

Guide from

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Delivering Customer Service Excellence

Spring Budget 2023: tax rates and allowances

Income tax rates: England, Wales & Northern Ireland (non-dividend income) (note 1)	2023/24	2022/23
0% starting rate for savings only	Up to £5,000	Up to £5,000
20% basic rate tax	£12,571-£50,270	£12,571- £50,270
40% higher rate tax	£50,271-£125,140	£50,271- £150,000
45% additional rate tax	Above £125,140	Above £150,000
<i>Note 1: The Welsh Government has made a commitment not to raise Welsh rates of income tax. Therefore, Welsh taxpayers will continue to pay the same rates as their English and Northern Irish counterparts. The income tax bands will remain frozen until tax year 2028/29.</i>		
Scottish rates of income tax (non-dividend income) (note 2)		
19% starting rate	£12,571-£14,732	£12,571-£14,732
20% basic rate tax	£14,733-£25,688	£14,733-£25,688
21% intermediate rate tax	£25,689-£43,662	£25,689-£43,662
42% higher rate tax (41% for 2022-23)	£43,663-£125,140	£43,663-£150,000
47% top rate (46% for 2022-23)	Above £125,140	Above £150,000
<i>Note 2: Scottish taxpayers pay the same tax as the rest of the UK on dividends and savings interest.</i>		

Income tax rates (dividend income)	2023/24	2022/23
Dividend allowance (note 3)	£1,000	£2,000
Dividend ordinary rate (for dividends within basic rate band)	8.75%	8.75%
Dividend upper rate (for dividends within higher rate band)	33.75%	33.75%
Dividend additional rate (for dividends above higher rate band)	39.35%	39.35%
Child benefit/guardian's allowance rates (notes 4 and 4a)		
Higher rate (eldest or only child) (per week)	£24.00	£21.15
Other children	£15.90	£14.00
Guardian's allowance per week	£20.40	£18.00
<i>Note 3: The dividend allowance will be reduced to £500 from April 2024.</i>		
<i>Note 4: an income tax charge will apply to taxpayers with 'adjusted net income' exceeding £50,000 in a tax year, when child benefit is also received by them or their partner. The charge will reduce the financial benefit of receiving child benefit for those with income between £50,000 and £60,000. The benefit will be removed completely for taxpayers with income above £60,000.</i>		
<i>Note 4a: from January 2021, no child benefit payments are made in respect of children living overseas. This will apply to EEA migrants arriving in the UK under the new immigration system.</i>		
Personal allowances	2023/24	2022/23
Personal allowance (note 5)	£12,570	£12,570
Dividend allowance	£1,000	£2,000
Maximum married couple's allowance for those born before 6 April 1935 (note 6)	£10,375	£9,415
Married couple's allowance – minimum amount	£4,010	£3,640
Micro entrepreneur's allowance (property or trading income)	£1,000 each	£1,000 each
Income limit for personal allowance (note 7)	£100,000	£100,000
Income limit for married couple's allowance: born before 6 April 1935	£34,600	£31,400
Blind person's allowance	£2,870	£2,600
Rent-a-room relief	£7,500	£7,500
Transferable/shareable tax allowance for married couples and civil partners (note 8)	£1,260	£1,260
Personal savings allowance for basic rate taxpayers	£1,000	£1,000
Personal savings allowance for higher rate taxpayers	£500	£500

