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GUIDE TO THE

SPRING BUDGET STATEMENT 2023

Analysis of the key tax changes and outlining the practical implications for you, your family and business

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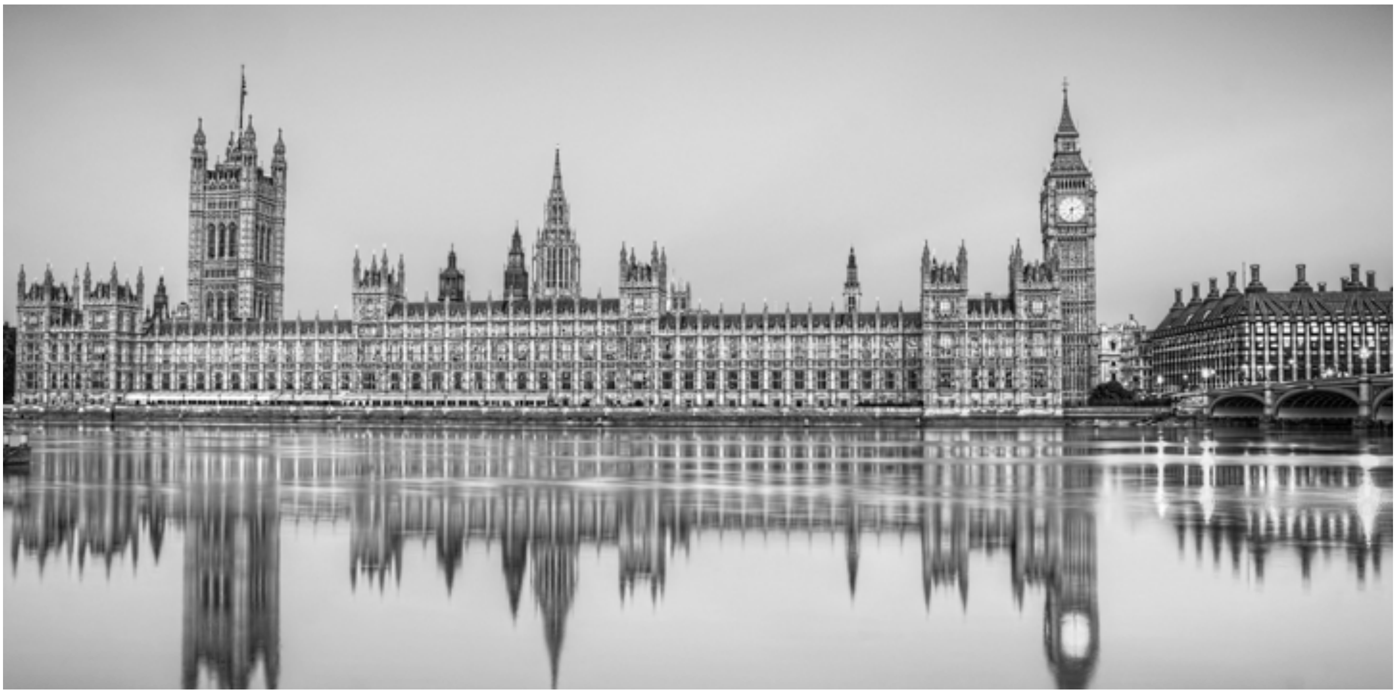

Welcome

UK will not enter a technical recession this year

On Wednesday 15 March, Jeremy Hunt, the Chancellor of the Exchequer, addressed the Commons to deliver the Spring Budget 2023, with an aim to bring people back into the workforce. Mr Hunt commented that the Office for Budget Responsibility (OBR) expects inflation to fall from 10.7% to 2.9% by the end of 2023.

The Chancellor said the OBR now forecasts the UK will not enter a technical recession this year. But despite narrowly avoiding recession, living standards are still predicted to fall by 6% within this fiscal year and the next.

Key budget announcements included the abolishing of the Lifetime Allowance on tax-free pension contributions, which was previously set at £1,073,100. The tax-free annual pension allowance for pension pots will also rise from £40,000 to £60,000 from 6 April 2023.

Working parents in England are to receive 30 hours of free childcare per week, though this won't be fully implemented until 2025. It will be phased in for households where the parent or parents work: April 2024: Eligible two-year-olds will get 15 hours of free childcare per week; September 2024: Eligible children between nine months and two years will get 15 hours; and September 2025: Eligible children between nine months and three years will get 30 hours.

Fuel duty has been frozen again whilst help with energy bills will remain for an extra three months and disabled people can apply for up to 50,000 places on a new voluntary employment scheme funded by the government. The Chancellor also confirmed that Corporation Tax will rise from 19% to 25% in April. ◂

WHAT DOES THE SPRING BUDGET STATEMENT 2023 MEAN FOR YOU, YOUR FAMILY AND BUSINESS?

In our guide to the *Spring Budget Statement 2023*, we look at the key announcements from Jeremy Hunt's speech. If you require any further assistance or would like to discuss your situation, please contact us.

