

'Good news sprinkled within the political bluster'

Spring Budget 2024: Summary and Key Announcements

Jeremy Hunt delivered his 'Budget for Long Term Growth' on 6 March 2024, one of the last fiscal events ahead of the next General Election.

The Chancellor's announcement built on the key theme within the Autumn Statement; boosting the UK economy. This Budget aims to deliver lower taxes, improve public services and to increase investment in the UK.

Some of the key announcements are summarised below together with a reminder of other recent changes and our top tips for making sure that you are fully prepared for any changes that may affect you or your business:

Income Tax

- All income tax rates including dividend rates remain the same.
- The personal allowance and income tax thresholds remain frozen at their current rates until April 2028.
- From 6 April 2023 the threshold at which income tax is chargeable at 45% was reduced from £150,000 to £125,140. No change has been made to this threshold.
- From 6 April 2023 the dividend allowance reduced to £1,000. It will reduce again to £500 from 6 April 2024.
- The Furnished Holiday Let (FHL) regime will be abolished from April 2025. Draft legislation is yet to be released but the changes will have an impact on entitlement to capital allowances and relevant income for pension tax relief purposes.
- The High Income Child Benefit Charge (HICBC) threshold will be increased from £50,000 to £60,000 with effect from April 2024 with the upper taper threshold increased to £80,000.
- Plans were announced to change the way in which the HICBC rules operate by moving towards a household based regime. Changes are expected in April 2026 following consultation.
- The way in which non-UK domiciled individuals are subject to tax in the UK will be changing significantly with effect from April 2025.
- A new, residency based approach will be taken. New arrivals to the UK will not pay any UK tax on overseas income and gains for the first four years that they are resident in the UK.
- Non-domiciled individuals who are already resident in the UK may experience a significant change to their tax position although transitional rules are expected to apply to ease the burden.

TOP TIP: The abolition of the FHL regime will have a wide ranging impact on income and capital taxes. Ensure you keep up to date with the announcements expected during the course of this year and review your position.

National Living Wage (NLW)

- The NLW will increase by 9.8% to £11.44 per hour from 1 April 2024.
- The NLW age threshold will also be lowered from 23 to 21 years old from the same date.

National Insurance (NIC)

- All NIC thresholds remain frozen at their current rates until April 2028.
- The main rate of employee Class 1 NIC reduced from 12% to 10% with effect from 6 January 2024 – this measure was announced in the Autumn Statement.
- With effect from 6 April 2024, the main rate of employee NIC will be cut again by an additional 2% reducing the rate to 8%.
- Class 2 NIC payable by self-employed individuals will be abolished from 6 April 2024.
- Self-employed individuals pay Class 2 NIC to access contributory benefits such as the State Pension. Following abolition, the self-employed will continue to be able to access these benefits through the provision of a National Insurance credit.
- The main rate of Class 4 NIC payable by self-employed individuals was due to reduce from 9% to 8% with effect from 6 April 2024, this was announced in the Autumn Statement. A further 2% reduction was announced in the Budget reducing the rate effective from April 2024 to 6%.

TOP TIP: If you are an employee, consider contributing the reduction in NIC to your pension to boost your retirement fund. If you are self-employed and you are considering incorporating your business, it will be important to understand the impact of this change as it may affect when/if you choose to do so.

Savings and Investments

- ISA limits, including Junior ISA's, Lifetime ISA's and Child Trust Funds limits, have been frozen at their current level for the 24/25 tax year.
- A new UK ISA will be made available in due course which is designed to boost UK investment opportunities. Up to £5,000 can be invested in addition to the existing ISA allowance. The usual ISA benefits will apply.

Capital Gains Tax (CGT)

- As planned, the capital gains tax annual exemption will reduce from £6,000 to £3,000 from April 2024. The annual exemption available to trusts will also reduce from £3,000 to £1,500.
- With effect from 6 April 2024, the higher rate of capital gains tax applicable to residential property disposals will reduce from 28% to 24%.
- As detailed above, the FHL regime will be abolished with effect from April 2025. Although draft legislation has not yet been published, it is expected that the beneficial capital gains tax rates that currently apply to the sale of qualifying FHL's will no longer be available.

TOP TIP: If you are planning to sell an asset you may wish to do so before the end of the 23/24 tax year to crystallise the current annual exemption.

Inheritance Tax (IHT)

- Current thresholds are frozen until April 2028 and no changes have been made to the rates of IHT.

Stamp Duty Land Tax (SDLT)

- With effect from 1 June 2024, Multiple Dwellings Relief will be abolished. This relief provides an overall reduction in SDLT where more than one dwelling is purchased.
- Property transactions where contracts were exchanged on or before 6 March 2024 will continue to benefit from the relief regardless of when they complete.
- Property purchases that complete before 1 June 2024 will also benefit from the existing rules.

Business Rates

- As announced in the Autumn Statement, the current 75% relief for eligible Retail, Hospitality and Leisure properties will be extended for a further year until April 2025.

Business Investment

- The freeport and investment zones programmes are being extended from 5 to 10 years. These locations benefit from certain reliefs from Stamp Duty Land Tax and are able to obtain enhanced capital allowances.
- The Annual Investment Allowance will remain at £1m per annum.
- The full expensing relief rules were made permanent within the Autumn Statement but these rules specifically exclude assets acquired for the purpose of leasing (excluding property).
- The government will seek to extend the full expensing relief to assets acquired for the purpose of leasing and is due to publish draft legislation in due course.
- A Film Tax Credit for new, UK independent films with a budget of less than £15 million will be introduced. This will apply to expenditure incurred from 1 April 2024 onwards.
- Film studios in England will receive a 40% reduction on gross business rate charges until 2034.
- The tax credit rate for visual effects costs in film and high-end TV will be increased to 39% from April 2025 and a restrictive cap will be removed.
- Current rates of Theatre Tax Relief, Orchestra Tax Relief and Museums and Galleries Exhibitions Tax Relief will be made permanent with effect from 1 April 2025.

TOP TIP: Businesses who lease plant, equipment and some vehicles may soon be able to obtain a higher rate of tax relief on capital investment. Make sure you keep up to date on the proposed changes to ensure you're making the most of the relief available to you.

TOP TIP: There have been several significant changes to the R&D regime over the last couple of years. Ensure you are fully up to date with your obligations if you intend to make a claim, particularly the advance notifications and additional information forms that you may need to submit to HMRC.

Research, Development and Creative Industries Reliefs

- With effect for accounting periods starting on or after 1 April 2024 the existing RDEC and SME Research & Development tax relief schemes will be merged.
- A number of changes will apply to the new regime from April 2024 including a reduction in the notional tax rate applied to loss making tax credit claimants.

Corporation Tax

- Corporation tax rates remain unchanged.

VAT

- With effect from 1 April 2024 the VAT registration threshold will increase from £85,000 to £90,000.
- The deregistration threshold will also increase from £83,000 to £88,000 from the same date.

