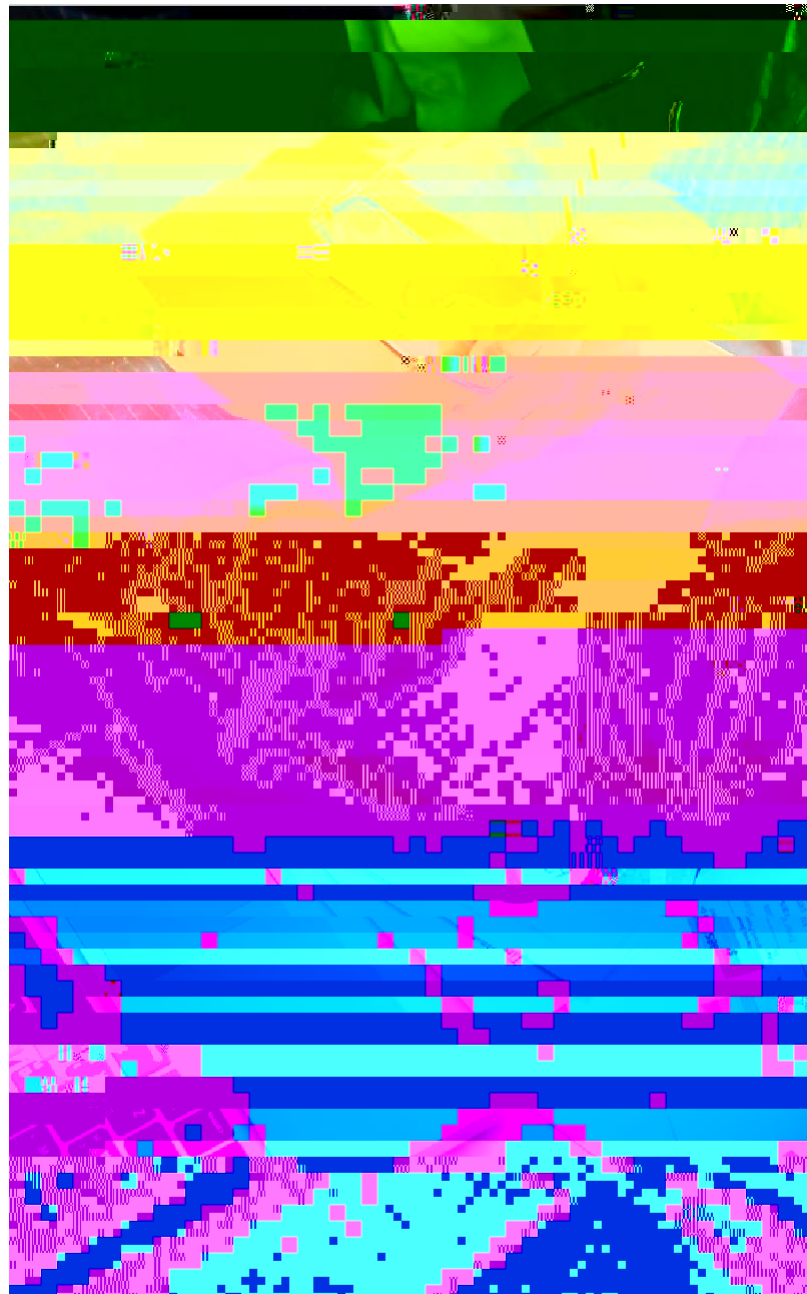


Spring Budget 2023

Private Client analysis





CAPITAL GAINS TAX

Preventing capital gains tax avoidance through share exchange

As previously announced at Autumn Statement 2022 (see News Analysis: [Autumn Statement 2022—Private Client analysis](#)), the government will legislate in SFB 2023 to address tax avoidance so that shares and securities in a non-UK company acquired in exchange for securities in a UK close company will be deemed to be located in the UK.

This measure is to address tax avoidance and will have effect where an individual has a material interest in both the UK and the non-UK company and where the share exchanges are carried out on or after 17 November 2022. It means that non-domiciled individuals pay tax on the value built up on UK company securities in the UK, even when those securities are exchanged for securities in an offshore holding company.

See: [OOTLAR](#) (para 1.6) and [TIIN: Capital Gains Tax: share or securities exchange](#).

