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Recaptured – in focus
Tax rates 2023/24

Spring Budget 2023

Contents

These tables are a summary and do not cover all situations.

They are based primarily upon information announced by the UK government and the devolved governments on or before the date of the Spring Budget 2023 (15 March 2023) and may not reflect subsequent legislative changes or policy decisions.

This booklet has not generally been updated for the announcements in the Autumn Statement of 22 November 2023. An updated booklet covering rates for 2024/25 tax year will be produced next year following Spring Budget 2024. Readers should however be aware of significant mid-year changes announced to 2023/24 Class 1 NIC Employee rates, including a reduction of the 12% rate to 10%, to be enacted with effect from 6 January 2024. See page 13 for further details.

Personal tax

Income tax rates 2023/24 (2022/23)

Income band (£)	Dividends (%)	Other savings income (%)
Up to 37,700[a, b] (up to 37,700)	**8.75** (8.75)	**20** (20)
37,700 – 125,140[b] (37,700-150,000)	**33.75** (33.75)	**40** (40)
Over 125,140[b] (over 150,000)	**39.35** (39.35)	**45** (45)

Income band (£)	Other income (%)	Cumulative tax (£)
Up to 37,700[c] (up to 37,700)	Basic rate: **20** (20)	**7,540** (7,540)
37,700-125,140[c] (37,700-150,000)	Higher rate: **40** (40)	**42,516** (52,460)
Over 125,140[c] (over 150,000)	Additional rate: **45** (45)	

a. A 0% starting rate applies to the first £5,000 of savings income. For many taxpayers this is not relevant as the starting rate does not apply if their taxable non-savings income exceeds the starting rate limit.

b. Subject to Personal Allowance, Personal Savings Allowance, and Dividend Allowance (see page 3).

c. Subject to Personal Allowance, Property Allowance, and Trading Allowance (see page 3).

At Spring Budget 2021, it was announced that the basic rate band will be maintained at £37,700 until 5 April 2026. At the Autumn Statement 2022, it was announced that the basic rate band will be maintained at £37,700 for an additional two years until 5 April 2028.

The income bands are broadly used in the following order:

- Non-savings income
- Savings income
- Dividends

Discretionary trusts and accumulation and maintenance trusts are entitled to a standard rate band of up to £1,000. Income in excess of this amount is subject to income tax at the top rate of income tax which is 45%. The rate of tax on dividend income received in excess of the standard rate band is 39.35%. It was announced at Spring Budget 2023 that the standard rate band will be abolished from 6 April 2024. Instead, trusts with up to £500 of net income will have no income tax liability.

Income tax rates – Scotland

The Scottish Parliament has the power to set income tax rates and bands for **non savings, non-dividend income** of Scottish resident taxpayers. (The dividend and other savings tax rates and bands on page 1 apply to the dividend and other savings income of Scottish taxpayers.)

The following five tax rates and bands for non-savings, non-dividend income apply in **2023/24**:

Income band (£) – 2023/24	Other income (%)	Cumulative tax (£)
Up to 2,162	Starter rate: 19	411
2,162 – 13,118	Scottish basic rate: 20	2,602
13,118 – 31,092	Intermediate rate: 21	6,377
31,092 – 125,140	Higher rate: 42	45,877
Over 125,140	Top rate: 47	
Subject to Personal Allowance, Property Allowance, and Trading Allowance (see page 3).		

Income tax rates – Wales

The Senedd has the power to vary the income tax rates (but not the bands) for **non-savings, non-dividend income** of Welsh resident taxpayers. (The dividend and other savings tax rates and bands on page 1 will apply to the dividend and other savings income of Welsh taxpayers.)

The income tax rates and bands for 2023/24 remain aligned with those in England and Northern Ireland.

Income tax allowances

	2023/24 (£)	2022/23 (£)
Personal Allowance – Individuals[a, d, e]	12,570	12,570
Married Couple's Allowance (elder born before 6 April 1935)[b, c, d]	10,375	9,415
Personal Savings Allowance for basic rate taxpayers[f]	1,000	1,000
Personal Savings Allowance for higher rate taxpayers[f]	500	500
Dividend Allowance[g]	1,000	2,000
Property Allowance[h]	1,000	1,000
Trading Allowance[h]	1,000	1,000

a. Reduced by £1 for each £2 of income (less deductions) in excess of £100,000.

b. Reduced by £1 for each £2 of income (less deductions) which exceeds £34,600 (2022/23: £31,400). The minimum age-related married couple's allowance is £4,010 (2022/23: £3,640).

c. Restricted to relief at 10%.

d. Neither of these allowances is available to a non-UK domiciled individual who makes a claim to pay tax on the remittance basis of taxation.

e. Spouses or civil partners are able to transfer £1,260 (2022/23: £1,260) of their unused Personal Allowance to their partner. This is available provided neither person pays income tax at the higher rate (or Scottish equivalents). This is not available if the couple are in receipt of the married couple's allowance.

f. A 0% tax rate for personal savings income for basic and higher rate taxpayers only.

g. A 0% tax rate for dividend income available to all taxpayers.

h. Subject to some exceptions, allowances for property income and trading income available to all UK taxpayers. Where individuals are in receipt of gross property income or gross trading income below the allowances, the income will not be subject to income tax. Where gross receipts are in excess of these amounts, the recipient can choose to take the £1,000 allowance as a deduction against their gross income instead of deducting actual expenses to arrive at their taxable income figure.

At Spring Budget 2021, it was announced that the Personal Allowance for individuals will be maintained at £12,570 until 5 April 2026. At the Autumn Statement 2022, it was announced that the Personal Allowance for individuals will be maintained at £12,570 for an additional two years until 5 April 2028.

At the Autumn Statement 2022, it was announced that the Dividend Allowance will further reduce to £500 from 6 April 2024.

Income tax reliefs and incentives

Annual limits	2023/24 (£)
Enterprise Investment Scheme (EIS) (maximum)[a]	1,000,000
Seed Enterprise Investment Scheme (SEIS) (maximum)[b]	200,000
Venture Capital Trust (VCT) (maximum)[c]	200,000
Individual Savings Account (ISA) (maximum)[d, e]	20,000
Junior ISA (maximum per child)	9,000

a. Income tax relief restricted to 30%. Capital gains tax deferral on gains on disposal of other assets is also available. From 6 April 2018, the annual limit doubled to £2 million, provided any amount over £1 million is invested in one or more 'knowledge-intensive companies'.

b. Rate of income tax relief is 50%. The annual limit increased from £100,000 to £200,000 from 6 April 2023. The relief applies to shares in qualifying trading companies with fewer than 25 full-time equivalent employees, and assets of up to £200,000 issued after 6 April 2012 (£350,000 from 6 April 2023). Maximum stake 30% of share capital and voting rights. Total SEIS financing per company is limited to £150,000 cumulatively (£250,000 from 6 April 2023) (within three years preceding the share issue).

c. Rate of income tax relief for investors in VCTs is 30%. Dividends received on qualifying VCT investments are exempt from income tax.

d. A Lifetime ISA can be opened by individuals between the ages of 18 and 40. Individuals can save up to £4,000 each tax year into an account which will be topped up at the end of the tax year with a government bonus of 25%. The money saved, including the bonus, can be used to buy a first home worth up to £450,000 or can be withdrawn from the age of 60. Any contribution to this new Lifetime ISA counts towards the overall ISA subscription limit.

