MJD Accountancy Services
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Spring Budget 2023
NEWSLETTER

The Chancellor, Jeremy Hunt, delivered his first Spring Budget on 15 March 2023 and, unlike the disastrous September 2022 'mini budget', this budget won't cause many ripples in the worlds of business and finance. In fact, it was a relatively dull affair, with few headline announcements for the average business owner to be concerned about.

However, there were some incentives regarding capital allowances on equipment and investment in research and development (R&D), to help push the economy forwards.

Whereas the primary aim of the Autumn Statement in November 2022 was to address the financial instability caused by the mini budget, this budget was labelled as a 'budget for growth'.

Growth

In 2023, it's now predicted that the UK will avoid a technical recession (two consecutive quarters of declining GDP). Instead the economy is predicted to virtually flatline, with output shrinking by just 0.2%, compared with the 1.4% shrinkage forecast in November.

In future years, growth is now expected to be:

- 2024 – 1.8% (previously 1.3%)
- 2025 – 2.5% (2.6%)
- 2026 – 2.1% (2.7%)
- 2027 – 1.9% (2.2%)

So the outlook is better for this year and the next, then falls below the previous forecast.

Inflation (10.7% at the end of 2022) is predicted to be down to 2.9% by the end of 2023. This doesn't mean prices are coming down of course, as its 2.9% on top of the current 10.7%.

Main tax measures

Getting back to a more-normal cycle, most tax measures are announced in the Autumn Statement, so there wasn't much tax-specific news from the Chancellor.

- **Fuel** – Fuel duty will be frozen at current rates for a further 12 months, until April 2024.
- **Pension contributions**: The maximum annual contribution an individual can make into a pension scheme with tax relief will increase from £40,000 to £60,000 from 2023.
- **Pension Lifetime Allowance** – Currently there are tax charges where the value of an individual's pension pot exceeds £1,073,100. That has now been scrapped, allowing individuals to accumulate unlimited pension funds.

- **Capital Allowances** – For the next three years, the Government is introducing 'full expensing' where expenditure on most new plant and equipment will be deductible in full in the year of acquisition. 50% will also be deductible on 'Special Rate' assets such as cars with emissions above 50g/km. The intention is to make this change permanent to boost inward investment by UK companies.
- **Alcohol duty** – The duty charged on draught beer and cider will be cut from August 2023 in what was optimistically called a 'Brexit Pubs Guarantee'.
- **Research & Development** – The proposed change restricting the inclusion in claims of some activities carried out outside of the UK has been deferred for a year. Enhanced payable tax credits will be available to SMEs where 40% or more of their expenses are for R&D.

Other measures

New announcements were thin on the ground in the Spring Budget, but there were some measures that will be of note for consumers and business owners.

- **Energy price guarantee** – The existing annual cap of £2,500 for energy costs for a 'typical household' will remain at that level until July 2023. It was expected to rise to £3,000 from April. The additional charges currently levied on people who use prepayment meters will be abolished.
- **Childcare** – There have been several changes to childcare support. Currently, working parents with children three to four years old can claim free childcare of 15-30 hours per week during term time. From April 2024, that will be extended to include 15 hours per week for 2-year-olds, from September 2024 that will be extended to children as young as nine months, and from September 2025 the hours for all children will be raised to 30 hours per week. Funding will also be made available to allow all schools to offer pre- and post- school hours care by September 2026.
- **Investment zones** – 12 new investment zones will be created across the UK where funding will be available in designated areas where schemes are developed to foster innovative businesses in cooperation with local authorities and academic institutions. Concerns have been raised from environmental and human rights groups regarding the deregulation of these zones.
- **Defence spending** – Spending on defence will be increased by £11 billion over the next five years, reaching 2.25% of GDP, with an aspiration to increase to 2.5% of GDP at an appropriate point in time.
- **Leisure centres** – Funding will be made available to help local authorities cope with the additional energy costs of heating public swimming pools.
- **Levelling up** – The Government intends to disband Local Enterprise Partnerships and hand their funding and responsibilities to local authorities. Levelling up partnerships will provide £400 million for various levelling up partnerships across the country, an additional £200 million will be made available to fix potholes, and £360 million will be allocated towards regeneration projects across the country.
- **Energy Security** – A new body, 'Great British Nuclear', has been launched to identify sites and develop supply chains for nuclear plants. The intention is for nuclear sources to provide 25% of the UK's energy needs by 2050. Suitable players are being invited to submit proposals for Small Modular Reactors, the development of which, if found to be viable, will be co-funded by the government. This announcement is likely to come under fire from environmental groups who want the Government to invest in renewable energies.
- **Encouraging investment** – To encourage investment in the development of medicines and medical devices, a new regulator will be established to give swift approval to items developed. Meanwhile, more-rapid (almost automatic) approval will be allowed of medicines for use in the UK which have already been approved in certain other trusted regulators such as the US and Europe. Funding will also be made available for development of artificial intelligence capabilities and quantum computers. Rules regarding pension funds will be relaxed to allow them to invest in these and other more risky areas than they currently support.

In comparison to the fallout from Kwarteng's economy-crashing mini budget, the Spring Budget has been a sedate affair. There are policies here aimed at growth of UK industry and pushing the economy in a direction that keeps the country out of recession.

However, there's no escaping the current state of the UK economy and the challenges faced by small businesses. As a business owner, you may well be facing the hurdles of high prices and utility bills, poor supply chains and a prolonged talent shortage.

Thank you for reading the Spring Budget Newsletter. If you have any queries or questions in relation to anything above, don't hesitate to get in touch.

Regards

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