Spring Budget Statement 2024

The Chancellor of the Exchequer, Jeremy Hunt, delivered his Budget 'for long term growth' to parliament on 6 March 2024. He promised to help families with permanent tax cuts and to boost economic growth. Likely to be the last Budget before the government calls a General Election, tax giveaways were widely expected but fell short of a general reduction in the basic rate of income tax.

The Scottish Parliament retains control over certain revenue raising measures and will set tax rates on certain types of income. Some of the following income tax measures may therefore not affect Scottish taxpayers.

Income tax rates and thresholds

For 2024-25 there will be no changes to income tax rates and thresholds as previously announced.

Income tax rates remain at 20%, 40% and 45% with the corresponding dividend tax rates set at 8.75%, 34.25% and 39.35%.

Property tax measures

Furnished holiday lettings (FHL)

From 6 April 2025 the favourable FHL tax regime will be abolished meaning that short-term and long-term lets will be treated the same for all tax purposes. Currently FHL's benefit from a range of tax reliefs including the ability to deduct finance costs in full in order to arrive at taxable profits, profits counting as relevant earnings for pension contribution purposes and the potential, in some circumstances, to achieve a 10% CGT rate on sale.

From the 2025-26 tax year, properties that currently qualify as FHLs will no longer benefit from these tax advantages.

From 6 March 2024 anti-avoidance rules will apply (in some circumstances) to prevent owners from entering into sale contracts before 6 April 2025 designed to secure favourable CGT treatment on a future sale.

Reduction in CGT rate for residential property disposals

From 6 April 2024 the higher CGT rate for disposals of residential property will reduce from 28% to 24%. To the extent that residential property gains fall within the basic rate band, the applicable tax rate will remain at 18%.

It is observed that from 6 April 2024, there will be five rates of CGT applicable in the UK being 10%, 18%, 20%, 24% and 28% depending upon the underlying source of the capital gain and the individual's marginal income tax rate.

Abolition of Stamp Duty Land Tax Multiple Dwellings Relief (MDR)

MDR is a bulk purchase relief from Stamp Duty Land Tax (SDLT) and is available to any purchaser buying two or more dwellings in a single transaction or linked transactions. MDR allows the purchaser to calculate their SDLT liability based upon the average value of the dwellings as opposed to their aggregate value.

Judged by the government to be inefficient in meeting its original policy objective; MDR will be abolished from 1 June 2024. Transitional rules will apply so that MDR may still be claimed for contracts exchanged on or before 6 March 2024 regardless of the completion date.

UK ISA

The Chancellor announced the creation of a new ISA product. The 'UK ISA' will be designed to provide tax free savings opportunities in UK focussed assets (such as quoted UK company shares) for investors. A consultation document has been launched but it is expected that the UK ISA will benefit from its own £5,000 annual savings allowance which will be in addition to the current ISA allowance of £20,000.

At present there is no confirmed launch date for this product as the government will await response to the consultation.

Changes to the High Income Child Benefit Charge (HICBC)

The income threshold above which entitlement to Child Benefit begins to be withdrawn will rise from £50,000 to £60,000 from 6 April 2024. In addition, Child Benefit will not be fully withdrawn until individuals have taxable income of £80,000 or more as compared to £60,000 currently. The HICBC is currently 1% of the Child Benefit payment for every £100 of income above £50,000. From 6 April 2024, the charge will be calculated at 1% for every £200 of income above £60,000.

The government intends to administer the HICBC on a household basis rather than on an individual basis from 6 April 2026 and will issue a consultation document about this shortly.

National Insurance (NIC) rates reduced

As announced shortly before the Budget, employee and self-employed rates of NIC will be cut further. The main rate of Class 1 employee NIC will reduce from 10% to 8% and the main rate of Class 4 NIC payable by the self-employed with reduce from 9% to 6%.

The measure will take effect from 6 April 2024.

Non-domiciled individuals (non-doms)

Seen by some as a highly complex and outdated part of the UK tax system, from 6 April 2025 the 'remittance basis of taxation' for UK resident non-doms will be abolished and replaced with a new and simpler system based upon UK tax residence as determined by the Statutory Residence Test.