Relief is available at the taxpayer's marginal rate of income tax for charitable donations via the Gift Aid and Payroll Giving schemes and for charitable gifts of quoted shares and securities and real property.

Pensions

	2023/24 (£)	2022/23 (£)
Annual allowance	60,000[a, b, c]	40,000[a, b, c]
Adjusted income limit	260,000	240,000
Threshold income limit	200,000	200,000
Minimum annual allowance	10,000	4,000
Money purchase annual allowance	10,000[c]	4,000[c]
Lifetime allowance	1,073,100[d]	1,073,100[d]

a. The annual allowance is reduced by £1 for every £2 of adjusted income (broadly net income plus any relievable pension savings) over the adjusted income limit, subject to the minimum annual allowance. The reduction does not apply where threshold income (broadly net income plus employer contributions made via salary sacrifice arrangements after 8 July 2015) is below the threshold income limit.

b. The annual allowance may be increased with unused allowances from the previous three years. If earlier allowances were reduced, the reduced amounts are carried forward.

c. Where a member has flexibly accessed their uncrystallised or drawdown fund, the annual allowance for contributions to a money purchase scheme is capped at the level of the money purchase annual allowance, with no unused allowance brought forward. A potentially higher limit for defined benefit schemes remains.

d. The standard lifetime allowance is, until 5 April 2023, the total value of pensions savings that can be accumulated without a tax recovery charge when a pension or lump sum is taken. At Spring Budget 2023, it was announced that the lifetime allowance charge will be removed from 6 April 2023. The lifetime allowance itself remains in force in 2023/24 as it remains relevant when determining certain lump sums. It is to be abolished from the statute completely in a future Finance Bill.

Aggregate contributions made by employers and individuals to a money purchase (defined contribution) registered pension scheme attract an annual allowance charge to the extent they exceed the annual allowance for the tax year in which the pension input period ends, augmented by any brought forward unused relief from the previous three years. No charge arises where the member dies in the year or is medically assessed as unable to work ever again.

An annual allowance charge similarly applies to salary-related pension accrual where the inflation-adjusted increase in pension entitlement, multiplied by a valuation factor of 16, exceeds the annual limit. No charge applies where the member's active participation in the scheme has ceased.

Where the annual limit is exceeded, tax is payable on the excess at the individual's marginal rate i.e. normally 20%, 40% or 45%. (Scottish rates, excluding the 19% starter rate, apply to Scottish residents). This is normally payable by the individual via self-assessment, but in some cases they may elect for the pension scheme to pay the tax instead.

On drawing a pension, the maximum tax-free pension commencement lump sum payable is the lesser of 25% of the value of an individual's uncrystallised fund, 25% of the lifetime allowance (i.e. 25% of £1,073,100 = £268,275) and one third of the amount crystallised for the payment of a pension or annuity for life, or as funds available for drawdown. When the lifetime allowance is abolished, a cap of £268,275 will continue to apply. Higher pension commencement lump sums will continue to be available from 6 April 2023 for eligible individuals who have certain lifetime allowance protections in place. In some cases involving older protections, the lump sum may be capped at the amount that could have been taken at 5 April 2023.

Subject to the agreement of the scheme administrator, members of money purchase schemes who have reached the minimum pension age of 55 are able to take funds from their drawdown account flexibly – whenever they want, and in any desired amount. Members also have the option of taking an 'uncrystallised funds pension lump sum', 25% of which is tax-free. These lump sums cannot exceed the amount of lifetime allowance available. If the member dies before age 75 any unused drawdown or undrawn uncrystallised funds can be paid to dependants or nominees free of tax. After that age lump sums are taxable. Death benefit lump sums will normally be taxed as pension income of the recipient (i.e. marginal income tax rates).

In certain circumstances, including when a member takes a pension or lifetime annuity, designates funds for drawdown, dies holding uncrystallised funds or takes a pension commencement or uncrystallised funds pension lump sum, their aggregate pension savings are also tested against the lifetime limit, taking account of any previous benefit crystallisation event. For benefits taken before 6 April 2023, any excess is taxed at 25%, or 55% if taken as a lump sum. These charges no longer exist from 6 April 2023, but lump sums that would previously have suffered a 55% charge will instead be taxed as pension income of the recipient (i.e. marginal income tax rates).

Any unauthorised lump sum is taxed on the member at rates of 40% or 55%, with a further charge on the scheme.

Making contributions to pensions is a long-term investment decision and individuals should take advice on the suitability of making pension contributions in their particular circumstances.

Company car, van and fuel benefits

For more detail see www.cartaxguide.co.uk.

Company car tax rates

A company car benefit is calculated by multiplying the car's list price (including selected optional accessories) by the appropriate percentage graduated according to the car's carbon dioxide (CO_2) emissions, fuel type and electric range (where applicable).

Appropriate percentage for cars

		% of list price[c]
CO_2 emissions[a] (g/km)	Electric range figure[b] (miles)	2022/23, 2023/24, 2024/25
0	N/A	2
1-50	>130	2
1-50	70-129	5
1-50	40-69	8
1-50	30-39	12
1-50	<30	14
51-54		15
55-59		16
60-64		17
65-69		18
70-74		19
75-79		20
80-84		21
85-89		22
90-94		23
95-99		24
100-104		25
105-109		26
110-114		27
115-119		28

CO_2 emissions[a] (g/km)	Electric range figure[b] (miles)	% of list price[c] 2022/23, 2023/24, 2024/25
120-124		29
125-129		30
130-134		31
135-139		32
140-144		33
145-149		34
150-154		35
155-159		36
160+		37

a. Unless otherwise specified, CO_2 emissions should be rounded down to the nearest 5g/km.

b. For cars in the 1-50g/km of CO_2 band, the 'electric range figure' is relevant for determining the appropriate percentage. The 'electric range figure' is the number of miles which is the equivalent of the number of kilometres specified in an EC certificate of conformity, an EC type-approval certificate or a UK approval certificate on the basis of which a car is registered, as being the maximum distance for which the car can be driven in electric mode without recharging the battery.

c. Add 4 percentage points to the '% of list price' if the car runs solely on diesel, up to the limit of 37%. Cars that meet the Real Driving Emissions Step 2 (RDE2) standard are exempt from the supplement.

