



**AIHAB**  
Accountants

66 Hawfinch House, 1 Moorhen Drive, London, NW9 7BF

Tel: 07785715295

Email: [aihab@aihabaccountants.com](mailto:aihab@aihabaccountants.com)

Website: [www.aihabaccountants.com](http://www.aihabaccountants.com)

April 2023

Hello all,

Welcome to first the first issue of Aihab Accountants newsletter. I will be discussing the highlights of the Spring 2023 budget together with the key activities that took place last month for Aihab Accountants.

### **Spring 2023 Budget**

Below are the highlights of the Spring 2023 Budget:

#### **The headline message from the Chancellor**

The Chancellor highlighted that “In the autumn we took difficult decisions to deliver stability and sound money... Today, we deliver the next part of our plan. A budget for growth... long-term, sustainable, healthy growth that pays for our NHS and schools, finds jobs for young people, and provides a safety net for older people all whilst making our country one of the most prosperous in the world.”

He concluded his speech stating that “We tackle the two biggest barriers that stop businesses growing: investment incentives and labour supply. The best investment incentives in Europe. The biggest ever employment package... The declinists are wrong, and the optimists are right. We stick to the plan because the plan is working.”

**Key measures announced by the Chancellor are summarised within this Guide.**



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## Income tax rates and allowances

Income tax rates: England, Wales and Northern Ireland (non-dividend income)	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

### Income tax

Personal tax thresholds – ie personal allowance, basic and higher-rate thresholds for income tax – are maintained until April 2028 at a current level of £12,570 and £50,270. The additional rate threshold is reduced from £150,000 to £125,140 from 6 April 2023.

### Personal allowance for higher rates – 2023/24

Where annual income exceeds £100,000, personal allowance is lost at a rate of £1 for every £2 of income above £100,000. This is the threshold where the entire personal allowance is lost.

The loss of the personal allowance means a person is taxed at 40% on the additional £2 of income, and they also pay an extra 40% on the £1 of personal allowance lost. This results in a marginal rate of 60%, which continues up to £125,140 (£100,000 + (£12,570 x 2)). At the £125,140 point the entire personal allowance has been lost.

### National insurance

The national insurance thresholds for all classes will be maintained until April 2028 at the current level. The employment allowance is set to the current level of £5,000.

### National Living Wage

From 1 April 2023, the National Living Wage is increased to £10.42 an hour, for those aged 23 and over.



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### **Dividend allowance**

Dividend allowance is reduced from £2,000 to £1,000 from April 2023 and to £500 from April 2024. The threshold of £2,000 has been in place since April 2018. From 6 April 2022, dividends are taxed at 8.75% (basic rate), 33.75% (higher rate) and 39.35% (additional rate).

### **Pensions reform**

The lifetime pension allowance charge will be removed from April 2023 before the allowance is abolished entirely from April 2024. The pension annual allowance is increased from £40,000 to £60,000 from April 2023. Money purchase annual allowance is increased from £4,000 to £10,000, which applies if you have already started drawing a pension.

While heralded as a simplification measure by the Chancellor, you may wish to note that Labour has come out and opposed the policy of the removal of the lifetime allowance and has stated that the allowance would be restored if Labour forms the next government.

### **Inheritance tax**

No further changes were announced to the inheritance tax nil-rate band and residence nil-rate band; thresholds are maintained at the current level until April 2028.

Geographical scope of agricultural property relief and woodlands relief from inheritance tax

The government will introduce legislation in Finance Bill 2023-24 to restrict the scope of agricultural property relief and woodlands relief to property in the UK.

Property located in the European Economic Area (EEA), the Channel Islands and the Isle of Man will be treated the same as other property located outside the UK. The changes will take effect from 6 April 2024.

### **Capital gains tax: reduce the annual exempt amount**

As previously announced, the annual exemption amount for capital gains tax for individuals will change, from £12,300 to £6,000 from April 2023, then £3,000 from April 2024.

### **SDLT**

Stamp duty land tax (SDLT) cuts for England and Northern Ireland will remain in place until 31 March 2025. From 23 September 2022, the nil-rate threshold of SDLT was increased from £125,000 to £250,000 for all purchasers of residential property in England and Northern Ireland and the nil-rate threshold paid by first-time buyers increased from £300,000 to £425,000.



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As a reminder, the maximum purchase price for which First Time Buyers' Relief can be claimed was increased from £500,000 to £625,000. This will be a temporary SDLT reduction, which will remain in place only until 31 March 2025.

### **Help with childcare**

A phased package of support has been announced for help with childcare costs for accessing 30 hours of childcare for children over nine months old. The free childcare will be available for 38 weeks of the year.

### **Help for energy costs**

The current Energy Price Guarantee which provided support for household energy bills until 31 March 2023 will now be extended to 30 June 2023.

### **Corporation tax**

From April 2023, the planned increase in the corporation tax rate to 25% for companies with over £250,000 in profits will go ahead. Small companies with profits up to £50,000 will continue to pay corporation tax at 19%.

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.

### **Annual Investment Allowances**

Annual Investment Allowance was previously confirmed at a permanent rate of £1m from April 2023.

### **'Full expensing' deduction**

In order to replace super-deduction, a new 'Full Expensing' deduction is announced from 1 April 2023 until 31 March 2026. The relief allows companies to claim 100% first-year deduction from profit before tax (50% for special pool rate) on qualifying new main-rate plant and machinery investments.

