ARNOLD HILL & CO LLP
CHARTERED ACCOUNTANTS

2024 Spring Budget

6 March 2024

Key Budget Facts

Against the backdrop of a less than robust economy and an impending general election, the Chancellor of the Exchequer unveiled a Spring Budget which included a raft of tax measures including a 2% reduction in National Insurance Contributions as well as a proposal to abolish the UK's "non-dom" regime.

Contents

A Budget for long-term growth.

The Rt Hon Jeremy Hunt MP,
Chancellor of the Exchequer

Introduction: the 2024 Spring Budget

The Rt. Hon. Jeremy Hunt MP, the Chancellor of the Exchequer (the UK's Chief Finance Minister), unveiled in the House of Commons the UK's 2024 Spring Budget on 6 March 2024.

The Budget announcements were made in the context of an imminent general election, likely to arise in the second half of this year, as well as the UK's constrained fiscal and macroeconomic position arising, to a significant extent, from the COVID pandemic and the energy and food inflationary shocks arising from Russia's invasion of Ukraine.

The 2024 Spring Budget follows on from the 2023 Autumn Statement, which was unveiled in November 2023. After a prolonged period of tax increases, the Autumn Statement saw a loosening of fiscal policy with "110 different measures to help grow the British economy", a 2% cut to the main rate of National Insurance Contributions ("NIC"), a payroll tax, as from 6 January 2024, alongside incentives to encourage business capital investment, such as making permanent "full expensing" – an important aspect of the UK's capital allowances (tax depreciation) regime.

The 2024 Spring Budget continued the Chancellor's desire to reduce taxes on employees.

The Chancellor of the Exchequer introduced a raft of measures, covering both personal and corporate taxes, which the Chancellor described as a "Budget for long-term growth".

Building a high wage, high skill economy.

The Rt Hon Jeremy Hunt MP, Chancellor of the Exchequer

However, the headline tax proposal was a reduction in the main rate of primary Class 1 (employee) NIC from 10% to 8%, and for the self-employed, the Government will introduce legislation to reduce the main rate of Class 4 NICs by 2%, from 8% to 6%, measures estimated as costing the UK Treasury £10bn.

Additional electorate-pleasing measures included more generous Child benefit measures and a reduction in the residential property capital gains tax rate from 28% to 24% as well as a freezing of Alcohol Duty from 1 August 2024 until 1 February 2025.

From a business perspective, there were limited announced measures. These included an increase in the VAT registration threshold from £85,000 to £90,000 and increases in the tax reliefs for the creative sectors as well as consultations on extending capital allowances full expensing to leased assets.

The Chancellor of the Exchequer did however increase a range of taxes and abolished certain tax regimes, whilst limiting the growth of public sector expenditure.

One of the regimes abolished include the so-called “non-dom” regime (a regime used by wealthy non-UK domiciled individuals to shield their non-UK wealth from UK personal taxes). Additionally the Furnished Holiday Lettings (“FHL”) regime, a tax preferred property lettings structure, has also been abolished.

In this report, we provide a summary overview of the Chancellor’s key announcements, highlighting the most prominent fiscal measures arising from the Budget and analysing its impact on individuals and businesses.

Economic Backdrop

The state of the UK economy

Last month, the Office for National Statistics announced that the UK had formally entered a recession with two consecutive quarters of Gross Domestic Product ("GDP") decline. Economic signals since then (PMI, consumer confidence etc.) support the recession being shallow and short lived, but the economic backdrop to today's Budget remains weak and uncertain.

Economic growth has been the aspiration of this Government for some time and although certain policies have been introduced to promote growth and corporate investment, this has not translated into macro economic expansion at the GDP level. Nevertheless with certain of the initiatives from previous economic statements taking effect, and some being made permanent, with the new initiatives announced today, the Office for Budget Responsibility ("OBR") have upgraded GDP forecasts compared with those of last November. GDP growth for 2024/25 is now forecast to be 1.9% and inflation is set to fall to the target rate of 2%, a year earlier than previously suggested.

Public expenditure continues to be restrained and the Government have budgeted just an overall Inflation +1% increase in day to day public spending over the next parliament. An exception to this funding restraint is the NHS which shall have full funding for the NHS Productivity Plan plus an additional £2.5bn of funding in 2024/2025 to address waiting lists.

