SEDULO

A Guide to the Spring Budget 2023

#BUDGET2023

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"A Budget for Growth"

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On 15 March 2023, Chancellor Jeremy Hunt delivered his first Spring Budget, after the Office for Budget Responsibility forecast a stronger than expected performance from the UK economy this year with inflation continuing to fall.

The Chancellor's announcements were centred around the four ***'E'*** pillars of ***Employment, Education, Enterprise*** and ***Everywhere.*** It included a raft of sensible measures to stimulate growth, including the extension of some business tax reliefs, ongoing funding for the levelling up agenda and targeted measures on childcare and pensions to encourage more people back into work. Whilst tax certainty wasn't fully addressed, there were some positive measures to encourage investment in capital expenditure.

Most announcements were reported by the media in advance of the Budget, with the real surprise being the abolition of the lifetime allowance cap for pensions – which is currently at £1.07m. This measure, along with the rise in the tax-free annual allowance (from £40,000 - £60,000), is designed to encourage those under retirement age to stay in work longer. Another welcome measure was the extension of 30 hours of free weekly childcare for working parents to cover children aged between nine months and three, alongside wrap-around care, though it will take a few years until the full impact is felt.

As expected, the Chancellor stuck with his previously announced tax rises and the freezing of tax thresholds. In particular, he resisted calls from some MPs to abolish the increase in the headline corporation tax rate to 25% from 1 April 2023.

The Chancellor confirmed that the super-deduction would be followed by full expensing, which allows companies subject to corporation tax to write off 100% of their total investments in qualifying plant and machinery (with a 50% write off for special rate assets) in the year of expenditure against their profits subject to tax. However, the nature of the relief means that the benefit will not be evenly distributed: the real winners here are those companies with significant qualifying capital expenditure in excess of the annual investment allowance. Those operating in sectors involving less plant and machinery spend, or loss making companies, will not have as much to celebrate.

The chancellor promised a 'Budget for Growth,' I suspect many will be underwhelmed with the measures announced from a tax perspective. The following pages set our detailed guide covering all the announcements from the Budget. Do get in touch with us if you would like to discuss how these measures may impact you.

Sarah

Highlights

PERSONAL TAXES

There were no announced changes to the tax rates and thresholds for individuals. The main announcements of interest to individuals were:

Pensions - The amount that individuals can contribute to their registered pensions ('the annual allowance') before tax charges arise has increased from £40,000 to £60,000. Further, the lifetime allowance charge for pensions has been abolished.

Charities - Charities located outside of the UK will no longer qualify for UK charitable tax reliefs

Crypto Assets - From 6 April 2024, capital gains realised on crypto assets will need to be reported separately from other assets on self-assessment tax returns.

CSOPs - The limit on employee share options under a Company Share Option Plan (CSOP) will be doubled to £60,000 from 6 April 2023, alongside a slight relaxation in the conditions.

EMPLOYERS

Tax advantaged Share Incentive Plans (SIPs) and Save As You Earn (SAYE) Plans - There will be a call for evidence on 'all employee' tax advantaged Share Incentive Plans (SIPs) and Save As You Earn (SAYE) plans to identify opportunities for simplification and improvement

EMI Scheme Simplification - From 6 April 2023, Enterprise Management Incentives (EMI) option agreements will no longer be required to state any restrictions that apply to the underlying shares, and the employer will not be required to declare that the optionholder has made a working time declaration (though the working time requirement itself will remain). From 6 April 2024 the deadline for notifying the grant of an EMI option will be extended from 92 days following the date of grant to the 6 July following the end of the relevant tax year (existing EMI options exercised on or after 6 April 2023 will also benefit from these changes, but we await draft legislation to confirm what this means).

BUSINESS

Corporation Tax - The proposed increase of CT rates to 25% for business with profits over £250,000 will be going ahead. The increased CT rates will come into effect from 1 April 2023.

Capital Allowances - New first year capital allowances for qualifying expenditure incurred on plant and machinery for 3 years from 1 April 2023. Full expensing available for main rate expenditure (other than cars or plant and machinery leasing) with a 50% allowance for special rate expenditure.

