



MD ACCOUNTANCY

TEAM LIMITED

**BACK
TO BASICS**
TAX CHANGES
2023-2024



Tax Changes for 2023-2024

This guide would have been called a budget update, but with the various “fiscal events” that have taken place in the last 10 weeks, the changes that were announced and then withdrawn and the changes that were planned, cancelled and then reintroduced, keeping track of the various announcements is a little pointless.

Instead, this guide covers the changes that are taking place next year, as announced up to 25 November 2022, regardless of who announced them when. There may be further changes announced in March 2023 – we will cover those as they arise, or update this guide if appropriate.





For Companies

CORPORATION TAX

Tax Rate Changes

- Corporation Tax rates will increase to 25% in April 2023 for companies with taxable profits above £250,000.
- The 19% rate will continue to apply to companies with profits below £50,000.
- Where profits are between £50,000 and £250,000 marginal rates will apply, which works out at 26.5%
- A company with £200,000 profits will pay £49,250 in Corporation tax (£50k at 19% and £150k at 26.5%, resulting in a total tax rate of 24.62%)
- A company with £150k profits will pay £7500 more in corporation tax in 2023-24 than in 2022-23

Capital Allowances

Capital Allowances are the deductions you can make from your profits for the purchase of equipment / machinery / vehicles purchased. Restrictions apply for certain categories so always check which is correct for your circumstances.

- The Super Deductions at 130% of spend ends 5.4.2023
- The Annual investment allowance at 100% of amounts spend remains and is set at a permanent level of £1m
- First Year Allowance at 100% for Electric charging points is extended to 31.3.2025
- Items which do not qualify for the above may qualify for capital allowances at 18% (main pool) or 6% (special rate)



For Companies

RAISING FINANCE - SEIS

The Seed Enterprise Investment Scheme is designed to help companies raise money when they start trading. The qualifying criteria and limits are changing from 1 April 2023:

- New companies will be able to raise up to £250,000 of SEIS investment. The current limit is £150,000
- The qualification limits are changing: gross asset limit will be increased from £200,000 to £350,000, and the trading time limit from two to three years.

NATIONAL INSURANCE

- Employers class 1 NIC reverted to 13.8% from 5th November 2022 after a brief increase to 15.05%
- Employers will pay Class 1 NIC at 13.8% on employee earnings over £9,100. This threshold is frozen until 2028.
- The employer's allowance remains, which covers the first £5000 employer's national insurance for those who qualify. According to the government, 40% of employers will see the entirety of the contributions covered by the allowance.

VAT

- The VAT registration threshold remains fixed at £85,000 until 2026. The deregistration threshold remains fixed at £83,000.



For Companies

RESEARCH & DEVELOPMENT TAX CREDITS

Major changes are being introduced for the R&D Tax credit schemes, effective from 1.4.2023

- Claims for sub-contracted work will only be granted where the work is undertaken in the UK. Qualifying expenditure will include data licenses and cloud computing
- The standard scheme (RDEC) rate will increase from 13% to 20%
- The SME Scheme additional deduction decreases from 130% to 86% - which effectively makes the tax credit equivalent to the RDEC scheme in most cases. The SME credit rate (refund for loss making companies) reduces from 14.5% to 10%. This scheme has been open to abuse and the changes are possibly a step to seeing it removed. Start-Ups who are invested heavily in product development will be adversely affected by this change.
- A loss-making SME incurring £100,000 qualifying expenditure can receive a credit refund of up to £33,350 in 2022-23. With the changes introduced in 2023-24, this falls to £18,600.
- A company incurring £100,000 qualifying expenditure under the RDEC scheme would receive £10,530 corporation tax deduction in 2022-23, and £15,000 in 2023-24.



