DIXON WILSON
CHARTERED ACCOUNTANTS

Spring Budget 2024

12 March 2024

The Chancellor delivered his final Budget before the General Election which will take place later this year. He announced two headline changes, a further reduction in employee and self-employed national insurance contributions and the abolition of the regime for non-domiciled individuals. In addition, there were a number of other changes, notably in relation to the taxation of residential properties.

NATIONAL INSURANCE

The government will introduce legislation to reduce the main rate of primary Class 1 National Insurance contributions by 2 percentage points from 10% to 8% from 6 April 2024. As a result of these changes the average worker on £35,400 will receive a tax cut of over £900 compared to last year.

For the self-employed, the government will introduce legislation to reduce the main rate of Class 4 National Insurance contributions from 8% to 6% from 6 April 2024. This is in addition to the previously announced reduction in the main rate of Class 4 National Insurance contributions from 9% to 8%. The further reduction in main rate of Class 4 National insurance contributions will provide the average self-employed individual on £28,000 with a saving of over £650 compared to last year, when combined with scrapping the requirement to pay Class 2 NIC, announced in the Autumn Statement.

PERSONAL TAX THRESHOLDS

Income tax rates (outside Scotland), personal allowance and basic and higher-rate threshold for income tax remain frozen until April 2028. The current level of personal allowance and higher-rate threshold is £12,570 and £50,270, respectively. The additional rate threshold was reduced from £150,000 to £125,140 from 6 April 2023.

CAPITAL GAINS TAX (CGT)

As previously announced, the annual exemption amount for CGT for individuals will reduce from £6,000 to £3,000 from April 2024.

The higher rate of CGT on residential property will be cut from 28% to 24% from April 2024. The lower rate on residential property will remain at 18%. The higher rate of 28% will continue to apply to carried interest gains. Rates of CGT for other assets remain unchanged at 10% and 20%.

REFORMS TO HICBC (HIGH INCOME CHILD BENEFIT CHARGE)

The income threshold at which HICBC starts to be charged will increase from £50,000 to £60,000 from 6 April 2024.

In addition, the rate at which the HICBC is charged will also be halved from 1% of the Child Benefit payment for every additional £100 earnt above the threshold, to 1% for every £200. This means that Child Benefit will not be withdrawn in full until individuals earn £80,000 or higher.

From April 2026 it is proposed that the HICBC will be applied on a household rather than the current individual basis, with the aim of reducing unfairness in the current system.

FURNISHED HOLIDAY LETTINGS (FHL)

To eliminate the tax advantages for landlords who let out short-term furnished holiday properties over those who let out residential properties to longer-term tenants, the FHL regime will be abolished with effect from April 2025.

Currently, landlords who use the FHL regime can deduct the full cost of their mortgage interest payments from their rental income, are entitled to capital allowances on the furniture, pay lower capital gains tax when they sell and are entitled to capital gains tax rollover relief.

UK ISA

To encourage investment in the UK the government has published a consultation on the new UK ISA. This will have a new ISA allowance of £5,000 of annual investment in UK equities tax-free, which is in addition to the existing annual ISA of £20,000.

The government will also introduce new British Savings Bonds offering savers a guaranteed rate for 3 years.

ABOLITION OF NON-DOM REGIME

From 6 April 2025, the government will abolish the remittance basis of taxation for non-UK domiciled individuals and replace it with a residence-based regime. Individuals who opt into the regime will not pay UK tax on foreign income and gains for the first four years of UK tax residence. However, under the new system, regardless of where an individual is domiciled, anyone who has been tax resident in the UK for more than four years will pay UK tax on foreign income and gains, as is the case for other UK tax residents.

Overseas Workday Relief (OWR) will be reformed with eligibility for the relief based on the new regime. OWR will continue to provide income tax relief for earnings from duties carried out overseas for the first three years of tax residence with restrictions on remitting these earnings removed.