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At a glance, what Chancellor of the Exchequer, Jeremy Hunt, had to say

Addressing the nation's sluggish economic growth projections

Chancellor of the Exchequer, Jeremy Hunt, on Wednesday 15 March delivered his Spring Budget Statement 2023 to Parliament. Mr Hunt announced a range of tax and spending proposals for the upcoming five years, pertaining to work, retirement, childcare, defence and commercial investment, with the aim of addressing the nation's sluggish economic growth projections.

WE LOOK AT A SUMMARY OF THE KEY POINTS ANNOUNCED:

PUBLIC FINANCES AND ECONOMY

- Office for Budget Responsibility predicts the UK will avoid recession in 2023, but the economy will shrink by 0.2%
- Growth of 1.8% predicted for next year, with 2.5% in 2025 and 2.1% in 2026
- UK inflation is expected to fall to 2.9% by the end of this year
- Underlying debt forecast to be 92.4% of GDP this year, rising to 93.7% in 2024

TAXATION

- Cap on amount workers can accumulate in pensions savings over their lifetime before having to pay extra tax (currently £1,073,100) to be abolished
- Tax-free annual pension allowance for pension pots rises from £40,000 to £60,000, the change coming into force from 6 April 2023
- Money purchase annual allowance (MPAA) will rise from £4,000 to £10,000 from April 2023
- Adjusted income threshold for the Tapered Annual Allowance increased from £240,000 to £260,000 from 6 April 2023
- Annual subscription allowance for adult Individual Saving Accounts (ISAs) to remain at £20,000
- Junior Individual Savings Accounts (JISA) and Child Trust Fund accounts remain at £9,000
- Fuel duty frozen, and the 5p cut to fuel duty on petrol and diesel, due to end in April, kept for another year
- Alcohol taxes to rise in line with inflation from August, with new reliefs for beer, cider and wine sold in pubs
- Tax on tobacco to increase by 2% above inflation, and 6% above inflation for hand-rolling tobacco

ENERGY

- Government subsidies limiting typical household energy bills to £2,500 a year extended for three months, until the end of June
- £200m to bring energy charges for prepayment meters into line with prices for customers paying by direct debit set to affect 4m households
- Commitment to invest £20bn over next two decades on low-carbon energy projects, with a focus on carbon capture and storage
- Nuclear energy to be classed as environmentally sustainable for investment purposes, with promise of more public funding
- £63m to help leisure centres with rising swimming pool heating costs, and investment to become more energy efficient

JOBS AND EMPLOYMENT

- 30 hours of free childcare for working parents in England expanded to cover one and two-year-olds, to be rolled out in stages from April 2024
- Families on Universal Credit to receive childcare support up front instead of in arrears, with the £646-a-month per child cap raised to £951
- £600 'incentive payments' for those becoming childminders, and relaxed rules in England to let childminders look after more children
- New fitness-to-work testing regime to qualify for health-related benefits
- New voluntary employment scheme for disabled people in England and Wales, called Universal Support
- Tougher requirements to look for work and increased job support for lead child carers on Universal Credit
- £63m for programmes to encourage retirees over 50 back to work, Returnerships and skills boot camps
- Immigration rules to be relaxed for five roles in construction sector, to ease labour shortages

