Guide from

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A guide to the Autumn Statement 2023

(Including key announcements from the Spring Budget coming into effect next year)

The headline message from the Chancellor

The Chancellor delivered his Autumn Statement for Growth aimed at building a stronger and more resilient economy. He highlighted that the plan is to “unlock growth and productivity by boosting business investment by £20 billion a year, getting more people into work, and cutting tax for 29 million workers”.

Key measures announced by the Chancellor in the Autumn Statement are summarised within this Guide. It also includes a reminder of some previous announcements that will be taking effect from next April or later.

BUSINESSES

‘Full expensing’ deduction
The new ‘Full Expensing’ deduction announced from 1 April 2023 and originally intended to last until 31 March 2026 will be made permanent through legislation in the Autumn Finance Bill to remove the 2026 end date. 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.

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

Research and development
As previously announced, for expenditure incurred on or after 1 April 2023, research and development (R&D) tax reliefs were changed as follows:

- The small and medium-sized enterprises (SME) additional deduction decreased from 130% to 86%
- The SME credit rate decreased from 14.5% to 10%
- R&D expenditure credit rose from 13% to 20%
- The R&D Intensive SME payable credit was 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.

It today’s statement, the government announced that the intensity threshold in the additional support for R&D intensive loss-making SMEs will be reduced from 40% to 30%. A one-year grace period will be introduced so that companies that dip under the 30% qualifying R&D expenditure threshold will continue to receive relief for one year.

Businesses will be able to claim for expenditure incurred from 1 April 2023 once the Autumn Finance Bill 2023 has received Royal Assent, with the reduction in intensity threshold and grace period coming into effect for accounting periods beginning on or after 1 April 2024.

The existing Research and Development Expenditure (RDEC) and SME schemes will be merged, with expenditure incurred in accounting periods beginning on or after 1 April 2024 to be claimed in the merged scheme, being heralded as a significant tax simplification, bringing an aligned set of qualifying rules and a more visible above the line credit. The notional tax rate applied to loss-makers in the merged scheme will be lowered from 25% as per the current RDEC scheme, to 19%.

Expanding the Cash Basis
Following a consultation at Spring Budget 2023, the government is expanding and simplifying the income tax cash basis for the self-employed and partnerships. These changes will take effect from 6 April 2024, for 2024-25 and will be included in the Autumn Finance Bill 2023.

Business rates
Small business rates (SBR) relief 75% discount will be extended for a year (2024-25) for the retail, hospitality and leisure sector. In addition, the SBR multiplier will also be frozen for a year.

Government grants to install electric vehicle charge points
Businesses can potentially claim 100% of the costs of installing an electric vehicle charging point as a capital allowance. As previously announced, 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.

Theatre Tax Relief
As previously announced in the Spring Budget, the Theatre Tax Relief, which was due to taper to 30% (for non-touring productions) and 35% (for touring productions) on 1 April 2023, was set to 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.

Tougher consequences for promoters of tax avoidance
The government is legislating in the Autumn Finance Bill 2023 to introduce tougher consequences for promoters of tax avoidance schemes. These include a new criminal offence for those who continue to promote avoidance schemes after receiving a notice requiring them to stop; and a new power enabling HMRC to bring disqualification action against directors of companies involved in promoting tax avoidance, including those who control or exercise influence over a company. These changes will take effect from Royal Assent of the Autumn Finance Bill 2023.

Recovery loan scheme
The Recovery Loan Scheme, launched in April 2021 to help businesses recovering from the pandemic was originally designed to end in June 2022. As previously announced, the scheme has been extended and will continue to run until June 2024. Details of the scheme and eligibility criteria can be found on the British Business Bank website FAQs.

Announcement of future guidance to tax relief for self-employed on training costs
It has been announced that HMRC will clarify guidance to businesses on what training costs can be deductible for tax purposes. This will ensure that businesses can be confident that updating existing skills or maintaining pace with technological advances or changes in industry practices, are allowable costs when calculating the taxable profits of a business.

Simplified tax systems make it easier for individuals and businesses to understand and comply with tax regulations. This reduces the likelihood of errors and makes the process less burdensome. A simpler tax system can be more equitable, ensuring that taxpayers understand how their taxes are calculated and paid. It can also promote transparency in the tax process.

INDIVIDUALS

Income tax
As previously announced, Personal tax thresholds – ie personal allowance, basic and higher-rate thresholds for income tax have been frozen until April 2028 at the current level of £12,570 and £50,270. The additional rate threshold was reduced from £150,000 to £125,140 from 6 April 2023.