The government has also announced an intention to move to a residence-based regime for Inheritance Tax (IHT), with plans to publish a policy consultation on these changes, followed by draft legislation, later in the year. The broad proposal, however, is that individuals who have been resident in the UK for 10 years will be subject to IHT on worldwide assets, and that there will be a 10-year tail after an individual ceases to be resident in the UK.

TRANSFER OF ASSETS ABROAD

On 21 November 2023, the Supreme Court handed down its decision in the *Fisher* case on the scope of the UK's "Transfer of Assets Abroad" ("TOAA") code. The Supreme Court's judgement held that a shareholder in a company (even a majority shareholder) will not be a "transferor" in relation to a transfer by the company, even if they are also the company directors who decide to make the transfer.

However, changes to the legislation will be introduced to reverse this decision, confirming that a transfer by a company will be caught by the TOAA legislation.

SDLT CHANGES

From 1 June 2024 Multiple Dwellings Relief (MDR) will be abolished. MDR is currently available to any purchaser buying two or more dwellings in a single transaction and allows the purchaser to calculate the tax based on the average value of the dwellings purchased, normally resulting in an SDLT saving. For contracts exchanged on or before 6 March 2024, MDR will continue to apply even where completion takes place on or after 1 June 2024.

The budget has removed public bodies from being within the scope of the higher 15% SDLT rate, and also amends out-of-date references and definitions regarding public subsidies to ensure that registered social landlords qualify for the exemption from SDLT.

Individuals buying a new residential property via a nominee or bare trust are now able to claim First-time Buyers' Relief on the purchase. The Spring Finance Bill will insert new legislation to define the 'purchaser' as the person or persons for whom the nominee or trustee is acting, rather than the nominee or trustee.

CORPORATION TAX CHANGES

There were no major changes to the corporation tax regime announced in the Spring Budget. A few small changes were announced, including the introduction of an Independent Film Tax Credit (IFTC) to help support those producing Independent Films. Films that meet the IFTC qualifying criteria will be eligible for a higher rate of expenditure credit on their qualifying expenditure, at a rate of 53%.

The government also announced that the Energy Profits Levy (EPL), which is a temporary 35% levy on profits arising from the production of oil and gas will be extended from 31 December 2025 to 31 March 2029.

Currently, assets acquired for leasing are not eligible for full expensing and this was made permanent in the Autumn Statement 2023. The Chancellor has announced that the government will keep the position for these assets under review and will publish draft legislation to allow full expensing at a future date when circumstances permit this extension.

VAT

Having held the VAT Registration Threshold at £85,000 since 2017, the Government announced that from 1 April 2024 the threshold will increase to £90,000. This means that the taxable turnover threshold which determines whether a person must be registered for VAT will be increased from £85,000 to £90,000. The deregistration thresholds have also increased, so that the taxable turnover threshold which determines whether a person may apply for deregistration will be increased from £83,000 to £88,000.

It was also announced that HMRC will have new powers to request claimants of the DIY Housebuilders Scheme to produce further documents, including invoices, as may reasonably be required. The DIY Housebuilders Scheme allows you to claim back VAT if you are building rather than buying a new house and the scheme has recently moved to an online submission system rather than a paper form.

ADMINISTRATIVE REFORMS

The government has announced further administrative reforms to make it easier for individuals and sole traders to meet their tax obligations. These include:

(a) Easing the payment of Inheritance Tax before probate or confirmation

From 1 April 2024, personal representatives of an estate will no longer need to have sought commercial loans to pay inheritance tax before applying to obtain a "grant on credit" from HMRC.

(b) Investment in HMRC digital services

The government is simplifying access to digital services for Self-Assessment taxpayers who want to pay in instalments in advance via a Budget Payment Plan, or in arrears via a Time to Pay Arrangement from September 2025.

Dixon Wilson
22 Chancery Lane
London
WC2A 1LS

T: +44 (0)20 7680 8100
F: +44 (0)20 7680 8101
DX: 51 LDE