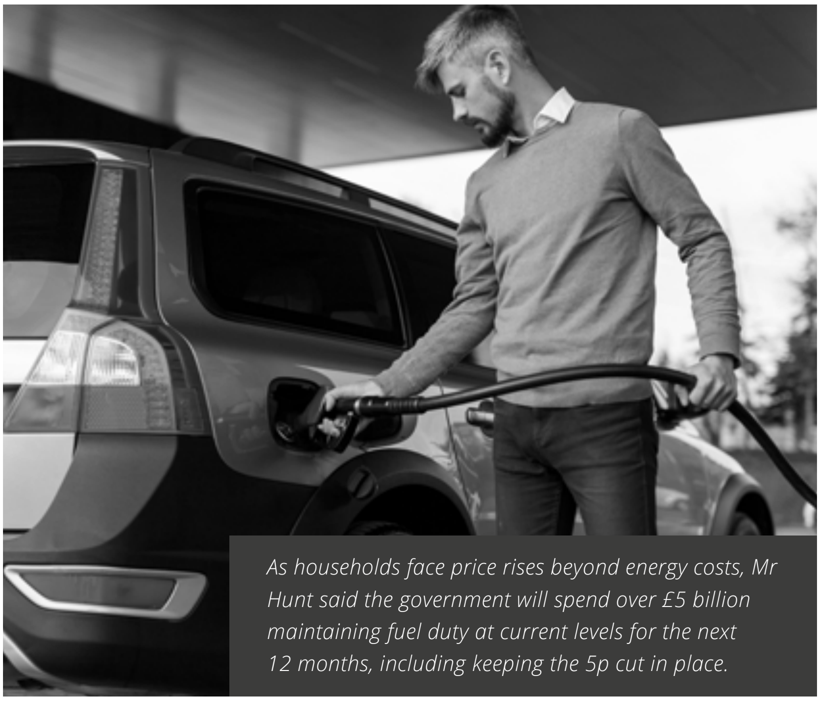
BUSINESS AND ENTERPRISE

- Main Corporation Tax rate will increase from 19% to 25% with effect from 1 April 2023
- Companies with profits of between £50,000 and £250,000 will receive marginal relief
- Companies with profits of less than £50,000 will continue to pay Corporation Tax at 19%
- Companies able to deduct investment in new machinery and technology to lower their taxable profits
- Tax breaks and other benefits for 12 new Investment Zones across the UK, funded by £80m each over the next five years
- Reduced paperwork for international traders, who will also be given longer to submit customs forms under streamlined rules

OTHER MEASURES

- Commitment to raise defence spending by £11bn over the next five years
- Prison sentences for those convicted of marketing tax avoidance schemes
- £200m this year to help local councils in England repair potholes
- An extra £10m over next two years for charities in England helping to prevent suicide
- Streamlined approvals process promised for new medical products
- £900m for new super computer facility, to help UK's AI industry

High inflation erodes the value of wages and hurts economic growth, the Chancellor said.



As households face price rises beyond energy costs, Mr Hunt said the government will spend over £5 billion maintaining fuel duty at current levels for the next 12 months, including keeping the 5p cut in place.

Consumer Price Index (CPI) inflation

Eroding the value of wages and hurting economic growth

The Chancellor, Jeremy Hunt, said Vladimir Putin's illegal invasion of Ukraine and global supply chain pressures pushed wholesale energy prices to record highs and saw inflation peak at 11.1% in October 2022, the highest level in 40 years. High inflation erodes the value of wages and hurts economic growth, the Chancellor said.

The Office for Budget Responsibility (OBR) is now forecasting that Consumer Price Index (CPI) inflation will fall to 2.9% by the end of 2023. Mr Hunt said the Bank of England has taken the necessary steps to control inflation by raising interest rates, and the government's Energy Price Guarantee (EPG) has reduced energy bills for millions, keeping inflation lower than it otherwise would be.

INCREASED RESILIENCE TO FUTURE ENERGY PRICE SHOCKS

To further support households with the cost of living, Mr Hunt said the government is maintaining the EPG at £2,500 for a further three months from April 2023. The government will also align charges for comparable direct debit and Pre-Payment Meter (PPMs) customers, ensuring that those on PPMs no longer pay a premium for their energy costs.

To increase resilience to future energy price shocks, the Chancellor announced the government is supporting investment in the energy system by launching Great British Nuclear to support new nuclear builds, making up to £20 billion available for Carbon Capture, Utilisation and Storage (CCUS), and extending the Climate Change Agreement scheme for a further two years to encourage energy efficiency.

HOUSEHOLDS FACE PRICE RISES BEYOND ENERGY COSTS

As households face price rises beyond energy costs, Mr Hunt said the government will spend over £5 billion maintaining fuel duty at current levels for the next 12 months, including keeping the 5p cut in place. The government is also increasing Draught Relief from 1 August to freeze the duty charged on a typical pint of beer in the pub and ensure this will always be lower than in the supermarket.

The Chancellor said reforms to childcare will also help families with children with one of the most significant costs they face. Overall, Mr Hunt commented that the government is providing a total of £94 billion, equivalent to £3,300 per household on average, across this financial year and the next, to support households with higher costs. ◂

“To further support households with the cost of living, Mr Hunt said the government is maintaining the EPG at £2,500 for a further three months from April 2023.”

The Spring Budget announces a comprehensive employment package focused on four groups: the long-term sick and disabled, welfare recipients and the unemployed, older workers, and parents.

Growing the economy

Economy proves more resilient than feared in the autumn

Economic growth increases living standards, supports higher paid jobs and strengthens the public finances, the Chancellor, Jeremy Hunt said. This Spring Budget, he commented, begins to implement his strategy to deliver long-term sustainable growth, focusing on four key priorities: Employment, Education, Enterprise and Everywhere.

Mr Hunt announced the Office for Budget Responsibility (OBR) is now forecasting the UK economy will avoid a recession and, supported by action taken at the Spring Budget, GDP is higher in the medium term. The Chancellor said that while unemployment is at a near 50-year low, since the COVID-19 pandemic there has been a significant increase in the number of people neither in nor looking for work, with 6.7 million of the working age population economically inactive, excluding students.

EMPLOYMENT PACKAGE FOCUSED ON FOUR GROUPS

The Spring Budget announces a comprehensive employment package focused on four groups: the long-term sick and disabled, welfare recipients and the unemployed, older workers, and parents. The OBR expects this package to result in 110,000 more individuals in the labour market by the end of the forecast period.

There are more than 2.5 million people reporting that they are inactive due to long-term sickness. To help remove the barriers to employment this group faces, the government, Mr Hunt said, is introducing a Universal Support programme in England and Wales to match people with disabilities and long-term sickness with jobs and provide support and training to help them succeed.