SME R&D tax relief - Additional R&D credits for loss making SMEs where R&D expenditure is at least 40% of total expenditure with effect from 1 April 2023.

Theatre tax relief, orchestra tax relief, and museum and galleries exhibition relief – The current higher rates of relief will be extended for another two years. The headline rates will remain at 45% for non-touring, and 50% for touring, theatrical productions and exhibitions.

Audio Visual Reliefs – Legislation on the reform of audio visual tax reliefs with a view to changing expenditure credits to be published for consultation.

Investment Zones – 12 new Investment Zones to be established across the UK which can benefit from specific tax reliefs. Proposed measures include enhanced capital allowances and relief from stamp duty land tax, business rates and Employer National Insurance Contributions.

Our insights

Jon Fisher
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After what promised to be a fairly subdued budget for Financial Services, the Chancellor provided one particular surprise in the abolition of the pension Lifetime Allowance (LTA). This came after several days of leaks that hinted at a raise in the LTA to £1.8m, a level it had previously been at as long ago as 2012. Alongside the abolition of the LTA came a number of tweaks all designed to increase the amount that can be contributed to a pension each year, something the Treasury is hoping will encourage more people back into work.

The LTA itself was introduced in 2006 and is essentially a cap on the total amount that can benefit from certain tax breaks via a pension fund over the course of a person's lifetime. The cap started at £1.5m and quickly rose to £1.8m before gradually falling back down to its current level at just under £1.1m.

Whilst the cap may be viewed by some as simply a tax on the rich, it had unintended consequences for those benefitting from generous final salary pension schemes, such as senior employees in the NHS. When combined with the effects of the tapered annual allowance, senior consultants and doctors often found themselves in a position where the various tax charges applied could at best act as a significant deterrent to work and at worst, actually exceed the amount they were paid for overtime or shift work. The Chancellor will no doubt hope that retention within the NHS will be improved by removing these barriers and, perhaps some might even be tempted back into the profession.

Others who are due to benefit heavily from this change will be the very wealthy or those benefitting from high incomes. For this small segment of society, pensions have been off the radar for many years, and they've been unable to take advantage of the multitude of tax benefits pensions provide. We expect therefore to see a big uptick in demand for pensions in the UHNW space.

Aside from changes to pensions rules, there was some positive news in the OBR forecast which predicted that the UK will now avoid slipping into an official recession and that inflation will likely fall to 2.9% by the end of the calendar year. This will be welcome news to many across the wealth spectrum. If you have questions about how these pension changes impact you then get in touch with us.

Josh Perry
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The Budget has seen the biggest overhaul of the R&D rules since in the introduction of the RDEC scheme in 2013, and perhaps ever. In order to understand these changes, it is important to understand the context which has necessitated such change. The government has overpaid nigh on £500m in recent years to companies who were ineligible to claim. This meant the scheme had to be refocused, so the taxpayer got more bang for their buck, while also giving HMRC more resource to review more claims.

Additional information will be required when submitting a claim, including the name of the R&D advisors. This is a bigger change than most people appreciate, as for the first time, HMRC will be able to digitally track which agents are advising on which claims. This creates the capacity to target specific agents who are offering poor advice and ensure their claims are reviewed.

Refocusing claims towards UK based R&D. This was designed to avoid claims being paid out based on R&D which has not happened in the UK and the change is hoped to create more high skill UK based roles as companies decide to onshore to get the R&D benefit. This change will now come in from 1 April 2024.

Digital prenotification. This required companies who have not claimed in the last three years to digitally notify HMRC of their intention to claim R&D six months ahead of the year end. This is designed to allow HMRC to screen applicants before they claim, and will also remove the 'double bubble' effect new claimants currently get by being able to submit for the previous two account periods. It should be noted that this change is highly contentious and is being challenged.

The reduction in effective credit rate for loss making SMEs from 14.5% to 10% has been confirmed, meaning the scheme is now far less supportive of innovative start ups, who are highly probable to be in loss for their first few years trading.

