

# Spring Budget 2023

We've summarised the key points relating to pensions and investments announced by the Chancellor in the Spring Budget on 15 March 2023.

## Pensions

### Lifetime allowance

The Chancellor announced today that from 6 April 2023 no-one will pay a lifetime allowance charge. From 6 April 2024, the lifetime allowance will be abolished and a future Finance Bill will remove the lifetime allowance completely from pensions tax legislation.

The current 55% charge on lifetime allowance excess lump sums, serious ill-health lump sums, defined benefits lump sum death benefits and uncrystallised funds lump sum death benefits will no longer apply. Instead, the amount that would have been taxed at 55% under current rules (i.e. the amount above the available lifetime allowance) will be subject to taxation at an individual's marginal rate. This means pension providers must, for the time being at least, continue to carry out tests against an individual's remaining lifetime allowance at each BCE to see if any portion of the payment needs to be taxed, and then apply tax at the individual's marginal rate. There is no indication from the Government about how providers should tax individuals when they don't have a tax code.

### Pension commencement lump sums

The maximum pension commencement lump sum (PCLS) available is currently limited to the lower\* of:

- 25% of the value of the pension benefits being taken and
- 25% of the member's remaining lifetime allowance.

So the lifetime allowance directly impacts on the amount of (PCLS) an individual can take. As a result of the proposed abolition of the lifetime allowance the Chancellor announced that the current lifetime allowance of £1,073,100 will be used from 6 April 2023 onwards to set a frozen upper monetary cap of £268,275 on pension commencement lump sums, other than for individuals who already have a protected right to take a higher amount due to a valid lifetime allowance or pension commencement lump sum protection.

It's not yet clear how a protected PCLS will be calculated from 2024 onwards once the Lifetime allowance is abolished. Detail is expected in the future Finance Bill.

\* except where protections apply.



## Annual allowance

The chancellor announced that the annual allowance, the limit on tax relieviable pension savings an individual can make in a tax year, will increase from £40,000 to £60,000 from 6 April 2023.

In addition, the money purchase annual allowance – the limit on money purchase pension savings an individual can make after accessing benefits flexibly, will increase from £4,000 to £10,000 from 6 April 2023.

Finally, the minimum amount of the tapered annual allowance (which applies to high earners) will also increase from £4,000 to £10,000 from 6 April 2023. The adjusted income figure will also be uprated from £240,000 to £260,000. This means that individuals with both threshold income of more than £200,000 and adjusted income of £360,000 or more will have a tapered annual allowance of £10,000 in 2023/24.

## Investments and tax

### ISA allowances

The adult ISA allowance will remain at £20,000 for the tax year 2023/24. The Junior ISA allowance and the Child Trust Fund allowance will also continue to be £9,000 in the upcoming tax year.

### Starting rate for savings income

The band for the zero percent starting rate for savings will remain frozen at £5,000.

### Trust taxation

From tax year 2024/25 onwards, trusts receiving income of up to £500 won't pay income tax. Where the settlor has created more than one trust, this threshold will be the higher of £100 or £500 divided by the number of trusts the settlor has set up.

Currently discretionary trusts benefit from a £1,000 standard rate band, resulting in the first £1,000 of income being taxed at the basic rate of 20% or the dividend ordinary rate of 8.75%. This standard rate band will be abolished from the tax year 2024/25.

### Corporation tax

As previously announced, the main rate of corporation tax will rise to 25% and the small profits rate will be 19% for the financial year beginning on 1 April 2023 and the rates will remain at these levels in the following financial year too.