Personal allowance for higher rates from 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 is lost.

National insurance
The national insurance thresholds for all classes were previously announced to be frozen until April 2028 at the current levels – for detailed tax rates and thresholds up to 2022/23 download the ACCA Spring Budget Tax Rates and Tables guide.

The employment allowance continues at the current level of £5,000.

The government is extending the NICs relief for employers of eligible veterans for one year. The relief means businesses pay no employer NICs on annual earnings up to £50,270 for the first year of a qualifying veteran's employment in a civilian role.

The weekly Class 2 NICs – the flat rate compulsory charge which is currently £3.45 paid by self-employed people earning more than £12,570 - will be abolished from April 2024. Access to contributory benefits will be maintained and those currently paying voluntarily will still be able to do so at the same rate.

The rate of Class 4 NICs on all earnings between £12,570 and £50,270 will be cut by 1p, from 9% to 8% from April 2024.

Class 1 contributions for employees will be reduced from 12% to 10% from 6 January 2024.

Capital gains tax: reduced annual exemption
As previously announced, the annual exemption amount for capital gains tax for individuals reduced from £12,300 to £6,000 from April 2023. This will reduce further down to £3,000 from April 2024.

National Minimum Wage
From 1 April 2024, the National Minimum Wage is increased to £11.44 an hour, for those aged 21 and over, with rates for those aged 20 and under also increased.

State Pension
Pensioners will get a significant uplift to their state pension for a second consecutive year, getting an extra £900 a year from April 2024. The state pension will increase by 8.5%.

This means the full new state pension will increase from £203.85 per week to £221.20, or £11,502.40 per year.

The full basic state pension will rise from £156.20 per week to £169.50 per week - equating to a total of £8,814 per year.

Pensions reform
As previously announced, the lifetime pension allowance charge was removed from April 2023 and the allowance is abolished entirely from April 2024. The pension annual allowance increased from £40,000 to £60,000 from April 2023. Money purchase annual allowance 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, practitioners advising clients would wish to note that Labour has opposed the policy and stated that the allowance would be restored if Labour forms the next government.

In new announcements, the government said it will tackle the long-standing problem of "small pot" pensions and will launch a call for evidence on a lifetime provider model which would allow individuals to have contributions paid into their existing pension scheme when they change employment, providing greater agency and control over their pension. Whilst a simplification measure for individuals, this may present an administrative challenge to small businesses.

Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) extension
The government will legislate in the Autumn Finance Bill 2023 to extend the existing sunset clauses for the EIS and VCT from 6 April 2025 to 6 April 2035.

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

As previously announced in the Spring Budget, the government introduced legislation in the draft 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.

Help with childcare
A phased package of support was previously 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.

Eligible working parents of three- and four-year-olds already get 30 hours a week of free childcare. The increased offer will be rolled out in stages to allow childcare providers time to be able to implement the changes, making sure the places that are needed are available across the country when the offers are introduced.

- From April 2024, working parents of two-year-olds will be able to access 15 hours of free childcare.
- From September 2024, 15 hours of free childcare will be extended down to the age of nine months for working parents.
- From September 2025, working parents of children aged nine months and upwards will be entitled to 30 hours free childcare per week right up to their child starting school.

Like the existing offer, depending on your provider, these hours can be used over 38 weeks of the year (during school term time), or up to 52 weeks if you use fewer than your total hours per week.

Making Tax Digital
The Chancellor announced a package of changes to simplify the design of Making Tax Digital (MTD) for Income Tax Self-Assessment (ITSA). This includes maintaining the current MTD threshold at £30,000 and design changes to simplify and improve the system. These changes will take effect from April 2026. The government is also legislating in the Autumn Finance Bill 2023 to ensure taxpayers, who join MTD from 6 April 2024, are subject to the government’s new, fairer penalty regime for the late filing of tax returns and late payment of tax.

Reforming requirements to file a Self-Assessment tax return
The government will no longer require individuals with income taxed only through PAYE to file a Self-Assessment return from 2024-25.

OTHER

Additional resources for HMRC

The government is investing a further £163 million to improve HMRC’s ability to manage tax debts. This will allow HMRC to better distinguish between those who can afford to settle their tax debts, but choose not to, from those who are temporarily unable to pay and need support. HMRC will also expand its debt management capacity to support both individual and business taxpayers out of debt faster and collect debts that are due.

There were disappointingly no announcements regarding additional funding for HMRC to improve the service levels that have currently dropped to an unacceptable level.

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