Capital gains assessment time period

The government announced at Spring Budget 2023 that it will legislate in SFB 20

REAL ESTATE TAXES

Homes for Ukraine: property tax exemptions and reliefs

The government announced that the scheme would be extended to grant temporary relief from ATED from 1 April 2022 and SDLT retrospectively from 31 March 2022. This relates to dwelling made available for occupation by individuals granted entry clearance or permission to stay in the UK under the Homes for Ukraine sponsorship scheme.

See: [OOTLAR](#) (para 1.67) and [TIIN](#).

PENSIONS

Reforming pension tax thresholds

- The Annual Allowance (see Practice Note [Pensions and lifetime planning—Part 1](#))
From 6 April 2023, the Annual Allowance will increase from £40,000 (which has been the threshold from and including 2014–15) to £60,000. The Money Purchase Annual Allowance and the minimum Tapered Annual Allowance (TAA) will both be increased from £4,000 to £10,000 and the adjusted income threshold for the TAA will also be increased from £240,000 to £260,000.
The Annual Allowance is the maximum contribution that can be made to a registered pension scheme with relief from income tax.
[FA 2004, s 227](#) and [FA 2004, s 228](#)
- The Lifetime Allowance (See Practice Note [Pensions and lifetime planning—Part 1](#))
From 6 April 2023, the Lifetime Allowance (LTA) will be removed for 2023–24 and will be abolished from April 2024. The current level of the LTA is £1,073,100.
Legislation was introduced in FB 2021 to remove the annual link to the Consumer Price Index increase for the tax years 2021–22 to 2025–26.
The lifetime allowance is the maximum amount of tax relieved pension savings that an individual can build up over their lifetime. The standard lifetime allowance is £1,073,100. Tax relief on any pension benefits taken over this amount is recovered by the application of the lifetime allowance charge to the excess, which is charged at 25% if the excess is taken as a pension or 55% if it is taken as a lump sum ([FA 2004, s 214](#) to [218](#))

See: [Spring Budget 2023 \(Web\)](#) (para 4.153) and [OOTLAR](#) (para 1.3).

Pensions relief relating to net pay arrangements

From 6 April 2025, the government will make top-up payments, in respect of tax year 2024–25 and onwards, to individuals with a total income below the personal allowance who contribute to registered pension scheme using a net pay arrangement. These top-ups will better align outcomes with equivalent savers saving into pension schemes using 'relief at source'.

See: [OOTLAR](#) (para 1.4)

Further tax provisions in connection with the dormant assets scheme

SFB 2023 will amend tax legislation to support the expansion of the [dormant assets scheme](#). For income tax purposes, the change will take effect from Royal Assent of SFB 2023. For inheritance tax purposes the change will take effect from 6 June 2022 to align with the commencement date of the [Dormant Assets Act 2022](#).

See: [OOTLAR](#) (para 1.11)

LANDED ESTATES AND FARMING FAMILIES

Geographical scope of agricultural property relief and woodlands relief from inheritance tax

The government announced at Spring Budget 2023 that it will introduce legislation in Finance Bill 2023–24 to restrict the scope of agricultural property relief and woodlands relief to property in the UK from 6 April 2024. Property located in the EEA, the Channel Islands and the Isle of Man will be treated the same as other property located outside the UK.

See: [Spring Budget 2023 \(Web\)](#) (para 4.33) and [OOTLAR](#) (para 2.9).

Taxation of environmental land management and ecosystem service markets

The government announced at Spring Budget 2023 that it is publishing a call for evidence and consultation to explore the taxation of ecosystem service markets and the potential expansion of agricultural property relief (APR) from IHT to cover certain types of environmental land management.

See: [Spring Budget 2023 \(Web\)](#) (para 4.32) and [OOTLAR](#) (para 2.8).

