

## Bullimores' Notes and Commentary on the Chancellor's Spring Budget 6 March 2024



### Resisting the temptation to be exciting?

The Chancellor delivered his Budget on time and, even allowing for the obligatory barbs directed at the opposition and feigned surprise from all sides of the House, it was not the most exciting Budget Statement. We were left wondering what else had not made it past the first draft.

The tax increases and freezing of tax thresholds in the 2023 Budget Statement and new rules for non-domiciled individuals gave the Chancellor scope to reduce National Insurance for employees and the self-employed by 2%. Small owner managed businesses will not necessarily benefit from this since dividends do not attract National Insurance and they seem to have been overlooked once again, despite the Chancellor mentioning that he wanted to help small businesses. Pensioners will also feel aggrieved that none of the tax cuts will apply to them. The abolition of Class 2 National Insurance has been quietly kicked down the road, perhaps for someone else to deal with.

Those of us with enough grey hairs will remember the last significant NHS digital project which started in 2002 and was abandoned in 2011 when costs had risen out of proportion. The eventual net cost to the taxpayer was estimated at around £10 billion. Our NHS certainly needs digital investment but we would urge that this new project is carefully planned and that all stakeholders are fully engaged before huge sums of money are spent. Hopefully the notes from the last project and other failed projects (HS2 included) are available, either digitally or on paper!

An increase in the VAT threshold to £90,000 is long overdue. The threshold divides opinion, there are those that argue the threshold should be abolished completely to remove the cliff edge that stops expansion, and those that argue that the threshold should be much higher. A small raise in the threshold addresses neither opinion. The limits for cash accounting and the Flat Rate Scheme, designed for for small businesses, were not raised and this needs to be addressed if the objective remains to reduce bureaucracy.

There was a surprise for higher rate taxpayers who have an investment in residential property. In a rare announcement that was not leaked, the rate of Capital Gains Tax for higher rate taxpayers of 28% was cut to 24%. There was no cut for lower rate taxpayers for whom the rate remains at 18%.

The unfairness of the current tax system relating to the High Income Child Benefit Charge has been highlighted repeatedly and it has taken over 10 years for the Government to fully recognise this. In short, it is the earnings of one taxpayer that are looked at and not household income when assessing if child benefit is 'clawed back'. The earnings threshold increase to £60,000 is welcomed together with an extended sliding scale. We are naturally wary that some new mechanism to report total household income to HMRC in the future is being debated for which new investigative powers will be sought.

Those of us that watched the Budget broadcast live were impressed with the Deputy Speaker and the way she kept control. It really is a sad indictment on our political system that our politicians behave like children! Even the Prime Minister could not stop talking to his colleagues during the speech. Manners!

Now to find a touring theatre production that will let a group of accountants in...

*'Isn't it appropriate that the month of the tax begins with April Fool's Day and ends with cries of 'May Day!'*

*Rob Knauerhase*

*'I don't know if I can live on my income or not, the Government will not let me try it'*

*Bob Thaves*

## Income Tax and National Insurance Contributions

- 2% reduction in employee and self-employed National Insurance 6 April 2024.
- Higher Income Child Benefit threshold raised to £60,000 and tapered to £80,000 6 April 2024.
- Residence based tax regime to commence 6 April 2025 – complex transitional rules relating to domicile. Wide ranging reform removing the remittance basis and establishing a 4-year residence rule.
- Abolish furnished holiday lettings regime 6 April 2025 (the change in status may have consequences for other taxes).
- Class 2 National Insurance to still exist until further notice.

## Pensions and Savings

- UK ISA to be launched shortly for up to £5,000 in addition to the current ISA limits.
- British Savings Bonds to be launched through NS&I in April 2024 to guarantee a savings rate for 3 years.
- Pensions regulator and FCA to be involved in monitoring and regulating the Value for Money Pensions Framework and measure performance.
- Defined contribution pension funds to be required to publicly disclose the breakdown of assets allocations including UK equities. FCA to consult in Spring 2024.

## Inheritance Tax

- A residence based tax regime to be further consulted on for IHT.
- No requirement for personal representatives to have sought a commercial loan before confirming a Grant on Credit from 1 April 2024.
- Extension to Agricultural Property Relief to land managed under an environmental agreement with an approved body 1 April 2025.