Employee contributions

The list price of the car is reduced by up to a maximum of £5,000 for capital contributions made by an employee. Employees' contributions towards private use reduce the taxable benefit pound for pound.

Private fuel benefit

Fuel benefit for company cars is calculated by applying the appropriate percentage for the car based on fuel type and CO_2 emissions to a pre-set figure which is £27,800 (2022/23: £25,300).

Van & van fuel benefit

The private use of vans attracts a scale charge of £3,960 (2022/23: £3,600), regardless of the age of the vehicle. In addition, if free or subsidised fuel is provided for private use in a company van, a taxable fuel benefit will arise of £757 (2022/23: £688).

Optional Remuneration Arrangements

Where employees select a company car via either a salary sacrifice arrangement or instead of a cash allowance (where they have that choice), then rules, which came into effect from 6 April 2017, may affect the calculation of company car benefit. These rules do not affect cars with CO_2 emissions of 75 g/km and below.

Where employees entered into arrangements on or after 6 April 2017, then their company car benefit will equal the greater of (i) the amount as calculated above, and (ii) the value of the cash pay given up (i.e. the gross salary sacrifice/gross cash allowance forgone).

Electric vehicles

The appropriate percentage for zero emission electric cars for the purposes of company car tax is 2% for the 2022/23, 2023/24, and 2024/25 tax years.

Since 2021/22, a nil rate has applied to zero-emission vans within the van benefit charge.

The provision of workplace facilities for charging vehicles and electricity to employees is exempt from tax as a benefit in kind. The exemption applies to workplace charging provided for company cars and private cars (although there are certain criteria to be met for the private car exemption to apply).

Approved mileage rates

Employers can make tax- and NIC-free payments to employees using their own vehicle for business travel, as follows:

- cars and vans – 45p per mile for the first 10,000 miles and 25p per mile thereafter (for NIC purposes there is no mileage limit for the 45p per mile rate);
- motor cycles – 24p per mile;
- bicycles – 20p per mile; and
- passengers – an optional 5p per mile for each passenger who is an employee travelling on business.

Business expenditure on leased cars

Corporation tax relief and income tax relief for expenses incurred by businesses on the hiring of cars can be restricted according to the CO_2 emissions of the car. From 1 April 2021 (for corporation tax) or 6 April 2021 (for income tax), 15% of the leasing expenses are generally disallowed if emissions exceed 50 g/km. Grandfathering provisions apply to contracts entered into before 1 or 6 April 2021 for periods of hire beginning before that date, and the applicable emissions threshold between April 2018 and April 2021 was 110 g/km.

Capital Gains Tax (CGT)

	2023/24 (£)	2022/23 (£)
Combined income and gains less than the upper limit of the income tax basic rate band[a, b, c]	10%	10%
Combined income and gains above the upper limit of the income tax basic rate band[a, b, c]	20%	20%

a. Chargeable gains are treated as the top slice of an individual's combined gains and income. Any part of a taxable gain exceeding the upper limit of the income tax basic rate band (£37,700 for 2022/23 and 2023/24) is taxed at 20%.

b. An 8 percentage point surcharge applies on the rates for gains on residential property and carried interest.

c. For trustees and personal representatives of deceased persons, the CGT rate is 20%.

Annual CGT exemptions apply for individuals and trusts, as follows:

	2023/24 (£)	2022/23 (£)
Individual	6,000	12,300
Trust	3,000	6,150

At the Autumn Statement 2022, it was announced that the annual exempt amount for individuals will further reduce to £3,000 from 6 April 2024. The annual exempt amount for trusts will further reduce accordingly to £1,500 from 6 April 2024.

Gains realised on the disposal of an EIS or SEIS investment are exempt from CGT provided certain conditions are met including that the shares are held for at least three years, and both the investor and company remain eligible for EIS/SEIS throughout this period.

Up to 50% of capital gains of up to £100,000 (50% of gains up to £200,000 from 6 April 2023) realised on disposals of assets are exempt from CGT if the investment is a qualifying SEIS investment and appropriate claims are made.

The lifetime limit for business asset disposal relief (formerly known as entrepreneurs' relief) is £1 million. Qualifying gains made within this limit are subject to a reduced capital gains tax rate of 10%.

Investors' relief, for external investors in unlisted trading companies, applies to newly-issued shares purchased on or after 17 March 2016, provided they are held for a minimum of three years from 6 April 2016, and subject to a lifetime limit of £10 million of gains. This limit is separate from the lifetime limit of gains for business asset disposal relief.

There is no chargeable gain on the disposal of a single chattel if the gross consideration does not exceed £6,000.

Inheritance tax (IHT)

IHT is charged on an individual's estate at death, on gifts within seven years of death, and on chargeable lifetime transfers of value (e.g. a transfer to a trust). The nil rate band is £325,000. Cumulative chargeable transfers up to the limit of the nil rate band do not result in an IHT charge. To the extent that chargeable transfers exceed the nil rate band, the tax rate is 20% for lifetime transfers where the donor survives seven years, and 40% for transfers on death and in the three years preceding death. A tapered inheritance tax rate applies to gifts made between three and seven years before death.

When a surviving spouse or civil partner dies, relief is due on that death in respect of any unused proportion of the nil rate band of the spouse or civil partner who died first. This is in addition to any unused nil rate band of the survivor. Transfers between spouses or civil partners who are both UK-domiciled or both non-UK domiciled are exempt.

When a transferor spouse or civil partner is UK-domiciled and a transferee spouse or civil partner is not, the spouse exemption is limited to the level of the IHT nil rate band. Also a non-UK domiciled spouse or civil partner can elect to be treated for IHT as UK-domiciled. If he or she does so the full spouse/civil partner exemption will be due.

Where 10% or more of a person's net estate is left to charity, the rate of IHT is reduced to 36%.

An additional residence nil rate band (RNRB) was introduced with effect from 6 April 2017, which applies when a residence is passed to a direct descendant. The RNRB is £175,000. Any unused RNRB can be transferred to a surviving spouse or civil partner. It will also be available when a person downsizes or ceases to own a home and assets of an equivalent value, up to the value of the additional nil-rate band, are passed on death to direct descendants. There is a tapered withdrawal of the RNRB for estates with a net value of over £2 million, at a rate of £1 for every £2 over this threshold.

At the Autumn Statement 2022, it was announced that the IHT nil rate band will be maintained at £325,000, the RNRB will be maintained at £175,000, and the residence nil rate taper will continue to start at £2 million, until 5 April 2028.