The state of the UK economy

According to Government estimates, the UK currently has an estimated 10 million adults capable of working who are economically inactive. Several of the initiatives announced today focused on helping these individuals into work, such as childcare and social care support and this should help both the growth of GDP and GDP per head. Should the Government meet the OBR's forecasts, the National Debt as a proportion of GDP should fall to 92.9% of GDP by the end of 2028/29.

The looming general election and the possible change of Government (and therefore tax and investment policy too) will likely prolong the deferral of large scale investment decisions until the political and economic landscape becomes clearer.

Economic Backdrop

Personal Tax - Budget announcements

Personal Taxes

- The Income tax Personal Allowance will remain unchanged at £12,570 until April 2028.
- The basic rate of Income tax will remain at 20% for basic rate tax payers.
- The higher rate threshold of £37,701 will remain unchanged.
- The additional rate threshold will also remain at £125,140 (this was reduced from £150,000 on the 6 April 2023).
- The Dividend Allowance from 6 April 2024 will drop from £1,000 to £500.
- The starting rate for savings will be frozen at £5,000, enabling individuals with less than £17,570 in employment income to receive up to £5,000 of savings income free of tax.

Please note that differing personal tax rates apply in Scotland.

Personal Tax - Budget announcements

National Insurance Contributions

During the 2024 Spring Budget the Chancellor, Jeremy Hunt, expressed his long-term ambition to reduce the impact of the double taxation imposed by National Insurance Contributions and Income tax for both employed and self-employed individuals.

To progress this, the UK Government have made cuts to the rate of Class 1 and Class 4 National Insurance Contributions for a second time in the last few months by a further 2 percent, so that individual will see more of their money in their pockets every month.

- From 6 April 2024 the main rate of Employee Class 1 National Insurance Contributions will be cut from 10% to 8% from 6 April 2024.
- In addition to the above, individuals who receive self-employed income and Partnership income will see a further reduction, from what had previously been announced, to the rate they pay Class 4 National insurance Contributions to 6% from 6 April 2024.
- As announced at Spring Budget 2024, the government will consult on how it will deliver Class 2 National Insurance Contributions abolition later this year.

Personal Tax - Budget announcements

Taxation of Non Domiciled Individuals

From 6 April 2025 the current tax regime in place for Non Domiciled individuals is to be abolished and replaced with a new, simpler regime resulting in relief being available for foreign income and gains only for the first four years of UK tax residency. There will be a two year transitional period for individuals already benefiting from the current remittance basis of taxation rules. Further information will be published in due course.

The new regime will also see a change in the way Overseas Workday Relief (OWR) works. Eligible employees will be able to claim OWR for the first three years of tax residence, benefitting from Income tax relief on earnings for employment duties carried out overseas but with current restrictions on remitting these earnings removed.

Individual Savings Accounts (ISA)

Individual Savings Accounts (ISA) and Child Trust Fund allowance will remain at £9,000 and the annual subscription limit for adult ISAs will remain at £20,000.

However multiple subscriptions in a year to ISAs of the same type and partial transfers of ISA funds between providers will be allowed from April 2025.

In addition to the above existing ISA allowances, a UK ISA allowance of £5,000 will be introduced for individuals who invest in UK-focused assets. Further information will be released by the UK Government in due course.

Capital Gains Tax

The rates payable on Capital Gains remain at 10% for basic rate tax payers and 20% for higher rate tax payers.

With regards to residential property gains, the lower rate of Capital Gains Tax will remain at 18%, however, the higher rate of tax payable will be reduced from 28% to 24% with effect from 6 April 2024.

From 6 April 2024 the Capital Gains Tax annual exemption will be reduced from £6,000 to £3,000 (previously reduced from £12,300).

Personal Tax - Budget announcements

Child Benefit High Income Tax Charge

New measures announced in the 2024 Spring Budget will increase the threshold in relation to The High Income Child Benefit Charge (HICBC). The adjusted net income starting threshold will increase from £50,000 to £60,000 from 6 April 2024.

For individuals with income between £60,000 and £80,000, the rate at which HICBC is charged is halved, and will equal one per cent for every £200 of income that is more than £60,000.

For individuals with income above £80,000, the amount of the tax charge will equal the amount of the Child Benefit payment.

Blind Person Allowance & Married Couple's Allowance

The UK Government are still on track to uprate the Blind Person Allowance and the Married Couple's Allowance in line with the September 2023 consumer price index ("CPI") of 6.7% in the 2024/25 tax year. This will result in the Blind Person Allowance being valued at £3,070 and the Married Couple's Allowance being valued between £4,280 and £11,080.