ADDITIONAL SUPPORT TO HELP UNIVERSAL CREDIT CLAIMANTS

A suite of measures was also introduced to address the leading causes of ill-health-related inactivity, including tailored employment support in mental health and musculoskeletal health services, and expanding access to digital resources and health checks.

There are currently 5.9 million Universal Credit claimants. Many are out of work or on low earnings and could be contributing more to the economy and earning higher wages. The Chancellor announced the government will provide additional support to help Universal Credit claimants find employment or increase their hours, by increasing Work Coach support and work search requirements, and strengthening support for claimants that are carers of children.

GOVERNMENT IS INCREASING TAX RELIEF ON PENSIONS

Workers aged over 50 left the labour market in the greatest numbers during the COVID-19 pandemic. To encourage this group to extend their working lives, Mr Hunt said the government is increasing tax relief on pensions.

The Lifetime Allowance charge will be removed from April 2023 and the Annual Allowance will be raised to £60,000. These reforms are aimed at helping ensure that high-skilled individuals such as NHS clinicians are not disincentivised from remaining in the workforce.

30 HOURS A WEEK OF FREE CHILDCARE FOR 38 WEEKS A YEAR

There are around 435,000 people in England with a child under three who are inactive due to their caring responsibilities; many of these people report that they would like to work but cannot afford childcare. Mr Hunt announced he is expanding the support on offer by providing 30 hours a week of free childcare for 38 weeks a year, for eligible working parents of children aged nine months to three years.

This will be rolled out in phases from April 2024 and is in addition to the 30 hours a week already provided for eligible working parents of three to four-year-olds. The Chancellor said the government will also provide £204 million in 2023-24, increasing to £288 million in 2024-25, to uplift the hourly funding rate paid to providers to deliver the existing free hours offers in England.

LAUNCHING A NEW WRAPAROUND PATHFINDER SCHEME

As a result of these reforms, free childcare is being provided for eligible working parents of children from nine months until they start school. This is aimed at helping with the cost of living, supporting education for the youngest children and removing one of the barriers to parents working.

Mr Hunt said the government is also launching a new wraparound pathfinder scheme to support the expansion of school-based childcare provision either side of the school day. Support for childcare costs in Universal Credit will be made available upfront and the maximum potential benefit for parents will be increased.

RETURNERSHIPS – A NEW OFFER TARGETED AT THE OVER-50S

The government, Mr Hunt announced, will ensure that the UK labour market has access to skills and talent from abroad where needed. To help ease immediate labour supply pressures, the government will accept the Migration Advisory Committee's (MAC) interim recommendations to add five construction occupations to the Shortage Occupation List (SOL) initially, ahead of its wider SOL review concluding in autumn 2023.

Additionally, the Chancellor said education gives people the knowledge and skills they need to get the jobs they want, helping turn the UK into a high skill, high wage economy. To deliver on this, the Spring Budget introduces Returnerships: a new offer targeted at the over-50s, which brings together existing skills programmes, supported by £63 million of additional funding.

WRITING OFF THE FULL COST OF QUALIFYING PLANT AND MACHINERY INVESTMENT

An enterprise-focused economy is one that attracts and supports the most dynamic and productive companies, Mr Hunt announced. He said the UK has one of the most competitive business tax regimes in the world, with the headline rate of Corporation Tax continuing to be the lowest among G7 economies.

The Chancellor said the Spring Budget goes further by introducing full expensing for three years from 1 April 2023. During this period, companies across the UK will be able to write off the full cost of qualifying plant and machinery investment in the year they invest, supporting businesses to invest and grow. The government intends to make this measure permanent when fiscal conditions allow.

RECOMMENDATIONS ON THE REGULATION OF EMERGING DIGITAL TECHNOLOGIES

To help encourage innovation in the economy, Mr Hunt announced further support for R&D intensive Small and Medium-Sized Enterprises (SMEs), via an enhanced rate of tax relief for loss-making companies; and for the UK's world-leading creative industries, through increased audio-visual tax reliefs.

At Autumn Statement 2022, the government asked Sir Patrick Vallance to lead the Pro-innovation Regulation of Technologies Review. The government is now taking forward all Sir Patrick's recommendations on the regulation of emerging digital technologies, published alongside Spring Budget.

PROVIDING EXTRA FUNDING FOR THE MEDICINES AND HEALTHCARE PRODUCTS

Based on Sir Patrick's interim findings on life sciences, Mr Hunt announced the government will provide extra funding for the Medicines and Healthcare products Regulatory Agency (MHRA) to help it maximise use of its Brexit freedoms and accelerate patient access to treatments.

The government has now asked Sir Patrick to report on how regulators can better support innovation, and the government's new Chief Scientific Adviser, Professor Dame Angela McLean, will oversee future reviews into creative industries, advanced manufacturing and the regulator growth duty.