The government have softened the blow above by allowing R&D intensive companies – defined as having 40%+ of their costs spent on R&D – to maintain the 14.5% credit. The idea here is to support the most innovative businesses in the UK who are operating in R&D intensive sectors like AI, Pharma, and Life Sciences. It is interesting that there are specific sectors named and quantified in the budget. My view is that the government wanted to reward specific sectors like AI, life science, and pharma, but directly legislating that set sectors got special treatment would lead to allegations of inequality.

The RDEC scheme, which benefits larger businesses, has seen an effective 65% spike in value from 13% to 20%. The most likely explanations for this change are to make the UK more attractive to on the world stage to the largest employers. Having such favourable treatment, will inevitably lead to better job creation as blue chips elect to create roles here to take advantage or the scheme.

David Evans
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From a Private Client perspective, this was a Budget of few surprises given the leaks in the run up.

There were no changes to the previously announced reductions to the thresholds at which taxpayers pay the highest rates of income tax, and at which the tax-free personal allowance begins to taper away. Remuneration planning for Private Clients is now more important than ever in order to maintain tax efficiency and avoid paying more tax than is necessary.

There were also no changes to the previously announced reduction to the capital gains tax annual exemption which comes into effect from 6 April 2023. Private Clients should therefore consider the timing of capital disposals to mitigate the capital gains tax arising. Please speak to us if you are considering disposing of an asset as it may be possible to minimise the capital gains tax.

The increased pension annual allowance combined with the abolition of the lifetime allowance will allow Private Clients some welcome tax relief, and for some, pensions are now back on the table as a tax planning tool. Interestingly the Labour Party has already announced that it will seek to reverse the policy should it win the next general election.

Following these changes, all Private Clients should review their pension positions to maximise the use of the allowances and we will of course be carrying out this exercise with our clients. Abolishing the lifetime allowance also could also create some inheritance tax planning opportunities as funds held within a pension can be outside the inheritance tax net.

Sticking with the pensions theme, the deadline for making voluntary National Insurance Contributions going back to 2006 has been extended to 31 July 2023. Anyone with gaps in their National Insurance record from April 2006 onwards now has more time to decide whether to fill the gaps to boost their new State Pension. All Private Clients should review their position before the deadline.

Emma Houghton
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The Budget announced yesterday has been welcomed by many charities and not-for-profits, although the implications across the sector are not wholly positive.

The Chancellor announced more than a £100m increased funding for key charitable areas, in particular organisations offering cost of living support. Organisations claiming Creative Industry Tax Reliefs are also set to benefit, including an extension of the sunset clause on Museums and Galleries relief. News of a call for evidence to support the extension of VAT relief for energy efficient buildings used for charitable purposes was also well received.

However, the implications for Charity and Community Amateur Sports Clubs (CASCs) won't be welcomed as a change in the definition of CASCs for tax purposes means that charitable tax reliefs once extended to those located in the EU and EEA are no longer applicable.

In total the Chancellor has increased charitable funding by £100 million. Around £75m has been pledged in grants to support organisations working directly with vulnerable people, in particular those providing emergency aid to the worst affected by the cost-of-living crisis. £25m will be used to increase the energy efficiency of Voluntary, Community and Social Enterprise Organisations, facilitating financial savings and more effective service delivery. A further 10m over the next two years has also been pledged to suicide prevention organisations.

Creative Industries Tax Reliefs (CITR)

Current enhancements to CITR have been extended by two years, including a taper rate for the year to 1 April 2026. However, from 1 April 2024 the definition of qualifying expenditure for Theatre Tax Relief, Orchestra Tax Relief, and Museums and Galleries Exhibitions Tax Relief (MGETR) 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.'

Anti-abuse measures on payments between connected parties will be introduced to CITR, with draft legislation expected this summer and changes in place from January 2024. Additionally, MGETR will now expire after 31 March 2026 and no expenditure after this date will be eligible for relief.

