for securities in a similar non-UK company from accessing the remittance basis of taxation on gains realised on the disposal of those non-UK securities

Inheritance tax (IHT) nil rate bands

The nil rate band has been frozen at £325,000 since 2009 and this will now continue up to 5 April 2028. An additional nil rate band, called the 'residence nil rate band' (RNRB) is also frozen at the current £175,000 level until 5 April 2028. A taper reduces the amount of the RNRB by £1 for every £2 that the 'net' value of the death estate is more than £2 million. Net value is after deducting permitted liabilities but before exemptions and reliefs. This taper will also be maintained at the current level.

Estates in administration and trusts

Changes are introduced which will affect the trustees of trusts and personal representatives who deal with deceased persons' estates in administration, and beneficiaries of estates.

For 2023/24, technical amendments are made to ensure that, for beneficiaries of estates, their tax credits and savings allowance continue to operate correctly.

For 2024/25, changes will:

- Provide that trusts and estates with income up to £500 do not pay tax on that income as it arises
- Remove the default basic rate and dividend ordinary rate of tax that applies to the first £1,000 slice of discretionary trust income
- Provide that beneficiaries of UK estates do not pay tax on income distributed to them that was within the £500 limit for the personal representatives

Other Matters

Back to work

Major themes in the Budget were getting people to enter work, increase their working hours and extend their working lives. These include numerous proposals detailed below.

Childcare

Working parents in England will be able to access 30 hours of free childcare per week, for 38 weeks of the year, from when their child is nine-months old to when they start school.

This will be rolled out in stages:

- From April 2024, all working parents of two-year-olds can access 15 hours per week
- From September 2024, all working parents of children aged nine months up to three-years old can access 15 hours per week
- From September 2025 all working parents of children aged nine months up to three-years old can access 30 hours free childcare per week

Where parents need childcare for more than 38 weeks a year, they are able to spread their free hours entitlement over a higher number of weeks.

The government will substantially uplift the hourly rate paid to providers that deliver the existing free hours. It will also change the staff-to-child ratios for two-year-olds, moving from 1:4 to 1:5 and provide start-up grants for new childminders, including for those who choose to register with a childminder agency. Childminders who register with Ofsted will receive a start-up grant of £600, whereas those who register with a childminder agency will receive £1,200.

In addition, parents on Universal Credit childcare support will receive payment upfront when they are moving into work or increasing their hours, rather than in arrears. Also, the Universal Credit childcare cap will increase to £951 for one child (up from £646) and £1,630 for two children (up from £1,108).

Universal Credit claimants

Changes include:

- Increasing the Administrative Earnings Threshold, the minimum amount a person can earn without being asked to meet regularly with their Work Coach, from the equivalent of 15 to 18 hours of earnings at the National Living Wage
- Expanding work search requirements
- Strengthening the application of the Universal Credit sanctions regime, including additional training for Jobcentre Work Coaches to ensure they are applying sanctions effectively, including for claimants who do not look for or take up employment
- Extending the Youth Offer until 2028, which will support young people looking for work

Comment

These changes are expected to require over 100,000 additional claimants to meet more regularly with a Work Coach and take active steps to move into work or increase their earnings.

For disabled people and those with long-term health conditions

The government is introducing measures to further help those who are not working due to long-term sickness but want to, with a focus on cardiovascular disease, mental health and musculoskeletal conditions as the leading causes.

Employing older workers

Older workers will be supported to work for longer and to return to work via changes to the pension rules, access to an enhanced digital midlife MOT and an expansion of the Jobcentre Plus midlife MOT offer, which provides in-person financial planning and awareness sessions for Universal Credit claimants aged over 50.

VAT

The VAT registration and deregistration thresholds will not change for a further period of two years from 1 April 2024, staying at £85,000 and £83,000 respectively.

Comment

According to the government, at £85,000, the UK's VAT registration threshold is more than twice as high as the EU and OECD averages.

Changes to VAT penalties and interest

The government announced pre-pandemic that it intended to change the way interest and penalties applied for VAT purposes. After a number of delays the new rules were implemented for VAT periods starting on or after 1 January 2023. The default surcharge was replaced by new penalties if a VAT return is submitted late or VAT is paid late. There are also changes to how VAT interest is calculated. The changes are as follows:

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- VAT returns submitted late - late submission penalties will work on a points-based system. For each VAT return submitted late one penalty point will be imposed. Once a penalty threshold is reached, a £200 penalty will apply, with a further £200 penalty for each subsequent late submission
 - Late payment of VAT - the rate of penalty will depend on how late the payment is. However, to give businesses time to get used to the changes, HMRC will not be charging a first late payment penalty for the first year from 1 January 2023 until 31 December 2023, if the VAT is paid in full within 30 days of the payment due date
 - How late payment interest will be charged - for VAT periods starting on or after 1 January 2023, HMRC will charge late payment interest from the day the payment is overdue to the day the payment is made in full
 - Introduction of repayment interest - the repayment supplement was withdrawn from 1 January 2023. For VAT accounting periods starting on or after 1 January 2023, HMRC will pay repayment interest if they are late in making a refund

Annual Tax on Enveloped Dwellings

The annual chargeable amounts will be uplifted by inflation for the 2023/24 charging period.

Plastic Packaging Tax

Plastic Packaging Tax was introduced on 1 April 2022 to encourage the use of recycled plastic in packaging and to divert plastic away from incineration or landfill. The rate will increase to £210.82 per tonne for all plastic packaging manufactured in the UK or imported into the UK on or after 1 April 2023.