National Insurance Contributions 2023/24

Class 1 (employees and employers) rates 2023/24

Weekly earnings (£)	Employees
123.00 or less[a]	–
123.01 – 242.00[b,c]	0%
242.01 – 967.00[e]	12%[f]
Over 967.00[e]	2%[f]

Weekly earnings (£)	Employers
175.00 or less[d]	–
Over 175.00[d]	13.8%[f]

a. The monthly and annual equivalents are £533 and £6,396 respectively.

b. A zero rate of NIC applies to earnings between the lower earnings limit of £123 per week and the primary earnings threshold of £242 per week to protect employees' contributory benefit entitlements.

c. The monthly equivalent of the £242 per week primary earnings thresholds is £1,048. The annual equivalent is £12,570, being aligned with the income tax Personal Allowance for individuals.

d. The monthly and annual equivalents are £758 and £9,100 respectively.

e. The monthly and annual equivalents are £4,189 and £50,270 respectively.

f. As a result of the Health and Social Care Levy Act 2021, for the period between 6 April 2022 and 5 November 2022, these rates were temporarily increased by 1.25 percentage points to 13.25%, 3.25% and 15.05% respectively for the first seven months of 2022/23 (6 April 2022 to 5 November 2022). The subsequent Health and Social Care Levy (Repeal) Act 2022 resulted in the normal rates of 12%, 2% and 13.8% applying for the remainder of the 2022/23 tax year (6 November 2022 to 5 April 2023). See Tax rates 2022/23 for further details of the rate changes and the applicable thresholds and limits.

At Spring Statement 2022, in connection with the increase in the primary threshold to £242 (per week)/£1,048 (per month)/£12,570 (per year) from 6 July 2022, it was announced that the primary earnings threshold will remain aligned with the income tax Personal Allowance for individuals. This is due to be maintained at £12,570 until 5 April 2028 (see page 3).

At Spring Budget 2021, it was announced that the employees' Upper Earnings Limit will be maintained at £967 (per week)/£4,189 (per month)/£50,270 (per year) until 5 April 2026. At the Autumn Statement 2022, it was announced that the Upper Earnings Limit will be maintained at these levels for an additional two years until 5 April 2028.

Note: This booklet has not been updated for the announcements in the Autumn Statement of 22 November 2023. An updated booklet covering rates for 2024/25 tax year will be produced next year following Spring Budget 2024. Readers should however be aware of significant mid-year changes announced to 2023/24 Class 1 NIC Employee rates, including a reduction of the 12% rate above to 10%, to be enacted with effect from 6 January 2024. See GOV.UK **here** and **here** for further details.

At the Autumn Statement 2022, it was announced that the employer Secondary Threshold will be maintained at £175 (per week)/£758 (per month)/£9,100 (per year) from 5 April 2023 until 5 April 2028.

Employees' qualifying business travel and subsistence expenses are excluded from earnings for Class 1 NICs purposes. Employers can pay up to 45p per mile to employees travelling on business in their own cars without incurring a NIC charge. This rate applies, for NICs purposes, irrespective of the business mileage incurred.

An employment allowance of £5,000 per year (2022/23: £5,000) is available to employers to offset against their employer Class 1 NICs. With effect from 6 April 2020, the allowance is only available to employers with an employer NICs bill below £100,000 in the previous tax year.

Employers are not required to pay employer Class 1 NICs in respect of the wages they pay to employees under the age of 21 up to £967 per week.

For apprentices under the age of 25, the Apprentice Upper Secondary Threshold is also £967 per week. This means that employers will not be required to pay employer Class 1 NICs in respect of the wages they pay to apprentice employees under the age of 25 up to £967 per week.

A NICs relief is available for employers who hire armed forces veterans in tax years 2021/22, 2022/23 and 2023/24. This relief applies in respect of employer Class 1 NICs on the earnings paid to qualifying armed forces veterans. The relief is only available for 12 consecutive months from the veteran's first day of civilian employment, and applies a 0% Secondary Class 1 NICs rate on earnings up to the Upper Secondary Threshold (£967 per week).

There is also a NICs relief for employers who hire employees that are reasonably expected to spend 60% or more of their employed time in a single designated Freeport tax site in which the employer has business premises. This relief applies a 0% Secondary Class 1 NICs rate on up to £25,000 of the annual earnings paid to each qualifying employee. The relief is only available for employees who begin their employment between 6 April 2022 and 5 April 2026 and is available for a period of three years per employee.

At Spring Budget 2023, the government announced that there will be a NICs relief for employers who hire employees that are reasonably expected to spend 60% or more of their employed time in designated Investment Zones tax sites in which the employer has physical premises. This relief will apply a 0% Secondary Class 1 NICs rate on up to £25,000 of the annual earnings paid to each qualifying employee. This relief will be available for a period of three years per employee; the commencement date and end date for this relief have yet to be confirmed.

Class 1A (employers providing benefits-in-kind)

Employers are liable to Class 1A NICs at 13.8% (2022/23: 14.53%) on most benefits-in-kind subject to income tax. Scale rate allowances covered by an approval notice or benefits-in-kind included in a PAYE Settlement Agreement (but see below) are not subject to Class 1A NICs. Certain other benefits are specifically exempt from both income tax and Class 1A NICs or are subject to Class 1 NIC rather than Class 1A.

With effect from 6 April 2020, the scope of Class 1A NICs was extended to include contributions on taxable termination payments above £30,000. (See Tax rates 2022/23 for details of the rates applicable to termination payments in 2022/23).

Class 1B (employers settling tax liabilities via PAYE settlement agreements)

Class 1B NICs are employer-only contributions, similar to Class 1A, payable by employers on the value of the tax and on certain benefits paid via PAYE Settlement Agreements. The rate for 2023/24 is 13.8% (2022/23: 14.53%) and contributions are payable by 19 October following the end of the tax year, along with the tax under the PAYE settlement agreement.

Other Classes

Class 2 (self-employed)	2023/24
Weekly rate	£3.45
Lower Profits Limit (annual)	£12,570
Small Profits Threshold (annual)	£6,725

Class 2 NICs are weekly flat-rate contributions payable by self-employed individuals and may be paid as a voluntary contribution by certain individuals working overseas who are not liable to pay compulsory NICs.

At Spring Statement 2022, it was announced that, with effect from 6 April 2022, liability to pay Class 2 NICs would now apply only to those earning more than the Lower Profits Limit applicable to Class 4 NICs (2023/24: £12,570). Individuals with profits between the Small Profits Threshold (2023/24: £6,725) and the Lower Profits Limit will continue to build up National Insurance credits but will not pay any Class 2 NICs.