Charities and Community Amateur Sports Clubs (CASCs)

Only charities or amateur sports clubs that fall under the Jurisdiction of the High Court in England, Wales, or Northern Ireland or the Court of Session in Scotland are now eligible for charitable tax reliefs. Yesterday's announcement of a change in tax definition means CASCs in EU or EEA no longer qualify. The change applies to any CASC that hasn't up till now asserted their status for charitable tax reliefs. There will be a transitional period until April 2024 for EU and EEA CASCS who have asserted their status for charitable tax reliefs before 15 March. Significantly, previously exempt income could now be taxable and carry significant financial implications for some CASCs.

The statement broken down

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.

There is a reduction in the personal allowance for those with ‘adjusted net income’ over £100,000 as in previous years. 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.

THE MARRIAGE ALLOWANCE

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

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.

Sedulo 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 only change to tax rates and thresholds from 6 April 2023 is the additional rate that will be lowered from £150,000 to £125,140.

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.

Band	Tax
£0 - £12,570	0%
£12,571 - £50,270	20%
£50,271 - £125,140	40%
>£125,140	45%

Scottish residents

The tax on income (other than savings and dividend income) is different for taxpayers who are resident in Scotland from taxpayer’s 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.

The tax rates and thresholds set out by the Scottish Parliament for the 2023/24 tax year:

Band	Tax
£0 - £12,570	0%
£12,571 - £14,732	19%
£14,733 - £25,688	20%
£25,689 - £43,662	21%
£43,663 - £125,140	42%
>£125,140	47%

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.

Therefore, if you're employment income is less than £17,570, you can receive £5,000 of savings income free of tax.

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.

Please note, 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.

Sedulo Comment

With the dividend allowance falling to £1,000 in 2023/24 and then to £500 in 2024/25, it would be useful to review your current remuneration plan as these changes combined with the Corporation Tax rate changes may affect the efficiency of your current remuneration package. We will be happy to undertake this review for you.

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 by abolishing the limit of £1,073,100.
- 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.

Sedulo Comment

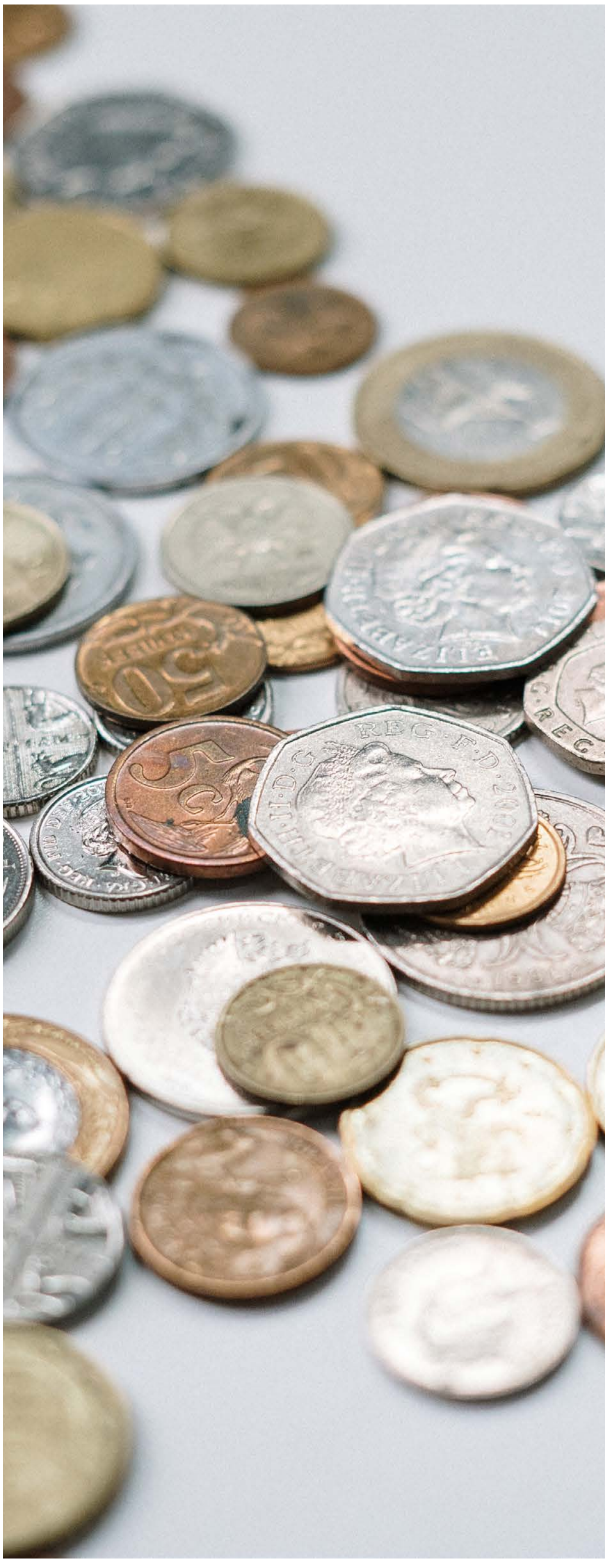
It is worth having an annual pension review, to ensure you maximise the use of all the pension allowances which may be available to you and to do so in the most tax efficient way. We are happy to carry out this review for you.

