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ACCOUNTANCY

Spring Statement 2024

With an election looming, Chancellor, Jeremy Hunt, delivered his Spring Budget on 6 March 2024, billing it as a 'Budget for growth'. As widely predicted there were further changes cuts to National Insurance, taking effect from the 2024/25 tax year. Other headline measures included the abolition of the furnished holiday lettings tax regime from April 2025, a reduction in the top rate of capital gains tax on residential property gains, reforms to the High Income Child Benefit rules, an increase in the VAT registration threshold and the replacement of the tax regime for 'non-doms' with a residence-based system from April 2025. However, there were no changes to the income tax thresholds, which remain frozen.

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 rate 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.

Freeports

The window for claiming tax reliefs available in Freeport special tax sites is increased from 5 years to ten years. This means that the sunset date for English Freeports will be 30 September 2031, while the sunset date for special tax sites in Scottish Green Freeports and Welsh Freeports will be 30 September 2034.

Abolition of SDLY multiple dwellings relief

Multiple Dwellings Relief is a stamp duty relief that applies where multiple dwellings are purchased together. The relief is to be abolished for contracts completed on or after 1 June 2024. Where contracts are exchanged before 6 March 2024, the relief will remain available regardless of when they complete.

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.