

Tax Briefing

Spring Budget 2024 Highlights

Introduction

In the Spring Budget 2024, the Chancellor announced that the government was 'sticking to the plan' and therefore able to make further tax cuts for working people and to boost growth.

Headlines

- Further reductions in National Insurance contributions will be made from 6 April 2024. Class 1 will reduce to 8% and Class 4 to 6%.
- The remittance basis of taxation for non-UK domiciled individuals will be abolished.
- The Furnished Holiday Letting tax regime will be abolished.
- The higher rate of Capital Gains Tax for residential property disposals will be cut from 28% to 24%.
- Multiple Dwellings Relief will be abolished from 1 June 2024.
- The threshold for the High Income Child Benefit Charge will be increased to £60,000 from 6 April 2024 and the rate at which it is charged will be halved.
- The VAT registration threshold will be increased from £85,000 to £90,000 from 1 April 2024.
- Additional support and reliefs will be given to the creative industries sector.

National Insurance contributions

The government will cut the main rate of Class 1 employee National Insurance contributions (NICs) from 10% to 8% from 6 April 2024.

Comment

The average employed worker on £35,400 will receive a tax cut of over £450 per year from April 2024. Alongside the cuts from the Autumn Statement 2023, this is a total annual tax cut of over £900.

The main rate of Class 4 self-employed NICs will also be reduced from 9% to 6% from 6 April 2024.

Comment

Together with the changes announced in the Autumn Statement 2023, cuts to self-employed NICs will benefit over 2 million individuals; the average self-employed person on £28,000 will save £650 a year.

In the Autumn Statement 2023, the government announced the removal of the requirement to pay Class 2 NICs from 6 April 2024. The government will consult later in 2024 on how to deliver full Class 2 abolition.

Personal taxation

No changes were announced to the rates and thresholds for income tax or the personal allowance.

The government will create an additional UK Individual Savings Account (ISA) with a £5,000 allowance in addition to the existing £20,000 that can be subscribed into an ISA. The UK ISA will allow people to invest in UK-focused assets; no start date has been announced. In addition, British Savings Bonds will be launched in April 2024 providing a three year fixed-rate.

The remittance basis of taxation for non-UK domiciled individuals will be abolished and replaced with a simpler residence-based regime from 6 April 2025. Individuals who opt into the new regime will not pay UK tax on any foreign income and gains arising in their first four years of tax residence (provided they have been non-tax resident for the last 10 years).

The government will also reform Overseas Workday Relief for employment duties carried out overseas.

Residential property

The government will abolish the Furnished Holiday Lettings (FHL) tax regime, which gives certain tax benefits to individuals letting a property as a short term holiday rental, from 6 April 2025.

Comment

The abolition of the FHL regime will 'level the playing field between short-term and long-term lets and support people to live in their local area'.

From 6 April 2024, the higher rate of Capital Gains Tax for residential property disposals will be cut from 28% to 24%. The lower rate will remain at 18% and Private Residence Relief will continue to apply.

Multiple Dwellings Relief, which provides relief from Stamp Duty Land Tax for bulk purchases in England and Northern Ireland, will be abolished from 1 June 2024. Property transactions where contracts were exchanged on or before 6 March 2024 will continue to benefit from the relief regardless of when they complete, as will any other purchases that are completed before 1 June 2024.

High Income Child Benefit Charge

The government will increase the High Income Child Benefit Charge (HICBC) threshold to £60,000 from 6 April 2024. The rate at which HICBC is charged will be halved so that Child Benefit is not fully withdrawn until individuals have an 'adjusted net income' of £80,000 or higher.

Comment

The increase in the HICBC threshold is expected to take 170,000 families out of paying this tax charge. The government estimates 485,000 families will gain an average of £1,260 in Child Benefit in 2024/25 as a result of these changes.

The government plans to administer the HICBC on a household, rather than an individual, basis by April 2026.

Support for business and industry

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

Comment

The UK continues to have one of the highest registration thresholds in the OECD. Over 28,000 businesses will benefit in 2024/25 from no longer being VAT registered.

In the Autumn Statement 2023, the government announced that Full Expensing, a 100% First Year Allowance (FYA) for expenditure by companies on qualifying assets, would be made permanent, together with the 50% FYA for special rate assets. In the Spring Budget 2024, the government announced that Full Expensing will be extended to assets for leasing when fiscal conditions allow.

Support was offered to SMEs by:

- Extending the Recovery Loan Scheme to access the finance they need (which will be renamed the Growth Guarantee Scheme)
- Publishing updated HMRC guidance on the tax deductibility of training costs for sole traders and the self-employed.

Additional support will also be given to the creative industries sector including:

- A new UK Independent Film Tax Credit at a rate of 53% for expenditure incurred from 1 April 2024 will be introduced for films with budgets under £15 million.
- A 40% reduction on gross business rates, backdated to 1 April 2024, for eligible film studios until 2034.
- A 5% increase in tax relief for UK visual effects costs in film and high-end TV under the Audio-Visual Expenditure Credit from April 2025.
- The higher rates of relief for theatres, orchestras, museums and galleries will be permanently set at 40% for non-touring productions and 45% for touring productions and all orchestra productions from 1 April 2025.

The Investment Zones programme and Freeport tax reliefs will be extended from five to ten years in Scotland and Wales matching the extension announced for England in the Autumn Statement 2023.

Other

- The alcohol duty freeze will be extended until February 2025.
- The temporary 5p cut in fuel duty rates will be extended until March 2025 and the planned inflation increase for 2024/25 will not take place.
- A new duty on vaping products will be introduced from 1 October 2026. The government will also introduce a one-off tobacco duty increase from the same date.