	2023/24	2022/23
Personal savings allowance for additional rate taxpayers	£0	£0
<i>Note 5: from 2016/17 onwards, all individuals are entitled to the same personal allowance, regardless of the individual's date of birth. This allowance is subject to the £100,000 income limit, which applies regardless of the individual's date of birth.</i>		
<i>Note 6: this allowance is reduced by £1 for every £2 of income in excess of the income limit, but married couple's allowance will not reduce below £4,010.</i>		
<i>Note 7: personal allowances are subject to the £100,000 income limit, which applies regardless of the individual's date of birth. The individual's personal allowance is reduced where their income is above this limit. The allowance is reduced by £1 for every £2 above the limit, down to zero.</i>		
<i>Note 8: this allowance is available to married couples and civil partners who are not in receipt of married couple's allowance. A spouse or civil partner who is not liable to income tax, or not liable at the higher or additional rates, can transfer this amount of their unused personal allowance to their spouse or civil partner. The recipient must not be liable to income tax at the higher or additional rates.</i>		
<i>If the couple marry or register a civil partnership, they will get the allowance on a pro-rata basis for the rest of that tax year. If one of them dies or there is a divorce or separation, the allowance continues until the end of the tax year.</i>		
National insurance	2023/24	2022/23
Lower earnings limit, primary class 1 (per week) (note 9)	£123	£123
Upper earnings limit, primary class 1 (per week)	£967	£967
Apprentice upper secondary threshold (AUST) for under 21s/25s	£967	£967
Primary threshold (per week) From 6 April 2022 to 5 July 2022 From 6 July 2022 to 5 April 2023	£242	£190 £242
Secondary threshold (per week)	£175	£175
Employment allowance (per year/employer)	£5,000	£5,000
Employee's primary class 1 rate between primary threshold and upper earnings limit (note 9) From 6 April 2022 to 5 November 2022 From 6 November 2022 to 5 April 2023	12%	13.25% 12%
Employee's primary class 1 rate above upper earnings limit From 6 April 2022 to 5 November 2022 From 6 November 2022 to 5 April 2023	2%	3.25% 2%
Married woman's reduced rate between primary threshold and upper earnings limit From 6 April 2022 to 5 November 2022 From 6 November 2022 to 5 April 2023	5.85%	7.1% 5.85%
Married woman's rate above upper earnings limit From 6 April 2022 to 5 November 2022 From 6 November 2022 to 5 April 2023	2%	3.25% 2%
Class 2 rate (per week where profits are above lower profits limit threshold)	£3.45	£3.15

	2023/24	2022/23
Employer's secondary class 1 rate above secondary threshold (note 9) From 6 April 2022 to 5 November 2022 From 6 November 2022 to 5 April 2023	13.8%	15.05% 13.8%
Class 2 small profits threshold (per year)	£6,725	£6,725
Class 3 voluntary rate (per week)	£17.45	£15.85
Class 4 lower profits limit	£12,570	£11,908
Class 4 upper profits limit	£50,270	£50,270
Class 4 rate between lower profits limit and upper profits limit	9%	9.73%
Class 4 rate above upper profits limit	2%	2.73%
Class 1A/1B NIC	13.8%	14.53%
<i>Note 9 The national insurance thresholds for all classes will be maintained until April 2028 at the current level. The government will fix the level at which employers start to pay Class 1 Secondary NICs for their employees (the Secondary Threshold) at £9,100 from April 2023 until April 2028.</i>		
Pensions	2023/24	2022/23
Annual allowance (note 10)	£60,000	£40,000
Lifetime allowance (note 11)	n/a	£1,073,100
Money purchase annual allowance (note 12)	£10,000	£4,000
<i>Note 10: the annual allowance is a limit to the total amount of contributions that can be paid to a defined contribution pension scheme and the total amount of benefits that you can build up in a defined benefit pension scheme each year, for tax relief purposes. The annual allowance is increased from £40,000 to £60,000 from April 2023.</i>		
<i>Since 6 April 2016, individuals with a high income have had a tapered annual allowance, where for every £2 of adjusted income over a threshold, an individual's annual allowance is reduced by £1. From 6 April 2020, the tapered annual allowance applies for individuals with 'threshold income' of over £200,000, and 'adjusted income' of over £240,000. From April 2023, the annual allowance will be £10,000 (increased from £4,000) for individuals with total adjusted income (including pension accrual) over £312,000.</i>		
<i>Note 11: The Lifetime Allowance charge will be removed from April 2023 before the Allowance is abolished entirely from April 2024.</i>		
<i>Note 12: Money purchase annual allowance is increased from £4,000 to £10,000 which applies if you have already started drawing a pension.</i>		
Reliefs and incentives	2023/24	2022/23
Enterprise Investment Scheme (EIS) – maximum (note 13)	£1,000,000	£1,000,000
Venture Capital Trust (VCT) – maximum	£200,000	£200,000
<i>Note 13: from 6 April 2018, the annual limit is doubled to £2m, provided that any amount over £1m is invested in one or more knowledge-intensive companies.</i>		