LEVELLING UP MEANS SPREADING OPPORTUNITY EVERYWHERE

The Chancellor said stability is key to providing an environment for economic growth. As recent events concerning Silicon Valley Bank have demonstrated, clear economic and financial stability frameworks are vital to deal with macroeconomic volatility and potential shocks effectively.

Mr Hunt also reaffirmed that levelling up means spreading opportunity everywhere. The UK's spatial disparities in productivity are large compared to other advanced economies, and there is significant untapped growth potential outside of London. The Chancellor announced that the Spring Budget introduces a package of measures to spread growth across the UK and give local leadership the tools to deliver for their areas.

INVESTMENT ZONES PROGRAMME TO CATALYSE 12 UK GROWTH CLUSTERS

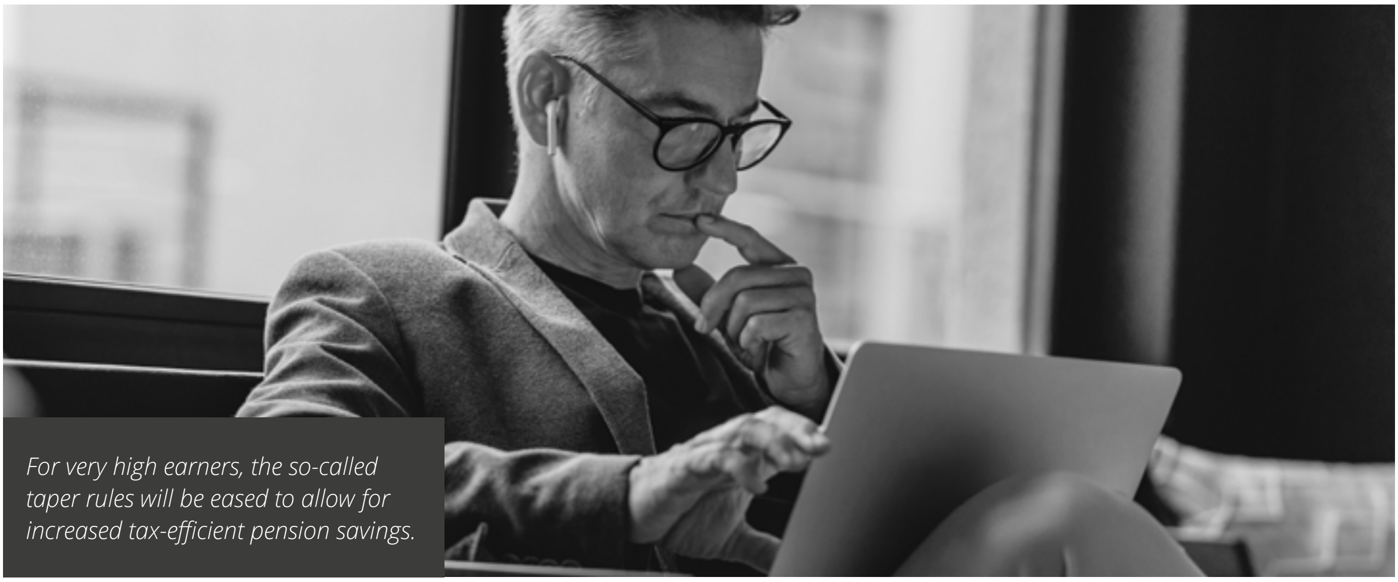
The Spring Budget also launched the refocused Investment Zones programme to catalyse 12 growth clusters across the UK, including four across Scotland, Wales and Northern Ireland. Each cluster, Mr Hunt commented, will drive growth in key future sectors and bring investment to the local area. Each English Investment Zone will have access to interventions worth £80 million over five years, including tax reliefs and grant funding.

The Chancellor said the Spring Budget delivers on the Levelling Up White Paper by providing new and deeper powers to more local leaders. Trailblazer deals, Mr Hunt commented, have been agreed with the Greater Manchester and West Midlands Combined Authorities which will give them greater control over local transport, skills, employment, housing, innovation and net zero priorities, as well as single funding settlements at the next Spending Review.

LOCAL PROJECTS TO ENCOURAGE GROWTH AND SUPPORT COMMUNITIES

The government will also negotiate a new wave of devolution deals with areas across England, which will include local investment funding for areas that are committed to electing a mayor or leader, Mr Hunt said.

The Spring Budget 2023 also announced the roll-out of new Levelling Up Partnerships, providing over £400 million of investment in 20 areas across England. The Chancellor said the government is also providing additional funding for local projects to encourage growth and support communities, including: over £200 million for 16 high-quality regeneration projects; £200 million for local authorities to repair potholes and improve roads; over £100 million of support for local charities and community organisations; and over £60 million for public swimming pool providers to help with immediate cost pressures and make facilities more energy efficient. ◂



For very high earners, the so-called taper rules will be eased to allow for increased tax-efficient pension savings.