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.

However, the government will update the Class 2 and Class 3 NICs rates for 2023/24 to £3.45 per week and £17.45.

The government will increase the hourly National Living Wage (NLW) and National Minimum Wage (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.

The update of the NLW gives 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.

Sedulo Comment

If you are an employer, you should carry out a regular review to ensure that you are adhering to the NMW Regulations. Failure to comply can result in a penalty of up to 200% of the liability due and any underpayment of wages can go back up to 6 years using the current NMW rates. Please contact us if you require assistance with this.

Sedulo Comment

The deadline for making voluntary National Insurance Contributions as far back as 2006 is 31st July 2023 and rapidly approaching. Where there are gaps years in your national insurance contribution history it may be worth making voluntary contributions to maximise your state pension. We can help review your position, identify any gap years and advise on the best course of action.

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.

Sedulo Comment

You could lower a company car benefit charge by paying a capital contribution (up to £5,000) towards the purchase. In addition, you may wish to consider an agreement that a proportion of the capital contribution can be repaid upon the subsequent sale of the car. As long as the capital repaid is proportionately in line, then the reduced car benefit is not affected by the agreement.

Electric cars remain a popular, tax efficient way of remunerating employees. If you are considering your options regarding a company vehicle, leasing or purchasing a vehicle, or taking a cash allowance from your business for mileage, why not ask us to review the most cost effective option for you?

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. There will be no benefit charge for vans which emit no CO_2 emissions. The van fuel benefit charge is also zero.

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.

REFORM OF ENTERPRISE MANAGEMENT INCENTIVES (EMI): IMPROVEMENTS TO THE PROCESS

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.

Sedulo Comment

These are welcome amendments to the administration of EMI schemes. EMI remains an attractive option to employers wishing to incentivise or retain key staff. Please get in touch if you are interested in hearing more about employee incentivisation and share schemes.

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 as shown below. The upper and lower limits will be proportionately reduced for short accounting periods and where there are associated companies.

	From 01/04/2022	From 01/04/2023	From 01/04/2024
Main rate (Profits over £250,000)	19%	25%	25%
Small profits rate (Profits under £50,000)	19%	19%	19%
Marginal rate* (on profits between £50,001 & £250,000)	19%	26.5%	26.5%

**Profits below £50k effectively taxed at small profits rate*

Sedulo Comment

If the increase in company tax rates from 1st April impacts your company, you may wish to consider delaying capital expenditure, bonuses, and lump sum pension contributions to maximise the tax relief on them.

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%.

Sedulo Comment

There are various ways to legitimately mitigate your Corporation Tax liability, for example, maximising your capital allowances position, claiming Structural Building Allowance, Research & Development tax relief and more. We offer a pre-year-end review to ensure these types of opportunities are not missed.

ASSOCIATED COMPANIES

From 1 April 2023, the rules are changing such that the rate of corporation tax that a company pays, and when (I.e. quarterly instalment payments), will be dependent on the level of its profits as well as the number of its associated companies. This is an extension to the existing rules where, broadly, one company must be a 51% subsidiary of the other or both companies must be 51% subsidiaries of the same company.