Reliefs and incentives	2023/24	2022/23
Seed Enterprise Investment Scheme (SEIS) – maximum (note 14)	£200,000	£100,000
Enterprise Management Incentive Scheme (EMI) – employee limit up to the value of £250,000 in a three-year period	£250,000	£250,000
Social Investment Tax Relief (SITR) – maximum	n/a	£1,000,000
Income tax relief on EIS schemes	30%	30%
Income tax relief on VCT schemes	30%	30%
Income tax relief on SEIS schemes	50%	50%
Income tax relief on SITR schemes (relief expires on 5 April 2023)	n/a	30%
<i>Note 14: capital gains tax reinvestment relief may also be available for investments made up to 50% of the amount invested.</i>		
Individual Savings Account (ISA)	2023/24	2022/23
ISA (NISA) annual limit	£20,000	£20,000
Junior ISA investment annual limit – under 18, living in the UK	£9,000	£9,000
Child Trust Fund annual limit	£9,000	£9,000
Lifetime ISA annual limit (note 15)	£4,000	£4,000
<i>Note 15: to open a Lifetime ISA, you must be 18 or over but under 40. Contributions can be made until the age of 50. The government will add a 25% bonus to the savings, up to a maximum of £1,000 per year. The lifetime ISA limit of £4,000 counts towards the annual ISA limit.</i>		
Capital gains tax	2023/24	2022/23
Basic rate tax payer	10%	10%
Higher rate tax payer	20%	20%
Rate on sale of residential property – basic rate tax payer	18%	18%
Rate on sale of residential property – higher rate tax payer	28%	28%
Annual exemption – individuals/trusts for disabled persons (note 16)	£6,000	£12,300
Annual exemption – other trusts	£3,000	£6,150
Business Assets Disposal Relief lifetime limit (note 17)	£1,000,000	£1,000,000
Investors' Relief lifetime limit	£10,000,000	£10,000,000
<i>Note 16: The annual exemption amount for capital gains tax for individuals will change to £3,000 from April 2024.</i>		
<i>Note 17: Business Assets Disposal Relief (formerly Entrepreneurs' Relief) lifetime limit was reduced from £10m to £1m for disposals made on or after 11 March 2020.</i>		

Capital gains tax	2023/24	2022/23
Business Assets Disposal Relief / Investors' rate	10%	10%
Chattels exemption	£6,000	£6,000
Inheritance tax	2023/24	2022/23
Single person's nil-rate band	£325,000	£325,000
Single person's 40% band	over £325,000	over £325,000
Residence nil-rate band (RNRB) – maximum (note 18)	£175,000	£175,000
Reduced rate (note 19)	36%	36%
IHT rate (for chargeable lifetime transfers)	20%	20%
Married couples or civil partnerships allowance nil-rate band	£650,000	£650,000
Gifts to charities	Exempt	Exempt
Small gifts to same person	£250	£250
General gifts – annual exemption	£3,000	£3,000
Wedding gifts to children	£5,000	£5,000
Wedding gifts to grandchildren	£2,500	£2,500
Wedding gifts to any other person	£1,000	£1,000
<p><i>Note 18: the RNRB is available in respect of a main residence given away to children (including adopted, foster or stepchildren). Any unused nil-rate band transfers to the deceased's spouse or civil partner, even where death predates the availability of the additional threshold. It applies in addition to the existing nil-rate band (NRB) or threshold (currently £325,000) if the individual and estate meet the qualifying conditions. Inheritance tax nil-rate band and residence nil-rate band – thresholds are maintained at the current level until April 2028.</i></p> <p><i>Note 19: the estate can pay inheritance tax at a reduced rate of 36% on some assets if you leave 10% or more of the net value to charity in your will.</i></p>		
Business property relief	2023/24	2022/23
Business or interest in a business and transfers of unquoted shareholdings	100%	100%
Taxation of trusts	2023/24	2022/23
<i>Accumulation or discretionary trusts:</i>		
Trust income up to £1,000 – dividend type income (note 20)	8.75%	8.75%
Taxation of trusts	2023/24	2022/23
Trust income up to £1,000 – all other income	20%	20%