Class 3 (voluntary)	2023/24
Weekly rate	£17.45

The Social Security (Contributions) (Amendment No. 3) Regulations 2023 (SI 2023/309) has extended, until 31 July 2023, a deadline for individuals to make voluntary Class 2 and Class 3 contributions in respect of the tax years 2006/07 to 2016/17 to increase their entitlement to the UK State Pension. Any such contributions will be payable at 2022/23 rates (£3.15 per week for Class 2 voluntary NICs and £15.85 per week for Class 3 voluntary NICs). The regulations also provide that any voluntary contributions made in respect of the tax years 2017/18 onwards, including in respect of 2022/23 in the period between 6 April 2023 and 31 July 2023 will also be payable at 2022/23 rates. From 1 August 2023 onwards, voluntary Class 2 and Class 3 contributions can be made by individuals in respect of the previous six tax years only, payable at the rate applicable for the tax year in which the voluntary contribution is made (i.e. £3.45 and £17.45 respectively for contributions made between 1 August 2023 and 5 April 2024).

Class 4 (self-employed)	2023/24
Lower Profits Limit (annual)	£12,570
Upper Profits Limit (annual)	£50,270
Rate on profits between Lower and Upper Profits Limits	9%
Rate on profits above Upper Profits Limit	2%

At Spring Budget 2021, it was announced that the Upper Profits Limit will be maintained at £50,270 until 5 April 2026. At the Autumn Statement 2022, it was announced that the Upper Profits Limit will be maintained at £50,270 for an additional two years until 5 April 2028.

As announced at Spring Statement 2022, the Lower Profits Limit will be aligned with the income tax Personal Allowance for individuals from 2023/24 onwards. This is due to be maintained at £12,570 until 5 April 2028 (see page 3).

Apprenticeship Levy

Since 6 April 2017, employers are required to pay the Apprenticeship Levy. The Levy is set at a rate of 0.5% of an employer's annual pay bill and is collected through the PAYE system.

The pay bill is the total amount of earnings liable to employer's Class 1 NIC, including earnings below the secondary threshold (see page 13 – £9,100 from 6 April 2022 until 5 April 2028). Similarly, where the age-related secondary percentage of NIC is 0%, e.g. for employees under the age of 21, such earnings are included in calculating the pay bill.

Employers receive an annual allowance of £15,000 to offset against payment of the Levy, and therefore the Levy will be payable only by employers who have pay bills in excess of £3 million per year. Where two or more companies are connected, only one company can claim the allowance.

Indirect taxes

Value Added Tax (VAT)

VAT registration is required where taxable supplies exceed £85,000 (2022/23: £85,000) for the previous 12 months or are expected to do so within the next 30 days. The deregistration threshold is £83,000 (2022/23: £83,000).

At Spring Budget 2021, it was announced that the VAT registration and deregistration thresholds above will be frozen until 31 March 2024. At the Autumn Statement 2022, it was announced that the VAT registration and deregistration thresholds above will be frozen for an additional two years until 31 March 2026.

Rates	(%)
Zero rate (e.g. newspapers, children's clothes)	0
Reduced rate (e.g. certain fuel and power, some residential property works)	5
Standard rate	20%
VAT fraction for standard rate VAT inclusive price	1/6

Insurance premium tax

The standard rate of insurance premium tax applying to most general insurance is 12%. Life and other long-term insurance is exempt.

A higher rate applies to some mechanical breakdown and travel insurance, and insurance sold with certain goods. The higher rate is 20%.

Stamp Duty Land Tax (SDLT) – England, Northern Ireland

SDLT applies to purchases of properties in England and Northern Ireland. SDLT rates for residential properties apply to slices of consideration rather than to all the consideration. This is different to the slab system that applied to residential property purchases prior to 4 December 2014 where the whole of the consideration was taxed at the applicable rate.

The Stamp Duty Land Tax (Temporary Relief) Act 2023 provides that, with effect from 23 September 2022, the threshold above which SDLT is payable on the purchase of residential property would increase from £125,000 to £250,000. This change is temporary and the threshold above which SDLT is payable on the purchase of residential property will return to £125,000 with effect from 1 April 2025.

The expected SDLT bands and rates for residential purchases between 23 September 2022 and 31 March 2025 are provided in the table below:

Relevant consideration (£) – residential property ***(23 September 2022 – 31 March 2025)***	**Rate (%)**
Up to 250,000	0
Above 250,000 to 925,000	5
Above 925,000 to 1,500,000	10
Over 1,500,000	12

For example, SDLT of £1,250 is ordinarily payable on a residential property bought between 23 September 2022 and 31 March 2025 for £275,000, made up of nothing on the first £250,000, and £1,250 (5%) on the remaining £25,000.

Reduced rates are available for first-time buyers purchasing a single dwelling (and intending to occupy the purchased dwelling as their only or main residence) on or after 22 November 2017 for £500,000 or less. Prior to 23 September 2022, those claiming the relief paid no SDLT on the first £300,000 of the consideration, and paid 5% on any excess over £300,000, but no relief was available where the total consideration was more than £500,000.

The Stamp Duty Land Tax (Temporary Relief) Act 2023 provides that, with effect from 23 September 2022, the threshold above which SDLT is payable for first-time buyers purchasing a single dwelling would increase to £425,000 and that the maximum value of a property on which first-time buyers' relief can be claimed would also increase to £625,000. The first-time buyers' threshold is due to return to £300,000, and the maximum value of a property on which first-time buyers' relief can be claimed is due to return to £500,000, with effect from 1 April 2025.

Higher rates of SDLT apply to purchases of additional residential properties such as second homes and buy-to-let properties acquired for more than £40,000. The higher rates will levy an additional 3% on the total price paid for the property – such that, as shown below, the nil rate band will increase to 3% and so on up to the top slice of SDLT (which increases to 15%).

Relevant consideration, above £40k (£) – residential property ***(23 September 2022 – 31 March 2025)***	**Normal rate (%)**	**Additional rate (%)**
Up to 250,000	0	3
Above 250,000 to 925,000	5	8
Above 925,000 to 1,500,000	10	13
Over 1,500,000	12	15

Purchasers will not incur the additional charge if they replace a main residence which has been sold within the last 36 months. Where the purchaser has paid the additional charge because they have not been able to sell their previous main residence before the acquisition of the new property, they will be able to claim a refund if they then sell their previous main residence within 36 months.

A higher rate of 15% may apply to all the consideration where certain 'non-natural' persons, such as a company, purchase an interest in a single residential property and consideration of more than £500,000 is attributable to the property. This 15% charge will apply instead of the normal SDLT rates unless a relief is available to disapply the 15% rate. The reliefs available are broadly the same as those available in respect of ATED (discussed below).

Since 1 April 2021, an additional 2 percentage point SDLT surcharge on top of the above rates applies to non-UK residents purchasing residential property in England and Northern Ireland. The charge applies to non-resident individuals and non-natural persons including companies, trusts and partnerships, as well as to UK-incorporated close companies with non-resident shareholders.

