

# Spring Budget 2023 – the devil is in the detail



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**Once again, there is a lot of 'devil in the detail' to digest over this Spring Budget and the November statement, with several changes affecting investors and pensioners, as well as business owners and entrepreneurs, and those with young families as we move into the new tax year and towards the next general election.**

Halfway through another week of strike action by many parts of the public services sector, and whilst navigating ongoing cost of living challenges across the UK, Chancellor of the Exchequer Jeremy Hunt delivered his statement badged as 'A Budget for Growth'. With signs that inflation is starting to retreat, (today's prediction is for a sub-3% rate by year-end), and an unexpected (although still low) 0.3% growth in the UK economy in January, many commentators were predicting one or more rabbits to come out of the Budget briefcase.

Prior to the main event, at 7am it was formally announced that the energy price cap guarantee will remain at the current level for another three months, taking us to the summer when it is widely predicted that per-unit energy prices may well have fallen back. The reductions already seen in wholesale prices are good news for Mr Hunt, as this has reduced the amount of government support needed to provide the energy cap guarantee. The additional £400 winter support for households also ends in April. These matters, along with lower-than-expected borrowing and record self-assessment and inheritance tax (IHT) receipts by the Treasury, seeded the chance for additional spending announcements, with the following being well-trailed before today:

- Free childcare of 30 hours a week for working parents is to be expanded to cover any child over nine months in England by 2024/25, with consequential beneficial adjustments made to the Barnett formula for other nations of the UK
- Adjustments to benefits, including the promise of funding for the free childcare being made available upfront, rather than having to be claimed back

- A significant change of direction on pension savings, with the lifetime allowance and annual allowance set to change significantly. On the day, the annual allowance was increased to £60,000 pa, and the lifetime allowance was removed for 2023/24. A proposal will be brought forward to remove it from pension legislation from April 2024 onwards
- Fuel duty was due to increase next month by around 12p/litre. However, the status quo is maintained for now
- A hike in the UK's defence budget of around £11bn over the next five years.

Whilst on the other side of the balance sheet, there will be an increased tax take from:

- Corporation tax rise to 25% for larger firms will go ahead next month, but the Chancellor announced a replacement for 'super-deduction' to encourage ongoing investment into IT and infrastructure; a 100% deduction to profits will be available for qualifying spend
- Alcohol duty will go up in August in line with inflation, but with additional relief for draft beer in pubs, to help the differential in prices within supermarkets
- Not to forget the changes to income tax and capital gains tax (CGT) thresholds and allowances already announced in the autumn which come into effect on 6 April, in addition to which higher and top rate Scottish income taxpayers face another 1% increase to their headline income tax rates, as announced in the Holyrood budget statement in December.

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From a financial planning perspective, whilst the changes to pension lifetime and annual allowances are welcome news for many who want to save additional sums for their retirement, the move seems counter-intuitive when taken alongside reductions in income tax and CGT thresholds. It is also a significant U-turn from November, when a freeze on the lifetime allowance was announced to 2028. Commentators generally agree that most beneficiaries will be senior and higher earning public sector employees, (think GPs, hospital consultants, senior civil servants, etc.), and that the move is closely related to the recent and ongoing pay settlements for them, as well as the need to slow down exits, or encourage returnees from these professions. Nonetheless, all pension savers can take advantage.

However, some caution is needed here, as the abolishment of the lifetime allowance may not be permanent for all. Initial responses from the leader of the Labour Party, (who may well be in power after the next General Election due within the next 22 months), derided the move as benefitting only the wealthiest 1%. Could this move be reversed by any new administration? It was a Labour government that first introduced the limit in 2006 to prevent the very wealthy from benefitting excessively from pension tax reliefs.

Many pension savers approaching the end of their careers, or those already in retirement, will have taken steps to protect their pension positions, and put in place one of the various forms of Transitional Protection such as Primary or Enhanced Protection, or more recently Fixed or Individual Protection. These protections come with limitations and penalties if breached. Whilst it has been indicated that these limitations will be reviewed or reduced, anyone in this camp should seek to understand their options fully before taking up the Chancellor's offer to save more.

It should also be noted that the limits to pension 'tax-free' lump sums are not changing; maximum lump sum limits will remain based on today's numbers.

Thankfully, there is still no change to the tax treatment of pension funds on death, or immediate changes to State Pension Age, (a review here is due to be published in May). The ongoing freeze to IHT thresholds means that pensions are a great way to pass funds down the family, but today's announcements reinforce the value available in seeking good advice.

At 7IM, we can provide guidance on this and other possible options to help you save effectively for the future, for you and the next generations.

In his section of the Budget statement focused on 'Enterprise', 12 new Enterprise Zones were flagged, including at least one in each of Scotland, Wales and Northern Ireland. In the detail of this announcement Mr Hunt suggested that "new and innovative ways to invest" will become available, including a consultation on investment options in "high-growth firms" via invested pension schemes, SIPPs and, potentially, VCT/EIS-style options.

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