A company will be associated with another if, at any time in the chargeable accounting period (a) one company has control of another, or (b) both companies are under the control of the same person or group of persons.

It will be important to understand the number of associated companies as soon as possible to estimate tax liabilities and also to determine whether they may fall within the quarterly instalments regime which could have a direct impact on cashflow of the company(ies).

Consideration could also be given to rationalising the number of entities within the group to reduce the number of associated companies. This could be achieved by consolidating active companies and/or dissolving any companies with small/negligible trades.

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.

Sedulo 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. However, this will only impact companies who spend in excess of £1million on qualifying capital allowances and therefore whilst this looks great on the surface, it will likely have limited impact for most businesses.

A more welcomed change for most SMEs was the proposal to make the £1million AIA level 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.

R&D TAX CREDITS SUMMARY

SMEs	Up to 31 March 2023	From 1 April 2023 Non-R&D intensive company	From 1 April 2023 R&D intensive company
Profitable	130% uplift	86% uplift	n/a
Loss making	14.5% repayable credit	10% repayable credit	14.5% repayable credit
RDEC			
All companies	Headline 13%	Headline 20%	n/a

Sedulo Comment

The R&D criteria is wide, and many eligible companies are not utilising it. From 1 April 2023, companies will only have 6 months from the end of the accounting period in which R&D activity has occurred to make a claim, unless you have made a similar claim in the previous 3 years.

Furthermore, 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.

If your company is creating, developing, or enhancing a product, then you may be entitled to R&D tax relief. You can potentially go back 2 accounting periods. It could be any business sector (for example – software, clothing, manufacturing, engineering, marine, aerospace, rail, cosmetics, packaging, construction, medical device, pharmaceutricals etc.). Please contact us if you would like to see whether you are eligible or not.

MAKING TAX DIGITAL (MTD) FOR INCOME TAX RELIEF

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 mandating 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.

Sedulo Comment

Most clients, particularly those with annual income of over £50,000 will already be using some form of software to maintain accounting records and so this change would not have too much of an impact. Most accounting software is easy to use and we can offer help and training where required. However, for our smaller traders and landlords, we need to be addressing suitable record keeping as soon as possible so that when (and if) the transition comes, it runs smoothly. There is no 'opt-out' but we will ensure all our clients are prepared to be fully compliant by the time their date for transition to MTD is effective.

ACCOUNTING PERIOD 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.

Sedulo 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, all of which are expected to be clustered around universities or research institutions. They will aid sectors such as technology, artificial intelligence and the creative sector.

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.

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.

Sedulo Comment

This is positive for companies considering raising investment under the SEIS regime. Subject to qualifying conditions, investors could be eligible for income tax relief of up to 50% hence potentially saving £100,000 on that year's income tax liability. Get in touch with our Corporate Finance team for more information.

CULTURAL AND CREATIVE TAX RELIEFS

The temporary higher rates of theatre, orchestra, and museums and galleries tax reliefs will be extended for two further years from April 2023, and will then be reduced over the following two years, as follows:

Rate			
Relief	Up to 31/03/2025	2025/26	From 2026/27
Theatre tax relief • Non-touring • Touring	 45% 50%	 30% 35%	 20% 25%
Orchestra tax relief	50%	35%	25%
Museums and galleries tax relief • Non-touring • Touring	 45% 50%	 30% 35%	 Nil Nil

From 1 April 2024, the definition of qualifying expenditure for the cultural tax reliefs 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.

Film, TV and video games tax reliefs to be reformed to refundable expenditure credits. For accounting periods ending on or after 1 January 2024, these reliefs will be reformed to refundable expenditure credits, based on the RDEC scheme. 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.

There will be two expenditure credits:

- Audio-Visual Expenditure Credit - to cover the four existing film and TV tax reliefs.
- 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%.

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.

Sedulo Comment

Get in touch with us if you would like us to review your eligibility or support with making a creative tax relief claim.