For Individuals



INCOME TAX

General

- The personal allowance remains at £12,570 and the basic rate band remains at £37,700
- The Additional Rate Threshold is reduced to £125,140 (from £150,000) from 6 April 2023
- Tax Rates for Earned Income remain at 0% (up to personal Allowance), 20% (Next £37,700), 40% (Up to Additional Rate Band) 45% (Additional Rate)
- The Personal Allowance goes down by £1 for every £2 of income £100,000. This creates a marginal rate of tax of 60% for earnings between £100,000 and £125,140
- **Individuals earning over £125,140 will pay up to an extra £1243 in personal tax.**

Dividend Tax

- The dividend allowance reduces from £2,000 to £1,000 From April 2023, and to £500 from April 2024
- Rates remain at: Basic rate 8.75% Higher rate 33.75%, and Additional rate 39.35%
- **This measure will need mean any individual with over £500 in dividend earnings will need to contact HMRC for the tax to be collected unless they are already in the self-assessment system. The additional tax cost is up to £393.50 per individual in 2023-24 and a further maximum £196.75 in 2024-25**

For Individuals



INCOME TAX CONT'D

Car Benefit in Kind

Where a company provides a car for its director / employees there is a tax charge based on the list price of the car, and multiplied by a percentage based on the car emissions

- Percentages for electric cars are currently 1%, they will increase by 1% in 2025-26, 2026-27 and 2027-28, this will bring rates to a maximum of 5% for electric cars
- Percentages for ultra-low emission cars will also increase as above
- Percentages for all other vehicles bands will be increased by 1% for 2025-26 up to a maximum percentage of 37%
- A £50,000 electric car currently generates a benefit in kind of £500 per annum (maximum tax cost £225), this will increase to £2500 by 2027-28 (maximum tax cost £1125) / A £50,000 petrol car with emissions >160g/km currently generates a benefit in kind of £18,500 per annum (maximum tax cost £8,325)

NATIONAL INSURANCE

- Employee National Insurance reverted to 12% for earnings between £12,570 and £50,270 and 2% for earnings above £50,270 on 5th November 2022, after a brief period where a 1.25% uplift was applied
- The thresholds will be frozen until 2028



For Individuals

CAPITAL GAINS TAX

- From 5 April 2023, the annual exemption reduces from £12,300 to £6,000, and will reduce to £3,000 from April 2024. [This will bring more asset disposals within the Capital Gains Tax system, and will cost taxpayers up to £1764 extra in capital gains tax in 2023-24, and a further £840 in 2024-25](#)
- A welcome news for spouses in the process of separation, the time limits for transferring assets at no-gain no loss between separating partners from one to three years, or, in an unlimited timeframe if part of a formal divorce agreement.
- Capital Gains Tax rates remain at 10%/20% (General rate) and 18%/28% (Land and Property).

INHERITANCE TAX

- The Inheritance tax NIL band rate remains fixed at £325,000 until 2028. It has been at that level since 2009
- The Residence NIL Bank Rate remains fixed at £125,000. This is an additional band that can be claimed where the deceased main home is left to a direct descendant, step-child or adopted child.

VEHICLE TAX (VED)

From April 2025, electric cars, vans and motorcycles will begin to pay VED in the same way as petrol and diesel vehicles.



For Investors



STAMP DUTY

- Stamp Duty Land tax NIL Rate Threshold was increased from £125,000 to £250,000 on 23 September 2023. It is due to reverse to £125,000 on 1 April 2025.
- The NIL rate threshold paid by first time buyers increases from £300,000 to £450,000 for the same period.

SHARE SCHEMES

Seed Enterprise Investment Scheme (SEIS)

The individual annual investor limit of £100,000 will be doubled to £200,000. In addition to the SEIS shares being exempt from CGT if held for 3 years, SEIS gives Investors a 50% deduction in income tax, and a 50% exemption from Capital Gains Tax for Gains re-invested.

Questions and Further Information

If you have any questions, or would like further information about anything contained within this Back to Basics factsheet, please speak to a member of our team who will be happy to assist you.

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