April 2023: Technical newsdesk

Technical



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I am writing this introduction the day after the Chancellor delivered his Budget. It seems that (for users of the phonetic alphabet) E is no longer for echo; rather it is for enterprise, employment, education and everywhere.

As usual, the CIOT, ATT and LITRG technical teams will continue to work through the relevant announcements, though we did issue some initial reactions on Budget Day.

One of the biggest announcements, certainly from a cost perspective (over £27 billion over the next three years), was the introduction of full capital expensing. This will increase incentives for businesses to invest, as well as being a welcome simplification (see 'Full expensing a "welcome simplification"' at tinyurl.com/2p8e4k7u). However, only a small number of companies are likely to benefit as the vast majority of businesses already benefit from the £1 million Annual Investment Allowance (AIA).

We are pleased, though, that the anomaly in the AIA for accounting periods spanning 1 April 2023 has been addressed (see 'No real winners in capital allowance changes' at tinyurl.com/45t6pbvd).

R&D makes a regular appearance at fiscal events, and this year did not buck that trend. Interestingly, while the government says that it has not yet decided whether to merge the two different R&D schemes (the consultation on this topic having only just closed), the promise of draft legislation in the summer might be taken as a suggestion that its mind is already made up. We also wonder whether the changes go far enough to help small and medium sized enterprises, especially if they have to adopt a new scheme from April 2024 (see 'R&D relief changes still leave SMEs out of pocket' at tinyurl.com/3t2t4swp).

Changes to the pensions allowances were also significant, although not as costly as might be expected – 'only' £2.5 billion over the next three years). While they are welcome to the extent that they remove the disincentive for NHS doctors and consultants from remaining in work, the very highest earners could still face a tax charge (see 'Pension allowances could still bite for some higher-paid workers' at tinyurl.com/yc4r957d). While the higher pension savings allowance is good news for retirees returning to work, the obligation to notify your pension provider remains (see 'Higher pension savings allowance: good news for retirees returning to work – but watch the small print' at tinyurl.com/2s3amhbp).

Members will know that we are disappointed at the closure of the Office of Tax Simplification, and any hopes of an eleventh hour reprieve were dashed when its demise was confirmed. However, the Budget contained several 'pro-simplification' announcements, to which we gave a cautious welcome (see 'Cautious welcome for pro-simplification measures in today's Budget' at tinyurl.com/4e44unbt). Both CIOT and ATT welcomed the inclusion of crypto assets questions in tax returns from 2024/25 (see 'Crypto assets changes to tax return welcomed' at tinyurl.com/ay6ktj3u). ATT also welcomed the new cryptoasset transactions requirement for tax returns (see tinyurl.com/2w32rmdr). LITRG welcomed the extension of the help to save scheme (see 'LITRG welcomes Help-to-Save extension and proposed savings review' at tinyurl.com/mrupsyu2) and that assignments of income tax repayments will no longer be valid (see 'Assignments announcement closes window of opportunity' at tinyurl.com/mrupsyu2).

Making Tax Digital did not, of itself, get a mention, as its deferral and re-scoping had been announced in December. However, the government's estimated 'cost' of that decision (over £1.75 billion) was published in the Budget (see 'Making Tax Digital deferral makes tax disappear' at tinyurl.com/2ykk8ap4).

The announcement of a call for evidence on the taxation of voluntary carbon credits was welcomed (see 'ATT welcomes wide-ranging call for evidence on carbon credits' at tinyurl.com/25bmnpxb).

Several tax consultations were launched on Budget Day. Perhaps the most significant one is about expanding the cash basis, but there were others around the tax administration framework, VAT energy savings materials relief and the taxation of environmental land management and ecosystem service markets. These and other consultations can be found on HMRC's new tax consultation tracker tool (see tinyurl.com/mryu7z6w). We are also expecting further consultations on a variety of other matters, including promoters of tax avoidance and business rates. We may see these on 'Tax Administration and Maintenance Day', which we understand will be in late April.

If you have any comments on the Budget announcements, particularly those aspects which are being consulted on, please send them to: technical@ciot.org.uk, atttechnical@att.org.uk or LITRG@ciot.org.uk.