Administrative changes

The Finance Bill 2023-2024 will also contain 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, and the changes will take effect from January 2024.

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.

Sedulo 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.

When first registering for VAT, you are able to claim input VAT on goods purchased in the 4 year period before registration where those goods have been used in the business and are still owned on the first date of registration. This includes stocks and assets Similarly, you are able to claim input VAT on services purchased in the previous 6 months for business purposes, unless already recharged to a customer prior to registration.

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:

- 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.

Large Corporates & Multinationals

PILLAR 2

The government confirmed its intention to include legislation in Spring Finance Bill 2023 to implement the globally agreed G20-OECD Pillar 2 framework. Pillar 2 is a mechanism designed to ensure large multinational enterprises pay a minimum 15% level of tax on the income arising in each jurisdiction where they operate.

The changes will apply for accounting periods beginning on or after 31 December 2023 whereby there will be an Income Inclusion Rule which will require large UK headquartered multinational groups (those with over €750 million of annual global revenues) to pay a top-up tax where their foreign operations have an effective tax rate of less than 15%.

There will also be a supplementary domestic top-up tax rule 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%.

Sedulo Comment

The key actions for groups falling within the scope of the minimum taxation rules will be to assess the impact and prepare resources for the additional compliance requirements, to communicate the effects to the stakeholders and train teams. If you require support with this, do get in contact.

TRANSFER PRICING DOCUMENTATION

For accounting periods beginning on or after 1 April 2023 large multinational businesses operating in the UK will be required to keep and retain transfer pricing documentation in a prescribed and standardised format which is set out in the OECD's Transfer Pricing Guidelines (Master File and Local File). This is designed to give businesses more certainty on the appropriate documentation they need to keep and enable HMRC to identify risks more effectively. This will be legislated for in Spring Finance Bill 2023.

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

AMENDMENTS TO CORPORATE INTEREST RESTRICTION RULES ("CIR")

There are a number of minor amendments to the CIR rules to address certain technical issues and anomalies where the regime does not currently operate as intended. There are more than twenty revisions to be legislated for in the Spring Finance Bill.

Sedulo Comment

It is recommended that any taxpayers that have experienced specific quirks as to how the rules apply to their specific facts and circumstances revisit the situation. This is particularly true for non-resident landlords where amendments covering the interaction of CIR with brought forward income tax losses will have retroactive effect.

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.

Tax Year	Individuals	Trustees
2022/23	£12,300	£6,150
2023/24	£6,000	£3,000
2024/25	£3,000	£1,500

Sedulo Comment

Before you sell an asset, such as shares or property, please speak to us. There may be planning opportunities prior to the sale to reduce the potential capital gains tax.

If you are about to sell a UK residential property, which could trigger a taxable gain, you need to complete a Capital Gains Tax return within 60 days of completion.

In addition, any tax payable would be due at the same time. Failure to do so can result in penalties and possibly interest.

We have a Residential Property Review Service which can deal with the Return and the tax calculation, ensuring that all the relevant reliefs and exemptions, where applicable, are claimed. As part of the service we can also provide pre and post-sale tax advice.

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.

Sedulo Comment

If separated from 6 April 2020, it may be worth waiting until after 5 April 2023 before transferring assets in order to avoid unnecessary tax charges.

CRYPTO ASSETS

Income from crypto assets will need to be identified separately from 2024/25 onwards. Clients holding crypto assets may need to pay income tax and national insurance contributions on their tokens when they dispose of them.

If tokens are received from mining rather than through trading, the tokens are treated as other taxable income. They will need to be disclosed unless the holder has received crypto assets worth less than £1,000, or less than £2,500 in other untaxed income.

Sedulo Comment

Clients will need to keep detailed records of their tokens including the type, date and number received, number held in total and the value of the tokens in pounds.

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.

