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Insights March 2023

As the tax year draws to a close on 5th April 2023 and with planned changes regarding rates and allowances pending, it is hugely important to be thinking of tax planning.

While we await details from the Spring Budget on Wednesday 15th March 2023 we look at some of the key focus points which individuals and companies should be aware of. We also flag up some changes to enforcement and insolvency procedures as the NI Courts are expected to re-open to company winding up petitions in the coming weeks.

01 Income Tax Planning for Individuals

As announced in the Autumn Statement there are some changes ahead regarding income tax bands and allowances. We have set out below the bands coming into force from 6th April 2023 along with current bands for comparison purposes:

Band	Current	New	Income Tax Rate	Dividend Tax Rate
Personal Allowance	First £12,570 earned	Frozen until 2028	-	-
Basic rate	£12,571 to £50,270	Frozen until 2028	20%	8.75%
Higher Rate	£50,271 to £150,000	£50,271 to £125,140	40%	33.75%
Additional Rate	£150,000	Over £125,140	45%	39.35%

It is important to note that for additional rate taxpayers, while the tax-free personal allowance has been frozen at £12,570 until 6th April 2028, the additional rate threshold has been reduced to £125,140 (previously £150,000). This means that taxpayers whose income exceeds £125,140 will no longer have a personal allowance available to them and will immediately fall within the additional rate band. This is comparable to the 22/23 tax year where the additional rate of 45% did not kick in until income of £150,000 was reached. For higher earners this is an important consideration.

A further point worthy of note is in relation to the tax-free dividend allowance which is currently £2,000 for the 2022/23 tax year. This will be halved to £1,000 from 6th April 2023 and halved again to £500 from 6th April 2024.

From a tax planning point of view, it is important to be mindful of the above changes and to plan your income strategy accordingly.

02 Capital Gains Tax for Individuals

The current annual Capital Gains Tax exemption of £12,300 will reduce to £6,000 from 6th April 2023 and is due to reduce again on 6th April 2024 to £3,000. As this is a significant reduction in the available exemption, you should strongly consider the timing of any future capital asset sales and where possible avail of the higher exemption available until 5th April 2023.

It is also worth remembering that if you dispose of a residential property and have capital gains tax to pay this is required to be reported and paid to HMRC within 60 days of the sale date.

03 2023 Corporation Tax changes for Limited Companies

From 1 April 2023, the headline UK corporation tax rate will increase to 25% from its current rate of 19%.
A new Small Company Rate of 19% will continue to apply where a company has profits of up to £50,000. For a company with profits between £50,000 and £250,000, a marginal tax rate of between 19% and 25% shall apply. If your company has profits of more than £250,000, corporation tax of 25% is due on all profits. This is a significant change and it is important that you take advice on the impact for your company.

04 Cut In Tax Relief for Plant & Machinery for Limited Companies

The 130% enhanced capital allowance for Limited Companies for spend on new plant, machinery and equipment is due to cease on 31 March 2023. Many clients have already seen the benefits of this additional relief to date.

If you are planning on completing any spend on qualifying assets in the coming months, you should consider completing these before 31 March 2023 in order to avail of the enhanced allowance.

05 New National Minimum Wage Rates & Payrolling Benefits

The minimum wage is set to increase on 6th April 2023, a welcome change for millions as the cost-of-living crisis continues to bite. Below are the new rates coming into force from 6th April 2023 along with current rates for comparison:

Category	Current rate	New rate commencing 6 April 2023
National Living Wage	£9.50	£10.42
21 to 22 year-olds	£9.18	£10.18
18 to 20 year-olds	£6.83	£7.49
16 to 17 year-olds	£4.81	£5.28
Apprentice Rate	£4.81	£5.28

If you wish to payroll benefits in the 2023/24 tax year, you will need to register for this by 5th April 2023. Payrolling benefits will mean you will no longer need to prepare P11D forms except where you provide living accommodation or low interest loans of more than £10,000.

Currently payrolling benefits is voluntary, however there is speculation that P11D forms will be discontinued from April 2024 - we await news on this from the Spring Budget later this month.

Now is the time to put in place the plans to update your payroll system accordingly in relation to forthcoming changes in minimum wage rates and it is also the time to consider if payrolling benefits is something that will work for you and your organisation.

06 Expected Changes In Enforcement With Moratorium Rules Changing On 13th March 2023

There has been a restriction in place on the issuing of Creditor Winding up Petitions since 2020. This is in place as companies in Northern Ireland have been unable to avail of the protections afforded by the Corporate Insolvency & Governance Act 2020 (“CIGA”), which provides companies with a moratorium from creditor pressure, allowing them time to review their options.

Following the enactment of the Northern Ireland (Executive Formation Etc) Act 2022, Departments now have powers to make legislation, where it is considered to be in the public interest to do so. The Department of Justice, in conjunction with the Department for the Economy and the Lady Chief Justice, have deemed it is in the public interest for the provisions of CIGA to be enacted and this will be in place from 13th March 2023. Thereby, allowing companies to make an application for this moratorium or “breathing space”.

The wider implication of the enactment of this legislation, is that it removes the reason as to why the courts have not accepted any creditor led winding up petitions. As such, it is expected the Bankruptcy Master will issue new guidance before Easter 2023 on the lodging of creditor winding up petitions. We anticipate this will lead to a significant increase in the number of creditor led winding up petitions and NI corporate insolvency levels generally.

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Should you have any queries on any of the above, please do not hesitate to contact us on 028 8772 4697 or at info@gildernewandco.com.