Inheritance Tax

Inheritance tax ("IHT") did not see significant reform in the 2024 Spring Budget however one administrative proposal is aimed at easing the payment of IHT before probate or confirmation. With effect from 1 April 2024, personal representatives will be able to apply for a "grant on credit" from HMRC without having to have sought commercial loans to pay IHT.

Further to replacing the non-UK domicile Income tax rules with a residence-based regime, the Government has also announced the intention to move to a residence-based regime for IHT and will consult on this, including a 10-year exemption for new arrivals and a 10-year "tail-provision" for those leaving the UK.

Any changes to IHT will be after 5 April 2025.

Personal Tax - Budget announcements

Car and Van Benefits

The benefit rate for Electric and ultra-low emission cars emitting less than 75g of CO_2 per kilometre will increase by 1% per year from 2025-26 through to 2027-28 reaching a maximum appropriate percentage of 5% for electric cars and 21% for ultra-low emission cars.

Rates for all other vehicle bands will be increased by 1% point for 2025-26 up to a maximum appropriate percentage of 37% and will then be fixed in 2026-27 and 2027-28.

Car and Van Fuel Benefit Charges and van benefit charges were increased from 6 April 2023 in line with CPI, however, these will remain at these levels for 2024-25.

Pensions

The Pension Annual Allowance will remain unchanged at £60,000.

Currently if you earn in excess of £260,000 your Pension Annual Allowance is reduced by £1 for every £2 over £260,000 and capped at £10,000.

There is no change following the previous announcements made by the Chancellor Jeremy Hunt with regards to supporting pensioner incomes by maintaining the ‘triple lock’ of the basic State Pension. The new State Pension and Pension Credit standard minimum guarantee, will be uprated in April 2024 in line with average earnings growth of 8.5%.

Personal Tax - Budget announcements

Transfer of Assets Abroad

The Government announced they will introduce legislation so that UK tax resident individuals cannot circumvent the Transfer of Assets Abroad provisions (tax anti-avoidance legislation designed to stop UK tax resident individuals from reducing their Income tax liabilities by arranging for income to be received from overseas persons whilst still having the power to enjoy the income or to benefit from the asset) by using a closely held company to transfer the asset.

This Government proposal amends the Transfer of Assets Abroad provisions, by applying a charge to tax where relevant transfers are carried out by a closely-held company.

The changes will take effect from 6 April 2024.

This measure will affect individuals who own or have a financial interest in either UK resident close companies, or non-resident companies which would be close if they were UK resident.

Trust protections

From 6 April 2025 foreign income and gains in a settlor interested trust will be taxed on the settlor in the same way that they are currently for a UK domiciled settlor, unless the settlor is eligible for the new 4-year regime for non domiciled individuals. The matching of income and gains will continue, subject to the new rules for individuals, and modifications will be made to the onwards gift rule.

Corporate Tax

Corporation Tax - Budget announcements

Corporation Tax Rates

The main rate of Corporation tax will remain 25%.

This main rate of Corporation tax applies to companies with profits in excess of £250,000.

For UK resident companies with “augmented profits” below £50,000, a lower rate of 19% is generally applicable. For companies with augmented profits between £50,000 and £250,000, there is a sliding scale of marginal tax rates. For corporate entities with “associated” companies, the aforementioned profit limits are divided by the number of active companies worldwide.

“Full expensing” capital allowances – an extension of the allowance

The Chancellor of the Exchequer announced the publication of draft legislation for technical consultation on the full expensing of leased assets. The extension of the full expensing relief should enable businesses to be more efficient by leasing assets to nurture productivity by getting the newest, cleanest and most efficient plant and machinery into the hands of business owners. No timeline for the start of the relief has been announced.

Corporation Tax - Budget announcements

Creative Industry tax relief incentives

The Government will introduce legislation in Spring Finance Bill 2024 to provide additional support for independent films via the Audio-Visual Expenditure Credit (“AVEC”).

The Independent Film Tax Credit is aimed at films that have budgets (or total “core” expenditure) of up to £15 million and that receive a new accreditation from the British Film Institute. The credit rate will be 53% of qualifying expenditure. Qualifying expenditure is capped at a maximum of 80% of a film’s total core expenditure; the most taxable credit a film can receive will be £6.36 million.

The changes will take effect for films that commence principal photography from 1 April 2024 on expenditure incurred from 1 April 2024. Claims may be submitted from 1 April 2025.