Trust income over £1,000 – dividend type income (note 20)	39.35%	39.35%
Trust income over £1,000 – all other income	45%	45%
<i>Interest in possession trusts:</i>		
Dividend-type income	8.75%	8.75%
All other income	20%	20%
<i>Note 20: trustees do not qualify for the dividend allowance. This means trustees pay tax on all dividends depending on the tax band they fall within.</i>		
Corporation tax	2023/24	2022/23
All profits and gains (excluding determination agreements and diverted profits) (note 21)		19%
Small profits rate (companies with profits under £50,000)	19%	
Main rate of corporation tax (companies with profits over £250,000)	25%	
Limits for marginal relief	£50,000 - £250,000	n/a
Standard fraction for marginal relief	3/200	n/a
S.455 tax on loans made by close companies to participators	33.75%	33.75%
<i>Note 21: From April 2023, the main rate is increased to 25% for business profits made by the company over £250,000. Companies with profits between £50,000 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.</i>		
Capital allowances	2023/24	2022/23
Main writing-down allowance (reducing balance)	18%	18%
Special rate writing-down allowance (reducing balance)	6%	6%
Structures and buildings allowance (SBA)	3%	3%
Full expensing (main rate plant and machinery) (note 22)	100%	n/a
Full expensing (special rate plant and machinery) (note 22)	50%	n/a
<i>Note 22: Full expensing allows the deduction of 100%/50% of the cost of certain plant and machinery from the profits before tax. This measure is effective from 1 April 2023 to 31 March 2026.</i>		
Motor cars if CO ₂ > 1/km but does not exceed 50g/km)	18%	18%
Motor cars if CO ₂ > 50g/km	6%	6%
First-year allowances (FYA) – New and unused motor cars if CO ₂ emissions are 0 g/km or car is electric (note 23)	100%	100%

Note 23: From April 2021, the thresholds for FYA will be reduced from 50g/km to 0g/km. Main rate of 18% capital allowance will be applicable for business cars with CO2 emissions not exceeding 50g/km. Business cars with CO2 emissions exceeding 50g/km will be eligible for writing-down allowance at the special rate of 6%.

Capital allowances	2023/24	2022/23
Small pool write-off where written-down value (WDV) is £1,000 or less	100%	100%
FYA for electric charge points	100%	100%
Annual investment allowance (AIA) (note 24)	£1,000,000	£1,000,000
AIA rate	100%	100%

Note 24: Annual Investment Allowance has been confirmed at a permanent rate of £1 million from 1 April 2023.

Research and development tax credit rates	2023/24	2022/23
SME rate	186%	230%
Research and development (R&D) SME payable credit (note 25)	10%	14.5%
Research and development expenditure credit (RDEC) scheme	20%	13%
R&D Intensive SME payable credit (note 26)	14.5%	n/a
Film/high-end TV/videogames tax credit (note 27)	25% (34%)	25%
Animation and Children's tax relief (note 28)	25% (39%)	25%
Open-ended investment companies and authorised unit trusts	20%	20%

Note 25: for accounting periods beginning on or after 1 April 2021, the amount of SME payable R&D tax credit that a business can receive in any one year will be capped at £20,000 plus three times the company's total PAYE and NICs liability.

Note 26: a company is considered R&D intensive where its qualifying R&D expenditure is worth 40% or more of its total expenditure.

Note 27: the rate will be increased from 25% to 34% from 1 January 2024.

Note 28: the rate will be increased from 25% to 39% from 1 January 2024.

Patent box	2023/24	2022/23
Patent box	10%	10%

VAT	2023/24	2022/23
Standard rate	20%	20%
Reduced rate	5%	5%
Zero rate	0%	0%

VAT	2023/24	2022/23
Flat rate of VAT on gross turnover (for limited cost trader)	16.5%	16.5%
Normal scheme registration threshold	£85,000	£85,000
Deregistration threshold	£83,000	£83,000
Cash and annual accounting scheme – maximum to join	£1,350,000	£1,350,000
Cash and annual accounting scheme – exit threshold	£1,600,000	£1,600,000
Flat-rate scheme – maximum allowed to join	£150,000	£150,000
Flat-rate scheme exit threshold	£230,000	£230,000
Annual tax on enveloped dwellings (ATED)	2023/24	2022/23
More than £0.5m but not more than £1m	£4,150	£3,800
More than £1m but not more than £2m	£8,450	£7,700
More than £2m but not more than £5m	£28,650	£26,050
More than £5m but not more than £10m	£67,050	£60,900
More than £10m but not more than £20m	£134,550	£122,250
More than £20m	£269,450	£244,750

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