Back to Work Budget

Lifetime Allowance abolished to boost economic growth

Chancellor Jeremy Hunt announced in the Spring Budget 2023 statement that he has abolished the pensions Lifetime Allowance to boost economic growth. The Lifetime Allowance had been frozen at £1,073,100 until April 2026 and currently affects 8,000 people with pension pots above this figure.

This measure was unexpected to many in the retirement sector and the Chancellor said it is part of the government's plans to spur on the flatlining economy by increasing the workforce.

LIFTING THOUSANDS OF PEOPLE OUT OF THE 'COMPLEXITY' OF PENSION TAX RULES

Mr Hunt stated: 'No one should be leaving work because of tax implication on their pension.' He said these changes will lift thousands of people out of the 'complexity' of pension tax rules.

'I have listened to the concerns of many senior NHS clinicians who say unpredictable pension tax charges are making them leave the NHS just when they are needed most.

GETTING THOSE WHO RETIRED EARLY DURING THE PANDEMIC BACK INTO JOBS

'The NHS is our biggest employer, and we will shortly publish the long-term workforce plan I promised in the Autumn Statement. But ahead of that, I do not want any doctor to retire early because of the way pension taxes work,' the Chancellor said.

The policy is also aimed at getting those who retired early during the pandemic back into jobs and stopping workers, especially doctors, from reducing their hours or leaving altogether due to taxes.

NO ONE SHOULD BE FORCED OUT OF WORK DUE TO TAX REASONS

Mr Hunt said the changes would 'stop over 80% of NHS doctors from receiving a tax charge' and incentivise 'our most experienced and productive workers to stay in work for longer.'

The Chancellor also announced he is increasing the annual tax-free allowance by 50%, from £40,000 to £60,000.

RESUMING PAYING INTO A DEFINED CONTRIBUTION POT

For those who have stopped work and ceased pension contributions and may now wish to resume paying into a defined contribution pot, the money purchase annual allowance (MPAA) will rise from £4,000 to £10,000 from April 2023.

For very high earners, the so-called taper rules will be eased to allow for increased tax-efficient pension savings. Currently, taxpayers lose £1 of annual allowance for each £2 of 'adjusted income' above £240,000. This threshold will rise to £260,000. ◂

“For those who have stopped work and ceased pension contributions and may now wish to resume paying into a defined contribution pot, the money purchase annual allowance (MPAA) will rise from £4,000 to £10,000 from April 2023.”

Underpinning the UK's long-term prosperity

Debt is forecast to fall as a proportion of GDP by the end of the forecast

The Chancellor, Jeremy Hunt, said the government had to increase borrowing in recent years to support households and businesses through the COVID-19 pandemic and energy crisis. He said public debt now stands at almost £2.5 trillion, or 98.9% of GDP. While the public finances have proved more resilient than expected in November, higher inflation has increased the cost of servicing debt, with debt interest spending totalling £96 billion between April 2022 and January 2023.

Autumn Statement 2022 set out a clear plan to get debt falling as a share of the economy in the medium term. In the latest forecast, Mr Hunt commented, the Office for Budget Responsibility (OBR) has confirmed the government is on track to achieve this aim, with the debt to GDP fiscal rule to be met in 2027-28 with headroom of £6.5 billion and borrowing falling in every year of the forecast.

PROVIDING ADDITIONAL SUPPORT FOR PUBLIC SERVICES

Mr Hunt also said the government is providing additional support for public services, including £5 billion for defence and national security priorities over the next two years, and £2 billion each year for defence for the remainder of the forecast period.

As set out in the Integrated Review Refresh, the government's aspiration over the longer term is to invest 2.5% of GDP in defence, as the fiscal and economic circumstances allow.

SUPPORT BUSINESSES AND HOUSEHOLDS WITH THE COST OF LIVING

The Chancellor said the government will continue to spend responsibly and identify efficiency savings in day-to-day budgets to help manage pressures from higher inflation and focus spending on key public services and government priorities.

Through these measures, Mr Hunt commented, the Spring Budget builds on the action taken at Autumn Statement 2022 to halve inflation, grow the economy and get debt falling; to support businesses and households with the cost of living; and underpin the UK's long-term prosperity. ◂