### **Research and development**

For expenditure incurred on or after 1 April 2023, research and development (R&D) tax reliefs will be changed as follows:

- The small and medium-sized enterprises (SME) additional deduction will decrease from 130% to 86%



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- The SME credit rate will decrease from 14.5% to 10%
- R&D expenditure credit rises from 13% to 20% and
- The R&D Intensive SME payable credit is introduced from April 2023 at the rate of 14.5%. A company is considered R&D intensive where its qualifying R&D expenditure is worth 40% or more of its total expenditure. These eligible loss-making companies will be able to claim £27 from HMRC for every £100 of R&D investment, instead of £18.60 for non-R&D intensive loss makers.

### **Government grants to install electric vehicle charge points**

You can potentially claim 100% of the costs of installing an electric vehicle charging point as a capital allowance. The government extended the 100% First Year Allowance for electric vehicle charge points to 31 March 2025 for corporation tax purposes and 5 April 2025 for income tax purposes.

### **VAT**

No further changes to the VAT thresholds have been announced, and the VAT registration and deregistration thresholds at £85,000 will not change for a further period of two years from 1 April 2024.

From 1 May 2023 the VAT exemption on healthcare is extended to include medical services carried out by staff directly supervised by registered pharmacists.

Legislation will be introduced to digitise the DIY housebuilders' scheme and will extend the time limit for making claims from three to six months.

### **Business rates**

The Chancellor previously confirmed that the planned revaluation for England will proceed in April 2023 and the government has set out details on how this will be delivered following stakeholder feedback. In Scotland the poundage rate will be frozen at 48.9p for 2023/24. In Wales, the Welsh Government will freeze the multiplier for 2023/24 at 0.535.

### **Plastic Packaging Tax rate**

The government will uprate the Plastic Packaging Tax rate, in line with CPI, from 1 April 2023. The tax came into force on 1 April 2022 and is currently charged at a rate of:

- £200 per tonne from 1 April 2022
- £210.82 per tonne from 1 April 2023.



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### **Theatre Tax Relief**

The Theatre Tax Relief, which was due to taper to 30% (for non-touring productions) and 35% (for touring productions) on 1 April 2023, will remain at 45% and 50% respectively until 31 March 2025. From 1 April 2025, the rates will be 30% and 35%, and rates will return to 20% and 25% on 1 April 2026.

### **Recovery loan scheme**

The Recovery Loan Scheme, launched in April 2021 to help businesses recovering from the pandemic, has been extended to 2024. Details of the scheme and eligibility criteria can be found on the British Business Bank website FAQs.

### **Additional resources for HMRC**

The government is investing a further £47.2m to improve HMRC's capability to collect tax debts, including supporting those who are temporarily unable to pay.

It is unclear if this is in addition to the Autumn Budget announcement of the investment of a further £79m over the next five years to enable HMRC to allocate additional staff to tackle more cases of serious tax fraud and address tax-compliance risks among wealthy taxpayers. This investment was forecast to bring in £725m of additional tax revenues over the next five years.

Unfortunately, no announcement was made on additional resources to improve the current service levels that impact businesses and their agents. We will continue to highlight the need for the service to improve and be adequately funded.

### **Annual Tax on Enveloped Dwellings (ATED)**

This is a reminder that ATED returns are due on 30 April. Enveloped Dwellings are residential properties owned by a limited company. If you have a residential property owned by a limited company and it is worth more than £500k then an ATED return is due to HMRC by 30 April. The ATED chargeable amounts have increased following the Spring 2023 budget. A summary appears below:

Property value	Annual charge
More than £500,000 up to £1 million	£4,150
More than £1 million up to £2 million	£8,450
More than £2 million up to £5 million	£28,650
More than £5 million up to £10 million	£67,050



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More than £10 million up to £20 million	£134,550
More than £20 million	£269,450

However, you can claim relief in circumstances such as where a property is let or being developed. In such circumstances the liability is nil. Having said that, an ATED return is still due to HMRC by 30 April in order to claim the relief. You will potentially be incurring penalties if a return is not submitted to HMRC. Please get in touch if you require assistance with your ATED returns.

### **Herts Disability Sports Foundation**

I am proud to announce that I have been appointed as Treasurer Trustee (Volunteer) for the Herts Disability Sports Foundation. Herts Disability Sports Foundation is a charity that provide sports and physical opportunities, accessible to everyone, to improve physical and mental health and improve the quality of life. My role, is to train staff on the accounts function and then oversee and supervise the financials, improve the internal control process, carry out the financial reporting and analysis and supervise the treasury function.

### **Hawfinch Residents Association Committee**

I am also proud to have been voted as Treasurer for the Hawfinch Residents Association Committee in the block of flats where I live. In the early stages of my career I worked for 5 years for Lewis and Tucker Surveyors Ltd and became the Head of Finance. My role was predominantly dealing with Service Charge budgets for different blocks of flats. I am looking forward to working with the committee to add value and improve the management process at Hawfinch House.

Please feel free to get in touch if you require assistance with your year end accounts and tax returns.

I hope you enjoyed reading our newsletter and look forward to writing to you again soon.

Aihab Al Koubaisi  
FCCA