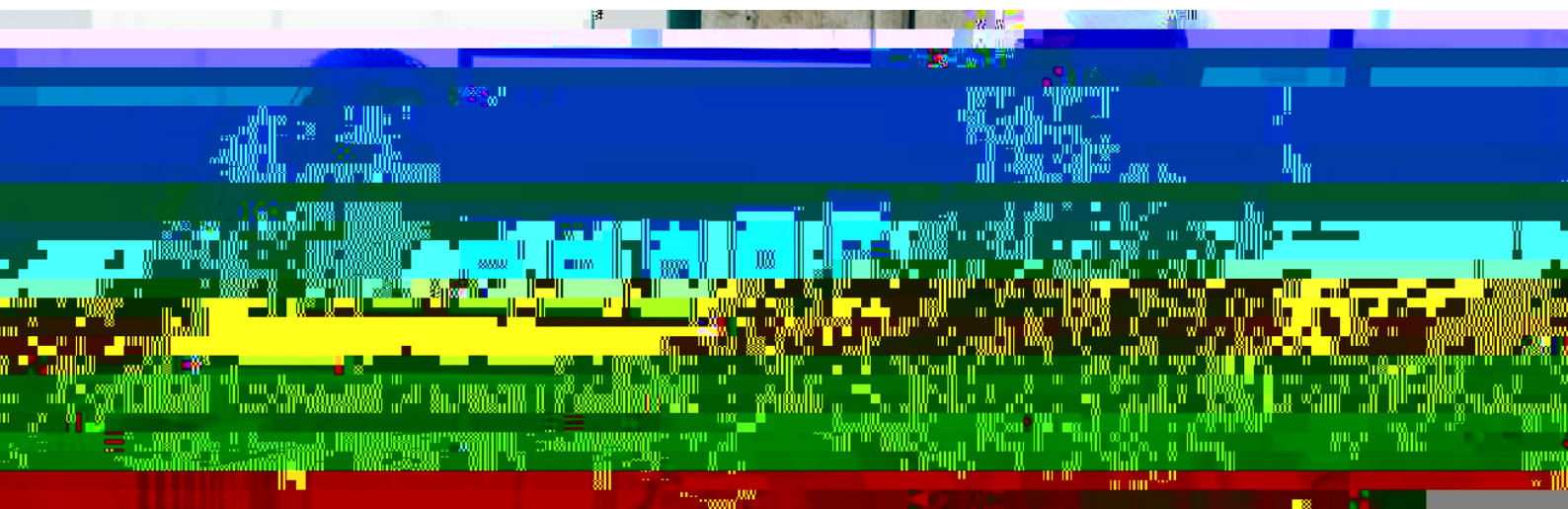
Taxation of lump sum exit scheme payment

As previously announced, the government will legislate in SFB 2023 to clarify that payments received by retiring farmers relating to an eligible claim under the [Lump Sum Exit Scheme](#) are treated as capital receipts and are therefore charged to CGT (or for companies to Corporation Tax) as chargeable gains.

Eligible farmers who apply for the Lump Sum Exit Scheme receive a lump sum payment which replaces all the payments that would be due to them under the Basic Payment Scheme until 2027. Treating these payments as capital receipts will enable eligible farmers to benefit from reliefs currently available when disposing of Basic Payment Scheme entitlements.

Draft legislation was published for consultation on 20 July 2022 (see News Analysis: [Legislation Day: Draft clauses for Finance Bill 2023—Private Client analysis](#)) and minor changes have been made to ensure it applies to all relevant payments as intended.

See: [OOTLAR](#) (para 1.69) and [TIIN: Taxation of Lump Sum Exit Scheme payments](#).



TAX EFFICIENT INVESTMENTS

Annual subscription limits for ISAs and Child Trust Funds

- The adult ISA annual subscription limit (see Practice Note: [Individual savings accounts](#) for 2023-24 will remain unchanged at £20,000.
See: [OOTLAR](#) (para 2.1) and [Spring Budget 2023 \(Web\)](#) (para 4.37)
- The annual subscription limit for Child Trust Funds for 2023–24 will remain unchanged at £9,000.
~~See [OOTLAR](#) (para 2.2) and [Spring Budget 2023 \(Web\)](#) (para 4.37)~~
- The annual subscription limit for Junior ISAs (see Practice Note: [Individual savings accounts](#)) and TJETit for Ch

See: [Spring Budget 2023 \(Web\)](#) (para 4.94) and [OOTLAR](#) (para 1.31). See also: [Policy Paper: Enterprise Management Incentives: Changes to the process to grant options](#).

Amendments to the rules for real estate investment trusts (REITs)

In line with [announcements](#) made in the Edinburgh Reforms in December 2022, the government will legislate in SFB 2023 to amend the tax rules for REITs in order to enhance their competitiveness.

See: [Spring Budget 2023 \(Web\)](#) (para 4.60) and [OOTLAR](#) (para 1.32). See also: [Policy Paper: Corporation Tax: Real Estate Investment Trusts \(REITs\)](#).

