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CHARTERED ACCOUNTANTS & CHARTERED TAX ADVISERS

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SPRING BUDGET 2024

Chancellor Jeremy Hunt delivered his 'Budget for Long Term Growth' on Wednesday 6 March 2024. His speech promised 'more investment, more jobs, better public services and lower taxes'. We have set out below some of the major announcements from the Budget.

National Insurance Rates Cut Again

Following the Autumn Statement in 2023 the government cut the main rate of Class 1 employee NICs from 12% to 10% from 6 January 2024. The government has further cut the main rate of Class 1 employee NICs from 10% to 8% from 6 April 2024. According to the government, as a result of these reductions, the average worker on £35,400 will receive a cut in 2024/25 of over £900.

The self-employed generally have to pay two forms of NICs: Class 2 and Class 4. The government had previously announced that they will amend Class 2 NICs from 6 April 2024 so that self-employed individuals with profits above £6,725 will continue to get access to contributory benefits, including the State Pension, through a National Insurance credit, without paying NICs. Those with profits under £6,725 and others who pay Class 2 NICs voluntarily to get access to contributory benefits, will continue to be able to do so. Secondly, the government will cut the main rate of Class 4 self-employed NICs from 9% to 6% from 6 April 2024. According to the government, combined with the removal of the requirement to pay Class 2 NICs, this will save an average self-employed person earning £28,000 around £650 a year.

Furnished Holiday Lets Relief To Be Scrapped

Owners of furnished holiday lets will lose their entitlement to favourable income tax, capital gains tax and capital allowances, as the Furnished Holiday Lettings (FHL) scheme is abolished.

If you own a property that you rent out on a short term basis for holiday rentals, subject to certain qualifying conditions, you may benefit from the FHL regime. FHLs are broadly properties that are let furnished with each let being no more than 31 days, available to let for 210 days a year and actually let for at least 105 days. Eligible properties are taxed under special advantageous rules including:

- beneficial capital allowances;
- mortgage interest fully deductible from rental income; and
- capital gains tax reliefs which are not available to normal let properties.

The FHL tax regime will be abolished from April 2025. Draft legislation is to be published and will include anti-forestalling measures that will apply from 6 March 2024. The effect of abolishing the rules will be that short-term furnished holiday lets and longer-term residential lets are treated the same for tax purposes and individuals will no longer need to report the two income streams separately.

High Income Child Benefit Charge Threshold Increased

The threshold for earnings above which you have to pay back some or all of your child benefit will be increased from 6 April 2024. In addition, the government plans to administer the High Income Child Benefit Charge (HICBC) on a household rather than individual basis by April 2026, with a consultation in due course.

The HICBC is a tax charge that applies to higher earners who receive Child Benefit, or whose partner receives it. The government is increasing the income threshold at which HICBC starts to be charged from £50,000 to £60,000 from April 2024. The rate at which HICBC is charged will be halved from 1% of the Child Benefit payment for every additional £100 above the threshold to 1% for every £200. This means that Child Benefit will not be withdrawn in full until an individual has 'adjusted net income' of £80,000 or more.

Capital Gains Tax Higher Rate On Dwellings Reduced

The higher rate of Capital Gains Tax (CGT) for residential property disposals will be cut from 28% to 24% from 6 April 2024. The lower rate chargeable on such assets remains at 18%.

The CGT rates for other assets remains at 10%, to the extent that any income tax basic rate band is available, and 20% thereafter.

Other Announcements

- The remittance basis tax relief offered to non-UK domiciled individuals will be removed and replaced with a simpler residence-based regime from 6 April 2025. Individuals who opt into the new regime will not pay UK tax on any foreign income and gains arising in their first four years of tax residence, provided they have been non-tax resident for the last ten years. Anyone who has been tax resident in the UK for more than four years will pay UK tax on their foreign income and gains.
- After many years of having been frozen, the government will increase the VAT registration threshold from £85,000 to £90,000 and the deregistration threshold from £83,000 to £88,000, both with effect from 1 April 2024.
- The annual ISA limit is being increased from £20,000 to £25,000, but the additional £5,000 can only be invested in UK-focused assets. There is currently no timetable for when the new UK ISA will be available as the government is still consulting on the details. Also, from April 2024, UK savers can invest in new British Savings Bonds, delivered through National Savings and Investments.
- Multiple dwellings relief, which can significantly reduce the stamp duty land tax payable on the purchase of two or more properties in one transaction, is being abolished. This will broadly take effect from 1 June 2024, for purchasers of residential property in England and Northern Ireland, but subject to transitional rules.

Further details of the announcements made in the Budget and a summary of the tax rates and thresholds for the new 2024/25 tax year can be found in our Spring Budget 2024 publication, available on our website or from any of our offices.

The above is for general guidance only and no action should be taken without obtaining specific advice.

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