## 2023/24 allowances and rates

	Tax year 2023/24	Tax year 2022/23
<b>Income tax – allowances</b>		
Personal Allowance*	£12,570	£12,570
Income limit for personal allowance	£100,000	£100,000
Marriage allowance	£1,260	£1,260
Dividend allowance	£1,000	£2,000
Personal savings allowance- basic rate taxpayer	£1,000	£1,000
Personal savings allowance – higher rate taxpayer	£500	£500
Personal savings allowance – additional rate taxpayer	Nil	Nil
<i>* Reduced by £1 for every £2 of income over £100,000</i>		
	Tax year 2023/24	Tax year 2022/23
<b>Rest of UK income tax – rates</b>		
Basic	20%	20%
Higher	40%	40%
Additional	45%	45%
<b>Scottish income tax – rates***</b>		
Starter	19%	19%
Basic	20%	20%
Intermediate	21%	21%
Higher	42%	41%
Top	47%	46%
<b>Welsh income tax – rates</b>		
Basic	Rest of UK rates apply	Rest of UK rates apply
Higher	Rest of UK rates apply	Rest of UK rates apply
Additional	Rest of UK rates apply	Rest of UK rates apply
<b>Savings rates</b>		

Starting rate – limit first £5,000 of savings income	0%	0%
Savings rate – basic rate	20%	20%
Savings rate – higher rate	40%	40%
Savings rate – additional rate	45%	45%
<b>Dividend rates</b>		
Ordinary rate	8.75%	8.75%
Upper rate	33.75%	33.75%
Additional rate	39.35%	39.35%

	Tax year 2023/24	Tax year 2022/23
<b>Rest of UK (including Wales) income tax - bands</b>		
Basic rate	£37,700	£37,700
Higher rate	£37,701 - £125,140	£37,701 - £150,000
Additional rate	Over £125,140	Over £150,000
<b>Scottish income tax – bands***</b>		
Personal allowance	£12,570	£12,570
Starter rate	£12,571 - £14,732	£12,571 - £14,732
Basic rate	£14,733 - £25,688	£14,733 - £25,688
Intermediate rate	£25,689 - £43,662	£25,689 - £43,662
Higher rate	£43,663 - £125,140	£43,663 - £150,000
Top rate	Over £125,140	Over 150,000
<b>Rate applicable to discretionary trusts</b>		
First £1,000 of income	8.75% for dividend income or 20% for other income	8.75% for dividend income or 20% for other income
Rate applicable to trusts	45%	45%
Dividend rate	39.35%	39.35%

	Tax year 2023/34	Tax year 2022/23
<b>Pensions tax</b>		
Standard lifetime allowance	£1,073,100	£1,073,100
Annual allowance	£60,000****	£40,000
Money purchase annual allowance	£10,000	£4,000
**** Reduced by £1 for every £2 of adjusted income above £260,000, to a minimum of £10,000.		
<b>Capital gains tax</b>		
Annual exemption (individuals and personal representatives)	£6,000	£12,300
Annual exemption (trustees)	£3,000	£6,150
Basic rate (other than residential property)	10%	10%
Basic rate (residential property)	18%	18%
Higher rate (other than residential property)	20%	20%
Higher rate (residential property)	28%	28%
Trust rate (other than residential property)	20%	20%
Trust rate (residential property)	28%	28%
<b>Inheritance tax</b>		
Rate	40%	40%
Nil rate band	£325,000	£325,000
Residence nil rate band	£175,000	£175,000
<b>ISA thresholds</b>		
Maximum investment	£20,000	£20,000
Junior ISAs	£9,000	£9,000
	<b>Tax year 2023/24</b>	<b>Tax year 2022/23</b>
<b>Class 1 National insurance thresholds</b>		

Weekly Lower earnings limit (LEL)	£123	£123
Weekly Primary threshold (PT)	£242	£242
Weekly Secondary threshold (ST)	£175	£175
<b>Class 1 National insurance rates</b>		
<b>Employee contribution rates</b>		
Below LEL	0%	0%
Between LEL and PT	0%	0%
Between PT and UEL	12%	12%
Above UEL	2%	2%
<b>Employer contribution rates</b>		
Below ST	0%	0%
Above ST*****	13.8%	13.8%
***** Special rules for under 21 years old and apprentices under 25 years old		