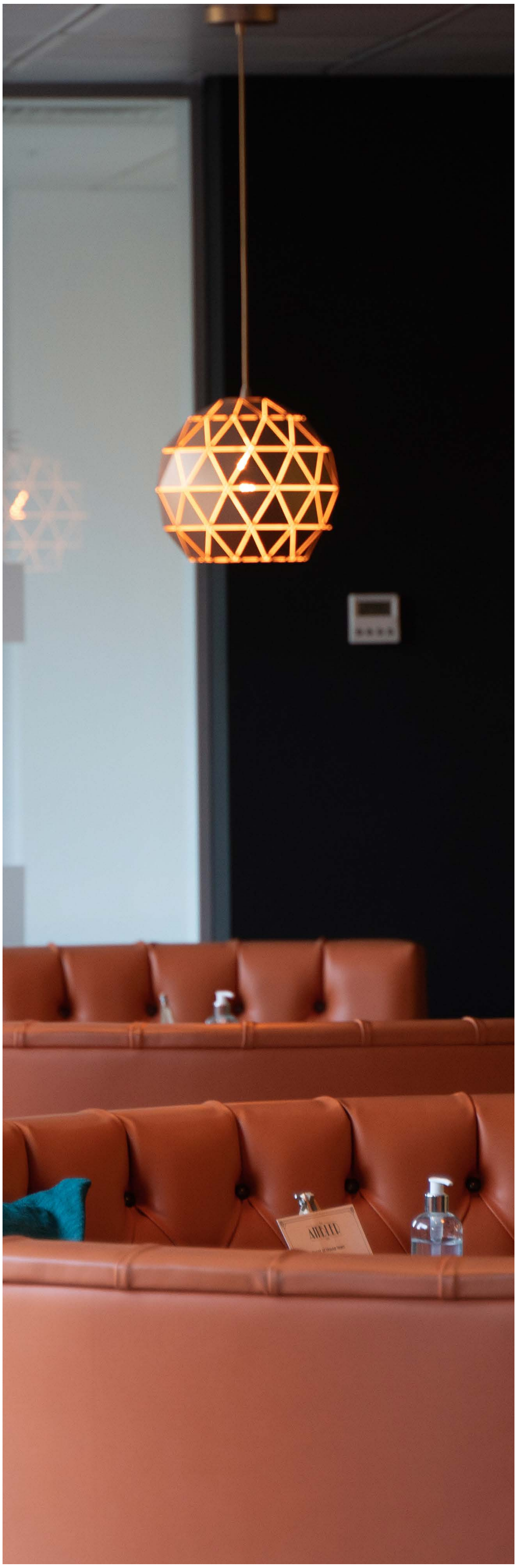
INHERITANCE TAX (IHT) NIL RATE BANDS

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.

Sedulo Comment

Do you know the value of your Estate for Inheritance Tax purposes? Remember that the tax on death, after taking account of reliefs and exemptions, is 40%. With planning you can potentially mitigate that liability and pass more of your assets over to your loved ones rather than HMRC. Please contact us for an Inheritance Tax Review if you'd like to explore this further.

You should also review your Will whenever there is a change of circumstances in your life to ensure that it reflects your current wishes. That could be marriage, divorce, children, grandchildren & material changes to your overall level of wealth. We can assist with this process, so please get in touch if you haven't reviewed your Will recently.



ESTATES IN ADMINISTRATION AND TRUSTS

Changes were 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 were 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.

Sedulo 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.

- 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.

FOR DISABLED PEOPLE, UNIVERSAL CREDIT CLAIMANTS 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.

Under the new Budget plans disability benefit claimants will continue receiving payments after they return to work. There will be a new, voluntary employment scheme for disabled people where the government will spend up to £4,000 per person to help them find appropriate jobs and put in place the support they need.

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.

ANNUAL TAX ON ENVELOPED DWELLINGS

The annual chargeable amounts will be uplifted by inflation for the 2023/24 charging period. The ATED charge, for those property companies liable to pay the charge, increases by 10.1% for the 2023/24 ATED year.

Property value	LTT rate
£500,000 - £1million	£4,150
£1,000,001 - £2million	£8,450
£2,000,001 - £5million	£28,650
£5,000,001 - £10million	£67,050
£10,000,001 - £20million	£134,550
Over £20million	£269,450

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.

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.

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.