**Interest rate rises mean tax may be payable on interest received -  
make use of your ISA allowance for 2023/2024**

## Capital Gains Tax

- CGT higher rate for residential property disposals cut from 28% to 24% 6 April 2024.

## Business Taxes

- Expert advisory panel to be established by HMRC to support the administration of R&D reliefs.
- New guidance on tax deductibility of training costs for sole traders and the self-employed.
- Energy profits levy to be extended by a further year to 2028/2029 unless prices fall significantly.
- Legislation to be drafted for full expensing of assets for leasing.
- UK Independent Film Tax Credit at a rate of 53% for films with a budget under £15m.
- 40% relief on gross business rates for eligible film studios in England until 2034.
- Theatres, museums and galleries tax relief made permanent. 40% for non-touring productions and 45% for touring productions and orchestras 1 April 2025.
- Companies with over £10.2m revenue that are regulated for anti-money laundering purposes to pay a levy starting at £10,000 per annum and rising to £500,000 depending on turnover (previous maximum £250,000).

## Anti-avoidance

- Consultation on the mandatory registration of tax agents with HMRC to improve quality.
- Umbrella company non-compliance to be targeted – guidance issued to workers and businesses in Summer 2024.
- Targeted legislation to ensure individuals cannot use companies to avoid the Transfer of Assets Abroad, provisions apply to income arising to a person abroad from 6 April 2024.

## VAT

- VAT threshold £90,000 from 1 April 2024.

## **Duties and Cars**

- No rise in fuel duty for an additional 12 months.
- Vaping duty to be introduced in October 2026. Tobacco duty to rise at the same time.
- Alcohol duty frozen until 1 February 2025 (2p less duty on a pint of beer, 10p on a bottle of wine).
- Air Passenger Duty on non-economy passengers to be amended.

**Companies are now required to have a registered email address with Companies House and to confirm that they have been formed for a legal purpose. This is provided with the next confirmation statement.**

## **Stamp Duties and SDLT**

- Multiple Dwellings Relief abolished 1 June 2024.
- First Time Buyers' Relief extended to individuals buying a leasehold property through a nominee or bare trustee.

## **Business Rates**

- Empty Property Relief reset period extended to 13 weeks in England 1 April 2024.

## **Further issues/announcements**

- Recovery Loan Scheme extended to March 2026 and renamed 'Growth Guarantee Scheme', offering Government backing of 70% on loans to SMEs.
- Government to fully exit NatWest shareholding when the market conditions are right.
- New enterprise zones established.

## **New consultations/reviews and discussions**

- Consultation on administering Higher Income Child Benefit Charge on a household rather than an individual basis by April 2026.
- Consultation on permitted development rights published February 2024.
- Consultation on an accelerated planning service for major commercial applications.
- Taskforce to explore alternative dispute resolution for disputes on compensation between landowners and electricity network operators.
- The removal of tax-free shopping in the UK for non-residents to be reconsidered by Government.
- A reporting framework for Crypto Assets to be established by 2027.
- A new market to be consulted on for private companies to scale and grow and sell shares to investors Private Intermittent Securities and Capital Exchange System (PISCES).

**Devolution for Surrey! - Surrey has signed a county deal arrangement that will devolve the adult education budget and courses for jobs, the integration of local enterprise partnerships, new land assembly and compulsory purchase power and oversight for delivery of the shared prosperity fund.**

## **Tax Administration**

- New metrics to measure the performance of HMRC in simplifying the tax system (including phone services – we can respond to this now if they like!).
- Simplified digital access to pay instalments in advance for self-assessment and for Time to Pay arrangements.
- 18 April 2024 a package of tax administration measures to be announced 'Tax Administration and Maintenance Day' (this sounds thrilling and we await our invitation).