In addition, the Government will also introduce legislation for a permanent 40%/45% (for non-touring/touring and orchestral productions respectively) headline rates of relief for Theatre Tax Relief, Orchestra Relief, and Museums and Galleries Exhibition Tax Relief. These rates will take effect from 1 April 2025.

Energy Profits Levy – One Year Extension

The Energy Profits Levy (colloquially described as the Windfall Tax) was introduced in May 2022 to raise funds to help people who faced soaring energy bills, just as oil and gas companies elevated levels of earnings. The 35% charge will now expire in 2029 instead of March 2028.

Other Business taxes - Budget announcements

VAT

From 1 April 2024, the VAT registration threshold will be increased from £85,000 to £90,000, and the VAT deregistration threshold will be increased from £83,000 to £88,000. This measure should keep a significant number of small businesses – which are approaching the burdensome VAT regime – outside of the VAT regime.

Stamp Duty Land Tax

The multiple dwellings relief will be abolished for transactions with an effective date on or after 1 June 2024. This is a “Stamp Duty Land Tax” (SDLT) relief which is currently available when more than one dwelling is purchased if a transaction (or a number of linked transactions) includes freehold or leasehold interests in more than one dwelling.

Furnished Holiday Lettings

The Government will abolish the Furnished Holiday Lettings (FHL) tax regime, eliminating the tax advantage for landlords who let out short-term furnished holiday properties over those who let out residential properties to longer-term tenants. This measure will take effect from April 2025 and will be subject to anti-forestalling provisions. The FHL offered valuable tax reliefs, such as the availability of capital allowances, various capital gains tax reliefs, and exemption from finance costs restrictions.

Other business taxes - Budget announcements

Air Passenger Duty uprating

The Government announced an increase in Air Passenger Duty ("APD") rates for 2025 to 2026. The reduced rates for economy passengers will increase in line with forecast inflation. However, APD rates for premium short-haul, mid-range and long haul flights will increase by anything between 7.7% and 10.9% as from 1 April 2025.

Alcohol Duty Uprating

The Government will freeze Alcohol Duty from 1 August 2024 until 1 February 2025. This extends the six-month freeze announced at Autumn Statement 2023. There will be no revisions to existing legislation and no new legal provisions will be introduced.

Vaping Products Duty

The Chancellor of the Exchequer announced measures to introduce legislation in a future finance bill to introduce a new duty on vaping products. The Government has published a consultation on the detailed design and implementation of the duty, which will close on 29 May 2024.

Registration for the duty will open on 1 April 2026 with the duty taking effect from 1 October 2026 alongside a proportionate increase in tobacco duties.

The Government also announced a one-off tobacco duty increase of £2 per 100 cigarettes or 50 grams of tobacco from 1 October 2026.

Your Notes

Arnold Hill & Co LLP Tax team

Reuben Fevrier
Corporation Tax

Reuben joined Arnold Hill & Co in 2019. Reuben has worked for an assortment of Big Four consultancies and advises on all aspects of corporate taxation, including the taxation of cross-border profit flows.

+44 7864 650055
Reuben.Fevrier@arnoldhill.co.uk

Lucy Duncan
Partner

Lucy joined Arnold Hill & Co in 1996. Lucy is a Chartered Accountant and leads the Trust department whilst also specialising in Personal Tax matters.

+44 207 306 9102
Lucy.Duncan@arnoldhill.co.uk

Drupen Patel
Personal Tax Manager

Drupen is CTA qualified tax advisor, specialising in providing advice for high net worth individuals on their private tax matters. Drupen has over 8 years experience in taxation having worked for small and large accountancy practices.

+44 203 848 4020
Drupen.Patel@arnoldhill.co.uk

Saqib Sarwar
Corporation Tax Manager

Saqib is an ACCA and CTA qualified tax advisor, with over 10 years experience in UK tax advisory and compliance. He has extensive experience in advising UK and overseas multinational groups operating in various sectors.

+44 207 306 9100
Saqib.Sarwar@arnoldhill.co.uk

Gemma Pond Klyman
Personal Tax Manager

Gemma is ATT and CTA qualified tax advisor. Gemma's experience includes income tax, capital gains tax and inheritance tax for UK and non UK domicile individuals, sole traders and high net worth individuals.

+44 207 306 9121
Gemma.Pond-Klyman@arnoldhill.co.uk

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ARNOLD HILL & CO LLP
CHARTERED ACCOUNTANTS

London

6th Floor, Capital Tower
91 Waterloo Road
London
SE1 8RT

+44 207 306 9100

info@arnoldhill.co.uk

www.arnoldhill.co.uk