



WEEKLY BLOG COPY SERVICE

Weekly blog articles

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Impact of the Spring Budget 2024

We all knew that the Chancellor would have restricted options when considering the contents of his recent spring budget announcement on 6 March. But it seems he has the skills after all to “play tennis” with his arms tied behind his back...

Would there be a combination of tax cuts and public expenditure cuts, or would he go for broke and flex his fiscal rules to place the UK economy in a more expansive position?

Rather than relisting what he actually offered we have summarised below a few of the areas that will have the most impact on small businesses and individuals in the coming 2024-25 tax year.

Key dates

The VAT registration threshold is to increase to £90,000 from 1 April 2024, while the National Insurance reduction and increase in HICBC threshold take effect from 6 April 2024. The cut in the top rate of residential capital gains tax applies from the same date. The abolition of the Furnished Holiday Lettings (FHL) regime and the replacement of the remittance basis rules take effect from April 2025.

This note highlights some of the key changes.

Further National Insurance cuts

Following on from the National Insurance cuts announced at the time of the 2023 Autumn Statement, the Chancellor announced that the main primary Class 1 rate would fall to 8% from 6 April 2024. The rate was previously cut from 12% to 10% with effect from 6 January 2024. The further 2% cut will reduce the amount of Class 1 National Insurance payable by employees in 2024/25 by £754.

The self-employed are also to benefit from National Insurance cuts. At the time of the Autumn 2023 Statement, the Chancellor announced that the main Class 4 rate was to be cut from 9% to 8% from 6 April 2024. However, this is to be cut by a further 2% to 6% from 6 April 2024. This too will be worth up to £754 in 2024/25.

At the time of the 2023 Autumn Statement, the Chancellor announced that Class 2 National Insurance contributions are to be abolished from 6 April 2024. The Government are to consult later in the year on how this will be delivered.

Abolition of the FHL regime

Furnished holiday letting (FHLs) enjoy tax advantages which are not available to landlords letting residential property on long-term lets. These include the ability to deduct interest and finance costs in full when calculating the taxable profit and access to capital gains tax rollover relief and business asset disposal relief.

To address concerns as to the lack of residential property in tourist hot spots, the FHL regime is to be abolished from 6 April 2025. Draft legislation will be published for consultation. This will include anti-forestalling measures to prevent the use of unconditional contracts to secure capital gains tax relief under the existing FHL rules. The anti-forestalling measures will apply from 6 March 2024.

Reduction in top rate of capital gains tax on residential gains

Currently, chargeable gains on residential property are charged at a rate of 28% where income and gains exceed the basic rate band (set at £37,700). This is to fall to 24% from 6 April 2024. The lower residential rate will remain at 18% where chargeable gains on residential property fall within the basic rate band.

Where the conditions for business asset disposal relief were met, gains on the disposal of a FHL which were not rolled over were taxed at 10%.

Increase in the VAT registration threshold

The VAT registration threshold is to rise from £85,000 to £90,000 with effect from 1 April 2024. The VAT de-registration threshold will rise from £83,000 to £88,000 from the same date.

High Income Child Benefit Charge

The High Income Child Benefit Charge (HICBC) claws back child income where the claimant or their partner have adjusted net income of £50,000 or more. The charge is equal to 1% of the child benefit for the tax year for every £100 by which adjusted net income exceeds £50,000. Once income reaches £60,000, the charge is equal to the full amount of the child benefit for the year.

The thresholds are increased and the claw back rates are reduced from 6 April 2024.

For the 2024/25 tax year, the abatement threshold is increased from £50,000 to £60,000. Once adjusted net income exceeds £60,000, the HICBC is equal to 1% of child benefit paid for every £200 by which adjusted net income exceeds £60,000. Once adjusted net income reaches £80,000, the charge will be equal to the child benefit for the 2024/25 tax year.

The HICBC is a complicated charge with a number of anomalies. Currently, a couple where both partners have adjusted net income of £49,999 (total combined income of £99,998) are able to keep their child benefit in full, whereas a couple where one partner has no income and the other has income of £60,000 will effectively lose all their child benefit in the form of the HICBC. To address this, the HICBC will be based on household income from April 2026.

Abolition non-UK domicile tax regime

The remittance basis tax regime for non-UK domiciled individuals who are resident in the UK allows them to be taxed only on foreign source income and gains if they are remitted to the UK in return for paying a remittance basis charge. The charge depends on how many years they have been resident in the UK for tax purposes. Once a person has been resident for 15 of the previous 20 tax years, they are deemed to be UK-domiciled and taxed in the UK on all their worldwide income.

The remittance basis rules are to be abolished from April 2025 and replaced by a simpler residence-based regime. Individuals who opt into that regime will not pay any tax on foreign income for the first four years in which they are resident in the UK as long as they have not been resident for the last ten tax years. Transitional arrangements will apply.

Overseas Workday Relief (OWR) is also to be reformed and eligible employees will be able to claim it for the first three years of tax residency.

The Government are also to consult on moving to a residence-based regime for inheritance tax.

British ISA

The Government are to introduce a British ISA with a separate £5,000 limit in addition to the usual ISA limit of £20,000. They will consult on the details at a later date.

Duties

Fuel duty rates will remain frozen for a further 12 months until March 2025, while alcohol duty rates will remain frozen until 1 February 2025.

A new duty on vaping products is to be introduced and will apply from 1 October 2026. Rises in tobacco duty will take effect from the same date.

Air passenger duty for flights other than economy flights is to increase from 1 April 2025.

Please call if you need help with any of the issues raised in this alert.

Companies House introduces changes

As we have mentioned in previous posts, Companies House have been tasked with introducing a number of changes introduced by the Economic Crime and Corporate Transparency Act 2023 (ECCT Act), that came into force on Monday 4 March 2024.

Changes introduced 4th March include:

- greater powers to query information and request supporting evidence;
- stronger checks on company names;
- new rules for registered office addresses (all companies must have an appropriate address at all times - they will not be able to use a PO Box as their registered office address);
- a requirement for all companies to supply a registered email address;
- a requirement for subscribers to confirm they're forming a company for a lawful purpose when they incorporate, and for a company to confirm its intended future activities will be lawful on its confirmation statement;
- greater powers to tackle and remove factually inaccurate information; and
- the ability to share data with other government departments and law enforcement agencies.

New criminal offences and civil penalties will complement the measures introduced.

Companies House have confirmed that they will now be making their priority the cleansing of the register to remove details of those appointed without consent.

Companies House CEO Louise Smyth said:

"These new and enhanced powers are the most significant change for Companies House in our 180-year history.

"We've known for some time that criminals have misused UK companies to commit fraud, money laundering and other forms of economic crime.

"As we start to crack down on abuse of the register, we are prioritising cases where people's names and addresses have been used without their consent. It will now be much quicker and easier to report and remove personal information that has been misused."

As further changes mandated by the ECCT Act are introduced later this year we will post details on this blog.