SDLT for non-residential or mixed use properties applies the same progressive slice system as for residential property so that SDLT will be chargeable on the portion of the purchase price which falls within each tax band as set out below:

Relevant consideration (£) – non-residential or mixed use property	**Rate (%)**
Up to 150,000	0
Above 150,000 to 250,000	2
Over 250,000	5

For example, SDLT of £3,250 is payable on a non-residential property bought for £275,000, made up of nothing on the first £150,000, £2,000 (2%) on the next £100,000 and £1,250 (5%) on the remaining £25,000.

The relevant consideration is determined by aggregating the consideration of all linked transactions. The relevant consideration is the VAT inclusive amount or value of any consideration given by the purchaser (or persons connected with him/her) in money or money's worth.

Although no SDLT will be payable until the relevant consideration exceeds the nil rate band, a transaction may nonetheless be notifiable (such that an SDLT land transaction return is required) where the relevant consideration is £40,000 or more.

Where six or more residential properties are acquired in a single transaction, they are treated as non-residential property, such that instead of the residential rates, the rates applicable to commercial or mixed property will apply (unless the relief for bulk purchases is claimed). However, for a bulk purchase of residential properties the rate of SDLT may in certain circumstances be payable at the residential rates determined by the average amount paid per dwelling. This is however subject to a minimum rate of 3% since the additional charge will generally be payable in respect of such transactions. This is achieved through claiming a relief in the SDLT land transaction return.

Until 30 September 2026 relief from SDLT in full is available for purchases of land and buildings within a Freeport tax site in England, where Freeport tax sites have been designated, subject to a control period of up to three years and the land being acquired and used in a qualifying manner.

At Spring Budget 2023, the government announced that relief from SDLT in full will be available for purchases of land and buildings within an Investment Zone tax site in England, where Investment Zone tax sites have been designated, subject to a control period of up to three years and the land being acquired and used in a qualifying manner. The commencement date and end date for this relief have yet to be confirmed.

SDLT will also be charged on the grant of a lease under which rent is payable at the rate of 1% of the net present value of the (VAT inclusive) rent payable over the term of the lease, to the extent that value exceeds £125,000 in the case of residential property (where the lease is granted prior to 8 July 2020 or on or after 1 April 2021) and £150,000 in the case of other property. Since 17 March 2016, a 2% SDLT rate also applies in respect of the grant of a lease of mixed use or non-residential property where the net present value (NPV) of the rent exceeds £5m.

SDLT is also charged on any premium paid by the tenant on the grant of the lease at the rate applicable to residential, non-residential or mixed use properties, as set out above.

Land and Buildings Transaction Tax (LBTT) – Scotland

LBTT (instead of SDLT) applies to property purchases in Scotland. A progressive system is used.

As of 15 March 2023, the following LBTT rates apply to slices of consideration in the following bands:

Consideration (£) – residential transactions *(on or after 1 April 2021)*	Rate (%)	Consideration (£) – non-residential transactions	Rate (%)
Up to 145,000	0	Up to 150,000	0
Above 145,000 to 250,000	2	Above 150,000 to 250,000	1
Above 250,000 to 325,000	5	Above 250,000	5
Above 325,000 to 750,000	10		
Over 750,000	12		

For example, LBTT of £3,350 is payable on a residential property in Scotland bought for £275,000, made up of nothing on the first £145,000, £2,100 (2%) on the next £105,000 and £1,250 (5%) on the remaining £25,000.

As for SDLT, an additional LBTT charge (the Additional Dwelling Supplement – ADS) applies to purchases of investment properties and second homes for more than £40,000. There are, however, some technical differences between the SDLT and LBTT regimes. For transactions on or after 16 December 2022, the Additional Dwelling Supplement has been set at 6 percentage points. (Between 25 January 2019 and 15 December 2022, the Additional Dwelling Supplement rate was set at 4 percentage points).

Generally, leases of residential property that are under 175 years are exempt from LBTT.

For chargeable leases, LBTT is payable at the rate of 1% of the net present value of the (VAT inclusive) rent payable over the term of the lease, to the extent that value exceeds £150,000. With effect for transactions entered into after 6 February 2020, the rate applicable to chargeable non-residential leases rises to 2% to the extent the net present value exceeds £2 million.

A relief from LBTT for first-time buyers came into force on 30 June 2018. Subject to conditions, the relief raises the 0% threshold for eligible first-time buyers purchasing a dwelling to £175,000. First-time buyers purchasing a dwelling above £175,000 are also entitled to a relief on the portion of the price below the threshold.

Land Transaction Tax (LTT) – Wales (from 1 April 2018)
LTT (instead of SDLT) applies to property purchases in Wales. A progressive system is used.

As of 15 March 2023, since 10 October 2022 LTT rates apply to slices of consideration in the following bands:

Consideration (£) – residential transactions *(10 October 2022 onwards)*	**Rate (%)**
Up to 225,000	0
Above 225,000 to 400,000	6
Above 400,000 to 750,000	7.5
Above 750,000 to 1,500,000	10
Over 1,500,000	12

Consideration (£) – non-residential transactions	**Rate (%)**
Up to 150,000	0
Above 150,000 to 250,000	1
Above 250,000 to 1,000,000	5
Over 1,000,000	6

For example, LTT of £3,000 is ordinarily expected to be payable on a residential property in Wales bought for £275,000 after 10 October 2022, made up of nothing on the first £225,000, and £3,000 (6%) on the remaining £50,000.

As with SDLT, increased LTT charges apply to purchases of investment properties and second homes for more than £40,000. There are, however, some technical differences between the SDLT and LTT regimes. For transactions with an effective date on or after 22 December 2020 the following rates and bands apply:

Consideration (£) – higher residential transactions *(22 December 2020 onwards)*	**Rate (%)**
Up to 180,000	4
Above 180,000 to 250,000	7.5
Above 250,000 to 400,000	9
Above 400,000 to 750,000	11.5
Above 750,000 to 1,500,000	14
Over 1,500,000	16

For chargeable leases, LTT will be charged on the grant of a lease of non-residential property under which rent is payable at the rate of 1% of the net present value (NPV) of the (VAT inclusive) rent payable over the term of the lease, to the extent that value exceeds £150,000, and 2% rate where the NPV of the rent exceeds £2 million.

Unlike for the equivalent taxes in the rest of the UK, there is no specific relief from LTT for the purchase of dwellings by first-time buyers.