Individuals who become UK tax resident will not pay UK tax on foreign income and gains during the first four tax years of UK tax residency, provided they have been non UK resident for the previous ten tax years. They will be free to bring these funds onshore without a UK tax charge. The rules will also apply to distributions from non-UK resident trusts received by settlors and beneficiaries in the UK in their first four years of residence in the UK.

Where a claim is made to take advantage of the new rules the individual will lose entitlement to a UK personal allowance and capital gains tax (CGT) annual exemption.

However, under the new regime, any individual who has been UK tax resident for more than four years will pay income tax and CGT on all of their foreign income and capital gains as these arise.

Existing trust protections for non-doms will also be abolished with income and capital gains arising from 6 April 2025 being charged on UK resident settlors (unless the new four year regime applies) with no further tax on any distributions made by the trustees. Pre 6 April 2025 accumulated income and gains will be taxable if matched to trust distributions which could either be on the settlor or beneficiaries.

Transitional rules will apply in 2025-26 to existing remittance basis users as they move to becoming liable to UK tax on their worldwide income and gains. For the 2025-26 tax year, only 50% of foreign income will be subject to UK tax. This 50% reduction will not apply to foreign capital gains, however there will be the option to rebase the value of capital assets to their 5 April 2019 values for those who are non-dom at 5 April 2025 and have claimed the remittance basis.

A two year period of 'repatriation' will allow foreign income and capital gains arising in the tax years up to and including 2024-25 to be remitted to the UK and taxed at a new 12% flat rate. From 2027-28 remittances of pre-2025 foreign income and gains will be taxed at normal income and CGT rates.

Inheritance tax (IHT)

The government announced that it intends to move from the current domicile-based system to a residence-based IHT system and will consult on this shortly. Although subject to consultation the policy documents indicate the government is considering charging IHT on worldwide assets after ten years of UK residence and for a person to remain in the scope of this IHT for ten years after leaving the UK.

The current IHT treatment applied to excluded property trusts will continue and it will still be possible for UK resident non-doms who are not deemed domiciled to set these up prior to 6 April 2025.

However, new trusts and additions to existing trusts made by a non-dom settlor on or after 6 April 2025 will be subject to the new UK residence-based rules.

Changes to Agricultural Property Relief (APR) and woodlands relief

Where the conditions are met, APR reduces the IHT due on agricultural land, buildings and woodlands where they are ancillary to agricultural activities. Woodlands relief provides a measure of IHT relief where the woodland does not otherwise qualify for APR (or IHT business property relief).

As previously announced, the government will restrict APR and woodlands relief for IHT purposes so that these reliefs only apply to agricultural property and woodlands situated in the UK and not in the EEA, Channel Islands or Isle of Man. The restriction will take effect from 6 April 2024.

Business tax measures

There have been no changes to the rates of corporation tax (CT) as previously announced. From 1 April 2024 the main CT rate is 25% and 19% where taxable profits do not exceed £50,000.

VAT registration threshold

From 1 April 2024, the VAT registration threshold will rise from its current, seven year level of £85,000 to £90,000. The de-registration threshold will increase from £83,000 to £88,000. These levels will remain frozen for the foreseeable future.

Full expensing extended to lessors

The government will soon publish draft legislation to extend the 'full expensing' regime (100% first year allowance for main rate plant and machinery and the 50% first year allowance for special rate plant and machinery) to assets provided for leasing. The exact timing of when the new rules will come into effect has not been announced but will be implemented when 'fiscal conditions allow'.

Support for the creative sectors

The Chancellor announced a package of support of over £1billion for the creative sector which will benefit UK independent film productions, theatres, museums and galleries.

A new UK Independent Film Tax Credit will be available to production companies that incur expenditure on low budget UK films employing UK talent. The credit will be set at 53% on films that, broadly, cost less than £15million to produce.

Theatres, orchestras, museums and galleries will be able to claim a 40% tax credit for non-touring productions and 45% for touring productions.

Energy Profits Levy (EPL)

The EPL is an additional tax that applies to UK companies involved in oil and gas production services. The EPL will be extended to 31 March 2029 but an early sunset clause will be introduced in the Spring Finance Bill that would terminate the EPL if oil and gas prices return to 'normal levels'.

Other tax measures

The government froze alcohol duty until 1 February 2025 and fuel duty will remain frozen at its current levels throughout 2024-25.

If you have questions about taxation, or our wealth planning services, please contact the Marketing team:

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