

## Spring Budget 2023



Dear customer,

Yesterday, the Chancellor of the Exchequer, the Rt Hon Jeremy Hunt MP, made his Spring Budget speech.

The Spring Budget package sets out a number of tax measures to drive enterprise through boosting investment, support employment by incentivising work and spread the benefits of economic growth everywhere. The Budget also announces a range of administrative changes to make it easier for small businesses to interact with the tax system and consultations to pave the way for future reform. There are also measures to tackle avoidance and evasion, as well as investment in HMRC to tackle the tax debt balance which remains above pre-pandemic levels and support taxpayers who want to pay but need more time. Some of the key measures are detailed below, and information on all the measures announced today can be found in the [Budget Red Book](#), and in other documents from the [OBR](#).

An [overview of all the tax legislation and rates](#) announced today is also available. [Tax Information and Impact Notes \(TIINs\)](#) contain more detail on the impact of measures that are being legislated for in the Spring Finance Bill which will be published on 23 March 2023.

It has also been confirmed that the government will make a further set of tax administration and maintenance announcements later in the spring at a Tax Administration and Maintenance Day.

### **Key tax measures announced today include:**

#### **Business Tax**

- [Capital allowances – full expensing](#): the government is introducing full expensing. Companies incurring qualifying expenditure on the provision of new plant and machinery on or after 1 April 2023 but before 1 April 2026 will be able to claim new temporary first-year allowances. These allowances are: 100% first-year allowance for main rate expenditure – known as full expensing; and a 50% first-year allowance for special rate expenditure.
- [Additional tax relief for R&D intensive SMEs](#): a new credit rate will be available to R&D intensive loss-making companies whose R&D expenditure constitutes at least 40% of total expenditure. Qualifying companies will be able to claim a payable credit rate of 14.5% for qualifying R&D expenditure. The changes will take effect from 1 April 2023 with eligible companies able to claim once the Finance Bill has received Royal Assent.
- [Reforms to audio-visual tax reliefs](#): following a public consultation, the film, TV and video games tax reliefs will be reformed, becoming expenditure credits instead of additional deductions from 1 April 2024. The new Audio-Visual Expenditure Credit will replace the current film, high-end TV, animation and

children's TV tax reliefs. Film and high-end TV will be eligible for a credit rate of 34% and animation and children's TV will be eligible for a rate of 39%. The new Video Games Expenditure Credit will have a credit rate of 34%.

- [Extending the higher rates of Theatre Tax Relief \(TTR\), Orchestra Tax Relief \(OTR\) and Museums and Galleries Exhibitions Tax Relief \(MGETR\)](#): the current rates for these reliefs have been extended by a further 2 years. Museums and Galleries Exhibitions relief, which was due to expire in March 2024, has been extended until March 2026.

### Personal Tax

- [Pensions Life Time Allowance \(LTA\) and increase to the Annual Allowance](#): Spring Budget abolishes the LTA and increases the Annual Allowance from £40,000 to £60,000. These changes will take effect from April 2023.
- [Rendering Void Assignment of Income Tax Repayments](#): as announced on 11 January 2023, the government will render void assignments of income tax repayments. This will be legislated for in Spring Finance Bill 2023 and ensure taxpayers can no longer legally assign their income tax repayments to a third party such as an agent. These changes apply UK-wide and mean that assignments of income tax repayments received by HMRC on or after the 15 March 2023 will be legally invalid.

### Indirect Tax

- [Fuel Duty](#): the cut in the rates of Fuel Duty introduced at Spring Statement in March 2022 will be extended for a further 12 months.
- [Alcohol Duty](#): as previously announced, the government will legislate in Spring Finance Bill 23 for a new structure for alcohol duty, based on the principle of taxation by strength, as well as 2 new reliefs. Duty rates under the revised structure on all alcoholic products produced in, or imported into, the UK are being increased in line with the Retail Price Index (RPI). The new Draught Relief is being increased from 5% to 9.2% for qualifying beer and cider products, and from 20% to 23% for qualifying wine, spirits based and other fermented products. These changes will take effect from 1 August 2023.

### Simplification

- **Extending the Payrolling Registration Service for Benefits in Kind (PBIK) to Authorised Agents**: this measure will allow authorised tax agents to register for the PBIK service on behalf of their clients. It will ensure that those employers, who provide benefits in kind (BiKs) to their employees, will be able to report them to HMRC in real time through their payroll via their agent. This will enable HMRC to simplify and modernise the service by moving away from a paper based retrospective reporting system to a digital one that collects tax in real time.
- [Cash Basis Reform](#): the government is consulting on reforming the cash basis for the self-employed, a simplified way for over 4 million sole traders to calculate taxable profits for income tax purposes. This consultation will run from 15 March 2023 to 7 June 2023.
- **Transforming HMRC Guidance and Forms for Small Businesses**: the government will collaborate with businesses and representative bodies to undertake a systematic review of tax guidance and forms for small business over the next 24 months to make it easier for small businesses to interact with the tax system as they set up and grow.
- [Tax Administration Framework Review – Modernising Income Tax Services](#): the government is publishing a discussion document exploring how

HMRC can simplify and modernise Income Tax services as part of its Tax Administration Framework Review.

- **Customs:** the government has also announced a set of customs measures focused on the simplification of customs import and export processes to reduce admin burdens for traders has been unveiled.

### Tackling the Tax Gap

- **A series of measures to better manage outstanding tax debt** have been announced, including investing £47.2 million in HMRC over 5 years to enable HMRC to:
  - better tailor support for taxpayers with tax debts, by acquiring credit reference agency data to enable more timely and accurate assessments of individuals' financial circumstances and their ability to pay.
  - enhance the existing 'time to pay' GOV.UK tool, to allow more taxpayers to arrange payment plans online themselves.
  - temporarily boost HMRC's debt collection capacity using private sector debt collection agencies.
- **Tackling Promoters of Tax Avoidance:** the government will consult on the introduction of a new criminal offence for promoters of tax avoidance who fail to comply with a legal notice from HMRC and on expediting the disqualification of directors of companies involved in promoting tax avoidance including those who exercise control or influence over a company.

Yours faithfully

HM Revenue and Customs



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