Stamp duty and Stamp Duty Reserve Tax (SDRT)

Stamp duty and SDRT generally apply to transfers of UK shares (being shares in a company that is incorporated in the UK or which maintains its share register in the UK) and UK securities at a rate of 0.5% of the consideration given by the purchaser. Payment of the appropriate amount of stamp duty (or a valid claim for relief from stamp duty) generally cancels the charge to SDRT. As such, SDRT is generally only paid in the context of electronic trading, where shares are held in dematerialised form.

Share transfers where the value of the chargeable consideration is £1,000 or less are exempt from stamp duty, provided they do not form part of a larger transaction or series of transactions where the combined value of the consideration exceeds £1,000 and a certificate confirming this is given on the reverse of the instrument of transfer.

There is a higher 1.5% rate of stamp duty and SDRT which applies to transfers of shares to depositary receipt issuers and persons providing clearance services.

Annual Tax on Enveloped Dwellings (ATED)

There is an ATED charge in respect of single interests in UK residential property valued at more than £500,000 held by 'non-natural' persons, such as companies. ATED generally increases each year based on inflation. The rates for 2023/24 (1 April 2023 – 31 March 2024) are set out below:

Taxable value of property	ATED charge per annum – 2023/24 (£)
£500,001-£1,000,000	4,150
£1,000,001-£2,000,000	8,450
£2,000,001-£5,000,000	28,650
£5,000,001-£10,000,000	67,050
£10,000,001-£20,000,000	134,550
Over £20,000,000	269,450

Relief from ATED is available for certain businesses and investors. Reliefs are available to, amongst others, property rental businesses, property developers and property traders. Relief must be claimed annually.

For the five chargeable periods 2023/24 to 2028/29, the taxable value of a property for ATED purposes is the market value of the property on 1 April 2022 if the property was owned on this date, otherwise the market value of the property on acquisition is used.

Properties need to be revalued, and thus may move into a different ATED band, if there is a substantial acquisition of an additional chargeable interest in a dwelling or a substantial disposal of part of a chargeable interest where the acquisition cost or disposal proceeds are £40,000 or more. For transactions not at arm's length, for example, gifts or sales between connected persons, market values should be used.

Business tax

Corporation tax rates

	Year ending 31 March 2024	Year ending 31 March 2023
Main rate	25%	19%

The main rate of corporation tax will increase from 19% to 25% with effect from 1 April 2023 for companies with profits over £250,000.

Companies with profits of £50,000 or less will pay a small profits rate of 19%, and companies with profits between £50,000 and £250,000 will pay tax at the main rate of 25% reduced by a marginal relief. Limits will be reduced proportionally for short accounting periods and where there are associated companies.

Corporation tax payments
Large and very large companies pay corporation tax in instalments.

Large companies are broadly those with taxable profits of at least £1.5 million and a corporation tax liability in excess of £10,000 for a 12-month accounting period. The £1.5 million threshold is reduced pro rata for the number of associated companies (or '51% related group companies' for accounting periods commencing prior to 1 April 2023) and for accounting periods of less than 12 months. The £10,000 is also reduced proportionately for shorter accounting periods.

In a 12-month accounting period, four instalments are payable as follows:

- 6 months and 13 days from the first day of the accounting period;
- 3 months after the first instalment;
- 3 months after the second instalment; and
- 3 months and 14 days from the last day of the accounting period.

Large companies are not required to make instalment payments in the first year in which the £1.5 million threshold is reached unless their profits exceed £10 million. The £10 million threshold is also reduced pro rata for the number of associated companies (or '51% related group companies' for accounting periods commencing prior to 1 April 2023) and for accounting periods of less than 12 months.

Very large companies are broadly those with annual taxable profits of £20 million or more and a corporation tax liability in excess of £10,000 for a 12-month accounting period. As above, where a company is a member of a group, the £20 million threshold is divided by the number of associated companies (or '51% related group companies' for accounting periods commencing prior to 1 April 2023) in the group. The £20 million and £10,000 limits are also reduced proportionately for shorter accounting periods.

In a 12-month accounting period, four instalments are payable as follows:

- 2 months and 13 days from the first day of the accounting period;
- 3 months after the first instalment;
- 3 months after the second instalment; and
- 3 months after the third instalment.

Different instalment arrangements apply for "ring-fence" profits and the bank levy.

Capital expenditure

	Year ending 31 March 2024	Year ending 31 March 2023
Super-deduction for main rate assets[a]	N/A	130%
First Year Allowance for main rate assets ('full expensing')[b]	100%	N/A
First Year Allowance for special rate assets[c]	50%	50%
Annual investment allowance[d]	1,000,000[e]	1,000,000[e]
Plant and machinery	18%	18%
High emission cars[f], Long-life assets[g], integral features[h], thermal insulation, solar panels ("special rate pool")	6%	6%
Low emission cars[i]	100%	100%
Research and development allowances (RDAs)[j]	100%	100%
Structures and Buildings Allowance (SBA)[k]	3%	3%

a. At Spring Budget 2021, the government announced that 130% in-year relief will be available for capital expenditure by companies on most new main rate plant and machinery, subject to certain exclusions including second-hand assets, cars, and most assets provided for leasing, from 1 April 2021 to 31 March 2023. This ceases to apply in respect of expenditure incurred from 1 April 2023 onwards.

b. At Spring Budget 2023, the government announced that 100% in-year relief ('full expensing') will be available for capital expenditure by companies on most new main rate plant and machinery, subject to certain exclusions including second-hand assets, cars, and most assets provided for leasing, from 1 April 2023 to 31 March 2026.

c. At Spring Budget 2021, the government announced that 50% first year allowances will be available for capital expenditure by companies on special rate assets, subject to certain exclusions including second-hand assets, cars, and most assets provided for leasing, from 1 April 2021 to 31 March 2023. At Spring Budget 2023, the government announced that this relief will remain available for expenditure incurred until 31 March 2026.

d. Annual investment allowance (AIA) is given per business or per group of companies only. AIA is allocated against total expenditure on plant and machinery (other than cars), long-life assets and integral features. It is optional which class of asset the AIA is allocated against.

e. The AIA was due to revert to £200,000 from 1 April 2023. Legislation will be introduced in the Spring Finance Bill 2023 to fix the AIA at £1,000,000 on a permanent basis.

f. Until 31 March 2021, cars with CO_2 emissions between 51g/km and 110g/km were added to the main pool. Cars with CO_2 emissions that exceed 110g/km were added to the special rate pool. As announced at Spring Budget 2020, from 1 April 2021, cars (other than zero emission vehicles) with CO_2 emissions up to 50g/km are added to the main pool and cars with CO_2 emissions that exceed 50g/km are added to the special rate pool.

g. Applies to businesses spending more than £100,000 per annum (the monetary limit) on certain assets with a useful life of 25 years or more.

h. Applies to a prescribed list of assets covering: electrical systems; cold water systems; space or water heating systems, ventilation, air cooling or purification systems (and any floor or ceiling comprised in such systems); lifts, escalators or moving walkways; and external solar shading.

i. Until 31 March 2021, new and unused cars with CO_2 emissions not exceeding 50g/km and electric vans were eligible for a 100% first-year allowance. From 1 April 2021, only zero emission cars and electric vans are eligible for the 100% first-year allowance.

j. Available to businesses incurring capital expenditure in carrying out R&D or providing facilities for carrying out R&D relating to their trade.

k. At Budget 2018, the government announced the introduction of a new Structures and Buildings Allowance (SBA) for new qualifying non-residential structures and buildings. Relief is available on eligible construction costs incurred on or after 29 October 2018, at an annual rate of three percent from 1 April 2020.