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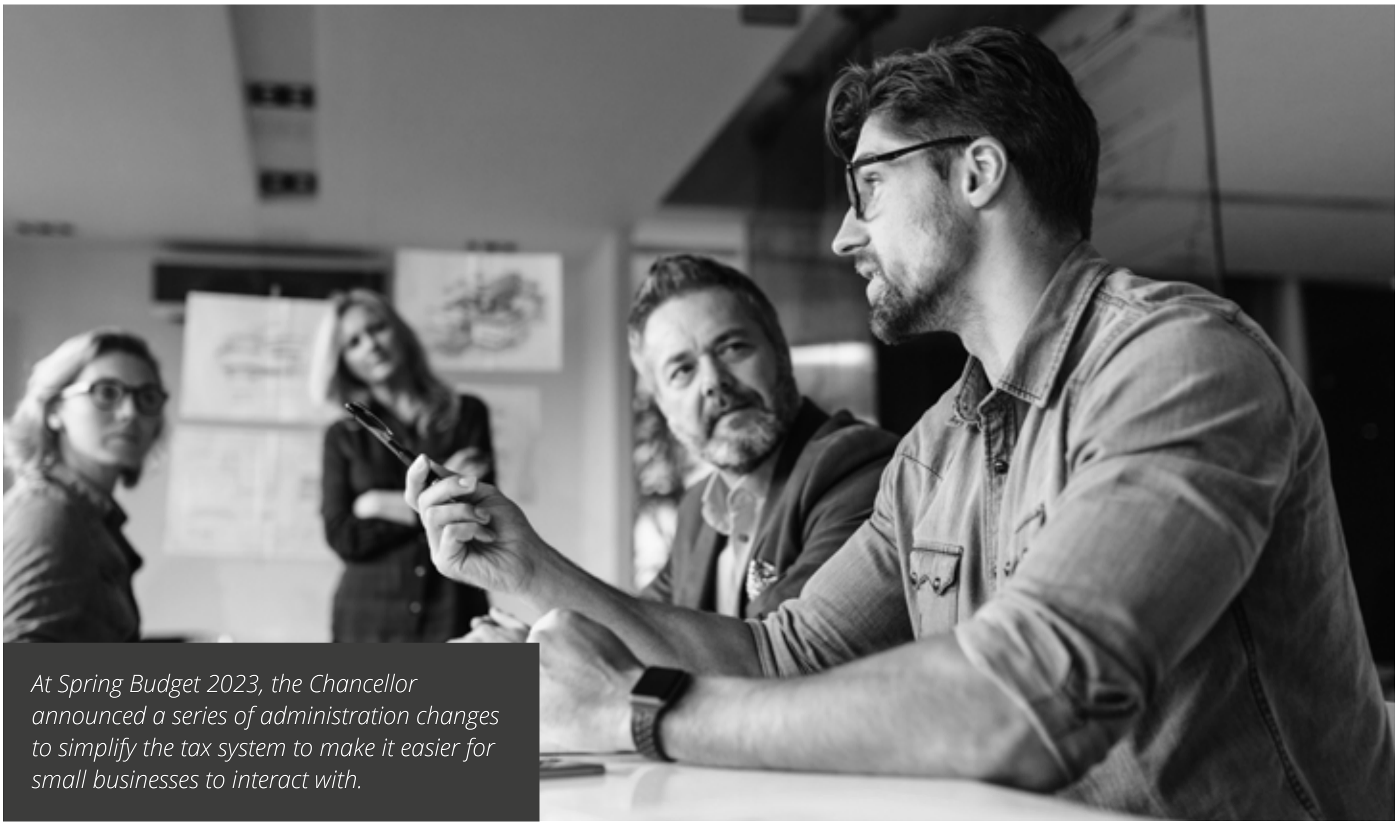

At Spring Budget 2023, the Chancellor announced a series of administration changes to simplify the tax system to make it easier for small businesses to interact with.

Enterprise

UK tax system to foster the right conditions for enterprise

At Spring Budget 2023, the Chancellor, Jeremy Hunt, set out how the government plans to ensure that the UK's tax system fosters the right conditions for enterprise by being one of the most competitive in the world.

To achieve this, Mr Hunt said he is transforming capital allowances to boost investment, providing increased support for R&D and simplifying the tax system for SMEs.

TWO MAJOR CAPITAL ALLOWANCES

The Chancellor commented that the UK has the lowest Corporation Tax rate in the G7, even after the April 2023 rate rise.

With the super-deduction coming to an end on 31 March 2023, Mr Hunt announced a policy package at Spring Budget 2023 that goes further and ensures the UK's capital allowances regime continues to be the joint most competitive in the G7 and OECD.

Capital allowances let businesses write off the cost of certain capital spending against taxable profits, thus cutting their overall tax bill. The Spring Budget 2023, the Chancellor said, confirmed two major capital allowances, together worth £27 billion over the next three years. An effective £9 billion a year Corporation Tax cut for UK businesses.

FULL EXPENSING

This lets taxpayers deduct 100% of the cost of certain plant and machinery from their profits before tax. It is effective from 1 April 2023 to 31 March 2026.

It applies to spending on main rate equipment, which includes but is not limited to, warehousing equipment such as forklift trucks, tools such as ladders and drills, construction equipment such as bulldozers and excavators, machines such as computers and printers, vehicles such as tractors, lorries and vans, office equipment such as chairs and desks, and some fixtures such as kitchen and bathroom fittings and fire alarm systems.

Full expensing means that companies can deduct 100% of the cost from their profits straight away – rather than more slowly over the life of the asset. Similar to the super-deduction, full expensing also results in a 25p tax saving for every £1 invested (19% x 130% super-deduction rate = 25%).