TAX AVOIDANCE, EVASION AND NON-COMPLIANCE

OECD mandatory disclosure rules (MDR), technical amendment to primary legislation and automatic exchange of information (AEOI) powers consolidation

TAX ADMINISTRATION

Cash basis reform

As announced at Spring Budget 2023, the government will consult on reforming the cash basis for the self-employed, a simplified way of calculating taxable profits for income tax purposes.

See: [Spring Budget 2023 \(Web\)](#) (para 4.93), [OOTLAR](#) (para 2.37)

Amending the self assessment forms for cryptoassets

The government announced at Spring Budget 2023 that it is introducing changes to the Self Assessment tax return forms SA108 (Capital gains summary page) and SA905 (Trust and estate capital gains page) requiring amounts in respect of cryptoassets to be separately identified. The changes will be introduced for tax year 2024–25.

See: [Spring Budget 2023 \(Web\)](#) (para 4.42) and [OOTLAR](#) (para 2.41).

Tax administration framework review: modernising income tax services

Following on from its consultation in 2021 on a review of the tax administration framework, the government is publishing a discussion document on modernising HMRC's income tax services to support better digital communication with taxpayers and reduce administrative burdens. This seeks views on how to integrate and modernise income tax Self Assessment and Pay As You Earn processes so taxpayers can quickly and easily manage their own tax affairs online, reducing the need to contact HMRC.

See: [Spring Budget 2023 \(Web\)](#) (para 4.96), [OOTLAR](#) (para 2.38).

See also: [Call for evidence: the tax administration framework: supporting a 21st century tax system](#).

Rendering void assignments of income tax repayments

HMRC as part of their continued crackdown on repayment agents have announced that any assignments of income tax repayments from 15 March 2023 will be legally invalid. It should be noted that this will not prevent an individual nominating an agent such as an accountant to receive their repayment on their behalf. It is simply no longer permitting assignments under [section 136](#) of the Law of Property Act 1925, which cannot be unilaterally rescinded by the taxpayer. This is part of [Raising standards in tax advice: protecting customers claiming tax repayments](#) that the government is pursuing to protect tax payers.

See: [Spring Budget 2023 \(Web\)](#) (para 4.43), [OOTLAR](#) (para 1.58), [TIIN](#) and [Draft legislation](#).

Abolition of the Office of Tax Simplification

As announced in the Growth Plan on 23 September 2022, the government confirmed that it will legislate in SFB 2023 to abolish the Office of Tax Simplification. The legislation will have effect from Royal Assent of SFB 2023.

See: [OOTLAR](#) (para 1.55).

Tax administration and maintenance day 2023

The government will bring forward a further set of tax administration and maintenance announcements later in the spring at a Tax Administration and Maintenance Day. This continues a new practice by government and HMRC, first seen in Autumn 2021, of a Budget being followed at a later date by tax consultations.

See: [Spring Budget 2023 \(Web\)](#) (para 4.97)

evidence and consultation to explore the potential expansion of APR to cover certain types of environmental land management but reducing the geographical scope of APR to property in the UK from 6 April 2024.

One interesting point that was included in some depth in Jeremy Hunt's speech was the amendments to tax reliefs on pensions. The raising of the annual allowance was previously announced, but a total abolition of the lifetime allowance was a surprise. This will be of limited interest to very high earners as the adjustments to the minimum tapered annual allowance and adjusted income threshold for that allowance are being increased only relatively marginally, but more generous pension tax reliefs could surprisingly be of interest to non-dom clients.

Between Brexit and the abolition of investor visas, Private Client practitioners may find that they are assisting more clients obtain immigration positions in the UK which require that client to be working. Perhaps then more of our clients care about the taxation of employment income than they may have done before. As pension pots can potentially pass to dependants free of tax there is an opportunity for clients to maximise relief on UK income by placing earnings into a pension whilst utilising other sources of funds to fund UK expenditure—including hopefully a slightly cheaper pint of draught beer.

Jeremy Woolf, barrister, Pump Court Tax Chambers

The Budget contains a number of largely welcome reforms to personal taxation. Among the most welcome are the changes to pension taxation. The Chancellor was correct to point out that the lifetime allowance and annual allowance charges could act as a real disincentive for senior doctors a