At Spring Budget 2021, the government confirmed that an enhanced 100% capital allowance rate is available until 30 September 2026 for companies investing in main rate and special rate plant and machinery for use in Freeport tax sites, where Freeport tax sites have been designated. Similarly, an enhanced 10% rate of Structures and Buildings Allowances is available for the construction or renovation of non-residential structures and buildings within designated Freeport tax sites where the structure or building is brought into use on or before 30 September 2026.

At Spring Budget 2023, the government confirmed that an enhanced 100% capital allowance rate will be available for companies investing in qualifying plant and machinery for use in an Investment Zone tax site, where Investment Zone tax sites have been designated. Similarly, an enhanced 10% rate of Structures and Buildings Allowances will be available for qualifying expenditure on non-residential structures and buildings within designated Investment Zone tax sites. The commencement date and end date for this relief have yet to be confirmed.

Tax relief is available for the cost of intangible assets (including goodwill and intangible property). This will, in most cases, be the level of amortisation/ impairment recognised in the accounts. A fixed rate of 4% per annum may be applied on election. However, for goodwill and certain customer-related intangible fixed assets acquired on or after 8 July 2015 no amortisation or fixed-rate deduction is allowed. For such assets, debits arising on realisation are treated as non-trading debits. For purchases made on or after 1 April 2019, relief for acquired goodwill was partially re-instated for the acquisition of businesses with eligible intellectual property.

Patent Box

The Patent Box regime was introduced with effect from 1 April 2013. The regime effectively enables companies to apply a lower rate of Corporation Tax to profits attributable to patented products, processes and services. The relief provides for an effective Corporation Tax rate of 10% to the patented profits, achieved by deducting an additional amount from trading profits. The benefit is broadly limited by reference to the company's R&D expenditure on developing, licensing or acquiring patents.

Research and development (R&D) relief: revenue costs

The meaning of R&D for tax purposes is set out in updated government guidelines issued on 7 March 2023. This version of the guidelines has been updated to include pure mathematics within the definition of R&D for tax purposes for accounting periods beginning on or after 1 April 2023. For accounting periods beginning before 1 April 2023, the previous version of the guidelines, dated 5 March 2004, is applicable.

For accounting periods beginning on or after 1 April 2024 (delayed from 1 April 2023), restrictions will apply to limit qualifying expenditure in relation to R&D undertaken overseas.

The Spring Finance Bill 2023 will expand qualifying expenditure to also include data and cloud computing costs for accounting periods beginning on or after 1 April 2023.

Reforms to tackle abuse and improve compliance with the regimes will also take effect for accounting periods beginning on or after 1 April 2023, and an Additional Information Form will now be required for any R&D tax relief claims submitted on or after 1 August 2023.

Large companies (i.e. those that are not SMEs – see below) and SMEs where the R&D expenditure is subsidised can make claims under the R&D expenditure credits (RDEC) regime. Under this regime, the benefit is recorded as a taxable credit in operating profit and is equal to 20% of the qualifying expenditure for expenditure incurred on or after 1 April 2023 (13% for expenditure incurred between 1 April 2020 and 31 March 2023).

Non-tax paying large companies can receive a cash payment equal to the net value of the credit subject to a cap based on the PAYE/NIC paid over to HMRC in respect of the staff costs included in the R&D claim and being a going concern at the time the claim is made.

Companies that are SMEs (see below) are entitled to an additional deduction of 86% (expenditure incurred prior to 1 April 2023: 130%) of qualifying R&D expenditure for expenditure that is not subsidised. For non-taxpaying SMEs a cash alternative of up to 18.6 pence for every pound of qualifying expenditure may be available depending on their current year tax losses (expenditure incurred prior to 1 April 2023: 33.35 pence). From 1 April 2023, this is increased to 27 pence for certain R&D-intensive non-taxpaying SMEs with qualifying R&D expenditure of at least 40% of total expenditure.

For accounting periods beginning on or after 1 April 2021, the cash credit available to SMEs is capped at £20,000 plus three times the amount paid in respect of PAYE and Employee Class 1 NIC liabilities. A company is exempt from the cap if its employees are creating, preparing to create or actively managing intellectual property, **and** qualifying R&D expenditure does not include more than 15% of spend relating to connected party subcontractors or connected party externally provided workers.

A cap limits the total amount of SME R&D a company can claim on each project to €7.5 million and a going concern requirement applies.

An SME for R&D purposes is a company which, together with certain related enterprises, meets the EU definition of an SME but with higher limits such that it has fewer than 500 employees and **either** turnover not exceeding €100 million **or** total assets not exceeding €86 million.

For expenditure incurred on consumables that form part of a product which is then sold or transferred in the ordinary course of business, the cost of the consumable cannot be included in an R&D claim where that expenditure was incurred on or after 1 April 2015.

Digital Services Tax
A Digital Services Tax (DST) applies to in-scope revenue earned from 1 April 2020, with payment due nine months and a day after the end of the accounting period.

DST is a 2% tax on the revenues of large businesses that provide a social media platform, search engine or online marketplace to UK users. There is an allowance of £25 million, which means a group's first £25 million of revenues derived from UK users will not be subject to DST.

DST will apply if more than £500 million of global revenues arise to the group in connection with any in-scope digital services and more than £25 million of those revenues are linked to the participation of UK users.

The government remains committed to developing an internationally agreed solution, via the G20/OECD Inclusive Framework, to the tax challenges arising from digitalisation and has committed to repeal DST once an appropriate global solution is in place.

Diverted profits tax

With effect from 1 April 2015, the government introduced a diverted profits tax (DPT).

The tax applies in two situations:

1. Where a non-UK company has artificially avoided having a taxable presence (permanent establishment) in the UK; or

2. Where a group has a UK company (or UK permanent establishment of a non-UK company) and there is a tax advantage as a result of an entity or transactions that lack economic substance.

The diverted profits tax applies to diverted profits arising on or after 1 April 2023 at a rate of 31% (1 April 2015 – 31 March 2023: 25%).

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