Before the super-deduction and with the 19% Corporation Tax rate, companies investing £10m in main rate assets received a £342,000 tax saving in year one. The Chancellor announced that under full expensing, on a £10m investment, a company will receive a £2.5 million tax saving in year one.

As part of his commitment to maintain a stable economy, the Chancellor said his long-term ambition is to make full expensing permanent.

THE 50% FIRST-YEAR ALLOWANCE

This lets taxpayers deduct 50% of the cost of other plant and machinery, known as special rate assets, from their profits during the year of purchase. It includes long-life assets such as solar panels and thermal insulation on buildings.

The 50% first-year allowance was introduced alongside the super-deduction and was due to end on 31 March 2023. Mr Hunt announced the government is extending it by three years to 31 March 2026. For each year following the first year, 6% of the remaining cost will be written off via Writing Down Allowances.

The 50% first-year allowance allows for faster relief than under the default Writing Down Allowances-only regime, which is worth 6% each year, including year one. As part of his commitment to maintain a stable economy, the Chancellor said his long-term ambition is to make 50% first-year allowance permanent.

RESEARCH & DEVELOPMENT

At Spring Budget 2023, the Chancellor announced a new R&D scheme for 20,000 SMEs in the UK – coming in from 1 April 2023 and worth around £500 million per year.

These changes are a key part of the Chancellor's plan, he said, to get the economy growing and make the UK the best place in the world to start and grow a business by promoting the conditions for enterprise to succeed.

At Autumn Statement 2022, as part of the review into the R&D tax reliefs, the Chancellor committed to considering the case for further support for R&D intensive SMEs. Following engagement with industry, Mr Hunt said he is now acting to provide that support.

The scheme is targeted specifically at loss-making R&D intensive SMEs, focusing support towards those most impacted by the rate changes introduced at Autumn Statement 2022. A company is considered R&D intensive where its qualifying R&D expenditure is worth 40% or more of its total expenditure.

Eligible loss-making companies will be able to claim £27 from HM Revenue & Customs (HMRC) for every £100 of R&D investment, instead of £18.60 for non R&D intensive loss makers. Around 1,000 claiming companies will come from the pharmaceutical and life sciences industry. This will support the development of life-saving medicines.

Around 4,000 digital SMEs will be from the computer programming, consultancy and related activities sector. This will support the development of AI, machine learning and other digital-based technologies. Around 3,000 other manufacturing firms, and another 3,000 professional, scientific and technical activities firms, will also qualify for the enhanced support.

This builds on previously announced changes to support modern research methods by expanding the scope of qualifying expenditure for R&D reliefs to include data and cloud computing costs. Mr Hunt said the permanent increase from 13% to 20% for the R&D Expenditure Credit rate announced at Autumn Statement 2022 also means the UK now has the joint highest uncapped headline rate of tax relief in the G7 for large companies.

Combining the government's spending on R&D with the support from tax reliefs, total UK R&D support as a proportion of GDP is forecast to increase to approximately 1.0% in 2024-25, up from approximately 0.9% in 2019. The latest 2019 OECD average is 0.7% of GDP.

SIMPLER TAX SYSTEM FOR SMALL BUSINESSES

At Spring Budget 2023, the Chancellor announced a series of administration changes to simplify the tax system to make it easier for small businesses to interact with. A simpler tax system, Mr Hunt said, frees up time and money for the UK's 5.5 million small businesses to grow. With an estimated turnover of £2.3 trillion, they make up 52% of the private sector.

The simplification package includes:

- Changes to the Enterprise Management Incentives (EMI) scheme from April 2023 to simplify the process to grant options and reduce the administrative burden on participating companies. This includes, from 6 April 2023, removing requirements to sign a working time declaration and setting out details of share restrictions in option agreements
- Delivery of IT systems to enable tax agents to payroll benefits in kind on behalf of their clients – allowing agents to better support their clients and reducing burdens on employers
- Consulting to the Help to Save scheme
- Measures to simplify the customs import and export processes, including improvements to the Simplified Customs Declaration Process and the Modernising Authorisations project

> "At Spring Budget 2023, the Chancellor announced a new R&D scheme for 20,000 SMEs in the UK – coming in from 1 April 2023 and worth around £500 million per year."

Chancellor also announces a number of consultations to pave the way for future reform, including:

- A commitment from HM Revenue & Customs to deliver a systematic review of guidance and forms for small businesses
- A consultation to simplify calculating Income Tax for smaller, growing sole traders

This Spring Budget 2023 package, the Chancellor announced, marks the first stage of a continuous programme of work on tax simplification. Mr Hunt said officials will continue to engage businesses directly and prioritise this as part of all tax policymaking. ◄

Spring Budget Statement 2023: There's a lot to think about. Ready to have your questions answered?

Following the announcements by the Chancellor, Jeremy Hunt, if you want to discuss how these measures could affect your personal finances or business, we're here to listen.

Whether you need help with managing your investments, planning for retirement or supporting the next generation, we're here to help you make the right decisions.

We look forward to hearing from you.

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