



Your Handy March Budget Summary

After presenting a Budget-in-all-but name with the Autumn Statement, the Spring Budget was delivered against the backdrop of a day of widespread industrial action. The run-up to the event appeared deliberately downplayed, save for a late flurry of leaks highlighting a focus on childcare at one end of the scale and pensions at the other.

While acknowledging the Prime Minister's two objectives of halving inflation and reducing debt, Mr Hunt focused his Spring Budget on the Prime Minister's third objective – getting the economy going.

In a wide-ranging and longer than usual speech, here are some key headline items:

- The inflation rate is forecast by the Office for Budget Responsibility to fall from 10.1% (January 2023) to just 2.9% by the end of 2023.
- The lifetime allowance for pensions will be abolished from April 2024, with the lifetime allowance charge withdrawn from April 2023.
- A new monetary limit for the tax-free pension commencement lump sum will be introduced for 2023/24 of £268,275 (equivalent to 25% of the current standard lifetime allowance).
- The annual allowance for pensions will increase by 50% to £60,000 from 2023/24 and the money purchase annual allowance will rise from £4,000 to £10,000 from 2023/24.
- Companies investing in new plant and machinery in the three years from 1 April 2023 can claim a first-year allowance of up to 100% of expenditure.
- Small and medium-sized enterprises that spend 40% or more of their total expenditure on research and development can claim a tax credit worth £27 for every £100 they spend from April 2023.
- The energy price guarantee is maintained at the current £2,500 level until the end of June 2023.
- Up to 30 hours of free childcare per week will be available to working parents of children from the age of nine months by September 2025. Initially, from April 2024, working parents of two-year-olds will be able to access 15 hours of free childcare per week.
- The scheduled 11p a litre duty increases in petrol and diesel will not go ahead.

More details on specific areas:

Taxation and wages

- Cap on **amount workers can accumulate in pensions savings over their lifetime before having to pay extra tax (currently £1.07m) to be abolished**
- Tax-free yearly allowance for pension pot to rise from £40,000 to £60,000 - having been frozen for nine years
- Fuel duty frozen - the 5p cut to fuel duty on petrol and diesel, due to end in April, kept for another year
- Alcohol taxes to rise in line with inflation from August, with new reliefs for beer, cider and wine sold in pubs
- Tax on tobacco to increase by 2% above inflation, and 6% above inflation for hand-rolling tobacco

Energy

- Government subsidies limiting typical household energy bills to £2,500 a year **extended for three months**, until the end of June
- £200m to bring energy charges for prepayment meters into line with prices for customers paying by direct debit - affects 4m households
- Commitment to invest £20bn over next two decades on low-carbon energy projects, with a focus on **carbon capture and storage**
- Nuclear energy to be classed as environmentally sustainable for investment purposes, with promise of more public funding
- £63m to help leisure centres with rising swimming pool heating costs, and invest to become more energy efficient

Jobs and work

- 30 hours of free childcare for working parents in England expanded to cover one and two-year-olds, to be **rolled out in stages from April 2024**
- Families on universal credit **to receive childcare support up front instead of in arrears**, with the £646-a-month per child cap raised to £951
- £600 "incentive payments" for those becoming childminders, and relaxed rules in England to let childminders look after more children
- New fitness-to-work testing regime to qualify for health-related benefits
- New voluntary employment scheme for disabled people in England and Wales, called Universal Support
- Tougher requirements to look for work and increased job support for lead child carers on universal credit
- £63m for programmes to encourage retirees over 50 back to work, "returnerships" and skills boot camps
- Immigration rules to be relaxed for five roles in construction sector, to ease labour shortages

Economy and public finances

- **Office for Budget Responsibility** predicts the UK will avoid recession in 2023, but the economy will shrink by 0.2%
- Growth of 1.8% predicted for next year, with 2.5% in 2025 and 2.1% in 2026
- **UK's inflation rate** predicted to fall to 2.9% by the end of this year, down from 10.7% in the last three months of 2022
- Underlying debt forecast to be 92.4% of **GDP** this year, rising to 93.7% in 2024

Business and trade

- Main rate of corporation tax, paid by businesses on taxable profits over £250,000, **confirmed to increase from 19% to 25%**
- Companies with profits between £50,000 and £250,000 to pay between 19% and 25%
- Companies able to deduct investment in new machinery and technology to lower their taxable profits
- Tax breaks and other benefits for 12 new Investment Zones across the UK, funded by £80m each over the next five years
- Reduced paperwork for international traders, who will also be given longer to submit customs forms under streamlined rules

Other measures

- Commitment to raise defence spending by £11bn over the next five years
- Prison sentences for those convicted of marketing tax avoidance schemes
- £200m this year to help local councils in England repair potholes
- An extra £10m over next two years for charities in England helping to prevent suicide
- Streamlined approvals process promised for new medical products
- £900m for new super computer facility, to help UK's AI industry