



Autumn Statement 2023

Businesses

Businesses, the engines of the economy

The 2023 Autumn statement largely focused around how the Government recognises the importance of small businesses and their contribution to our economy.

Measures appeared to be targeted largely at these small and growing businesses, providing both a number of incentives for capital investment and certainty for future business investment.

Capital Allowances

One of the more significant announcements made by the Chancellor in the Autumn Statement was that the full-expensing regime for companies (announced in this year’s Spring Budget) is to become permanent, with the objective of increasing investment and incentivising newer, more efficient machinery and equipment.

The full expensing regime allows companies to deduct the full cost of new qualifying main rate plant and machinery in the year in which it is purchased when calculating their taxable profits.

The enhanced special rate first year allowance of 50% is also to become permanent.

This is good news, particularly for high-capital intensive businesses who may spend more in a year on capital equipment than the Annual Investment Allowance, which was permanently set at £1 million per year in the Spring Budget.

The Government has further announced two consultations on capital allowances — one which is to look at wider simplification measures, and another that will consider whether assets made available for leasing could be included within the full expensing regime (which as it stands do not qualify). This suggests there may be further changes ahead!

Investment Zones

At the Spring Budget the Government re-focused efforts on Investment Zones, and today they increased the benefits of these designated zones and freeports from five years to 10 years — again providing more certainty for investors and potential investors.

Investment Zones are designated to a specific area boundary and are specifically implemented to create jobs and new economic activity in a specific area. The tax incentives offered by Investment Zones are as follows:

- Stamp Duty Land Tax relief
- Enhanced Structures and buildings allowances of 20% per year (usually 3%)
- 100% business rates relief
- Lower employer’s National Insurance Contributions

Following the announcement of the Investment Zone in West Yorkshire earlier this week focusing on life sciences — the Chancellor then announced three further Investment Zones:

- East Midlands — focusing on green industries and advanced manufacturing
- West Midlands — focusing on advanced manufacturing
- Greater Manchester — focusing on advanced manufacturing and materials

Further Investment Zones are being discussed and the Government hopes to have all Investment Zones confirmed by summer 2024.

Research and Development

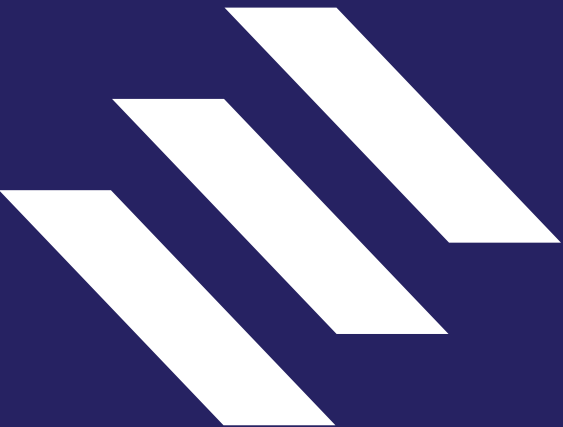
Another big announcement, as expected, was a change to the Research and Development (R&D) tax relief scheme. It had been widely expected that the two existing schemes, known as RDEC and SME would be merged into a single scheme to simplify the R&D claim administration process. One might assume that a merger of the two existing schemes would result in a single, remaining scheme but that is not the case. There will be a revised version of the RDEC scheme and a scheme for loss-making SME R&D intensive companies.

The changes as discussed in James Clark’s **blog** will take place for accounting periods starting on or after 1 April 2024 — the impact of these changes will therefore be staggered, with a company with a 31 December year-end not having to implement the new changes until 1 January 2025.

Business Rates

In recent years, the Government has supported businesses with Business Rates, particularly through the use of the Small Business Rates Relief and has again committed to supporting small businesses in this area.

The 75% relief available on retail, hospitality and leisure properties has been extended for 2024-25, and the small business multiplier has been frozen for another year at 49.9p. The standard multiplier will rise in line with September’s CPI to 54.6p and will take effect for April 2024 in England.





Annual Tax on Enveloped Dwellings (“ATED”)

The ATED rules apply where a residential property is held by a company and is valued above certain thresholds (currently £500,000). Where a company falls within the rules a return is required each year for the period covering 1 April — 31 March, with the corresponding tax liability based upon set value bandings at the valuation date. The latest valuation date will be either 1 April 2022 or the purchase date if this is later.

The ATED annual charge is to be uplifted by Septembers CPI rate of inflation for the 2024-2025 chargeable period.

Investment

With the big focus on supporting small businesses, the Chancellor also announced that the Enterprise Investment Scheme and the Venture Capital Trusts reliefs are being extended to shares issued before 2035 — an extension to the previous sunset clause of 2025.

These schemes provide generous tax incentives to investors, and this measure will continue to help early-stage businesses access and attract capital to invest and grow.

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Employment tax changes

There were some announcements contained within the budget, which may affect companies as an employer — a summary of the key announcements to be aware of is:

- From 1 April 2024, the National Living Wage will increase by 9.8% to £11.44 an hour for eligible workers across the UK aged 21 and over.
- The van benefit charge and the car and van fuel benefit charge are to remain the same for 2024/25 as the 2023/24 year for benefit-in-kind reporting purposes.
- Where IR35 off-payroll working rules have been incorrectly applied, the Government is legislating to allow HMRC to amend the PAYE liability of an employer to take into account tax paid by the worker and their intermediary on payments received.



If you have any questions in relation to what we have mentioned here, please get in touch with your usual BHP contact.

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