**RATES 2023/24 and 2024/2025**

<b>INCOME TAX RATES</b>	<b>2023/2024</b>	<b>2024/2025</b>
Basic rate – 20%	£37,700	£37,700
Higher rate – 40%	£125,140	£125,140
Additional rate – 45%	over £125,140	over £125,140
Savings income rate - 0% starting rate	£5,000	£5,000
Dividends ordinary rate 8.75%; upper rate 33.75%; additional rate 39.35%		

<b>PERSONAL ALLOWANCES</b>	<b>2023/2024</b>	<b>2024/2025</b>
Allowances that reduce taxable income		
Personal allowance *	£12,570	£12,570
Transferable marriage allowance for non-higher rate taxpayers	£1,260	£1,260
Dividend allowance	£1,000	£500
Personal savings allowance for basic rate taxpayers	£1,000	£1,000
Personal savings allowance for higher rate taxpayers	£500	£500
* Personal allowance gradually withdrawn for all individuals when income exceeds £100,000		

<b>2024/2025 NATIONAL INSURANCE CONTRIBUTIONS</b>		
<b>Class 1* (not contracted out)</b>		
	<b>Employer</b>	<b>Employee</b>
Weekly earnings bands for employers		
• up to £175	Nil	
• over £175	13.8%	
Weekly earnings bands for employees		
• up to £242		Nil
• £242 - £967		8%
• over £967		2%
• payable until reaching State Pension age		
Class 1A	On relevant benefits	13.8%
Class 2*	Self employed	£3.45 per week
	Limit of net earnings for exception	£6,725 per annum
Class 3	Voluntary	£17.45 per week
Class 4*	Self employed on profits £12,570 - £50,270	6%
	Self employed on profits over £50,270	2%
* Exemption tax the year after reaching retirement age.		

<b>CAPITAL TAXES</b>	<b>2023/2024</b>	<b>2024/2025</b>
Capital gains tax annual exemption	£6,000	£3,000
Capital gains tax rate - basic rate taxpayer	10%	10%
Capital gains tax rate - higher rate taxpayer	20%	20%
Capital gains tax for residential property (that does not qualify for private residence relief) – basic rate taxpayer	18%	18%
Capital gains tax for residential property (that does not qualify for private residence relief) – higher rate taxpayer	28%	24%
Rate on gains subject to business asset disposal relief	10%	10%
Business asset disposal relief lifetime limit of gains	£1,000,000	£1,000,000
Inheritance tax nil rate band	£325,000	£325,000
Married couples and civil partners - max	£650,000	£650,000
Residence nil rate band limit	£175,000	£175,000
Taper threshold for residence nil rate band	£2,000,000	£2,000,000

**RATES 2023/24 and 2024/2025**

<b>VALUE ADDED TAX</b>	<b>From 1 April 2023</b>	<b>1 April 2024</b>
Registration threshold	£85,000	£90,000
De-registration threshold	£83,000	£88,000

<b>CORPORATION TAX</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Main rate	25%	25%	25%
Small profits rates (Lower threshold £50,000; Upper threshold £250,000)	19%	19%	19%

**COMPANY CARS**

- P11d Benefits**
- Table of taxable percentage of the list price for 2023/2024.
  - Diesel supplement of 4% to petrol percentages below to a maximum of 37% (no supplement if RD2E standard met)

<u>CO<sub>2</sub> in g/km</u>	<u>Electric mileage range</u>	<u>%</u>	<u>CO<sub>2</sub> in g/km</u>	<u>Electric mileage range</u>	<u>%</u>
Zero	-	2	95 to 99	-	24
1 to 50	130 and above	2	100 to 104	-	25
1 to 50	70 to 129	5	105 to 109	-	26
1 to 50	40 to 69	8	110 to 114	-	27
1 to 50	30 to 39	12	115 to 119	-	28
1 to 50	less than 30	14	120 to 124	-	29
51 to 54	-	15	125 to 129	-	30
55 to 59	-	16	130 to 134	-	31
60 to 64	-	17	135 to 139	-	32
65 to 69	-	18	140 to 144	-	33
70 to 74	-	19	145 to 149	-	34
75 to 79	-	20	150 to 154	-	35
80 to 84	-	21	155 to 159	-	36
85 to 89	-	22	160 and over	-	37
90 to 94	-	23			

The exact CO<sub>2</sub> figure is always rounded down to the nearest 5 grams per kilometre. For example, CO<sub>2</sub> emissions of 188g/km are treated as 185g/km.

**2023/2024 EMPLOYER PROVIDING FUEL FOR PRIVATE USE**

**Free fuel for private use – multiplier is £27,800**

**COMPANY VANS**

The taxable benefit for company vans with no restrictions on private use is £3,960, with no reduction for older vans. Electric vans reduce the benefit. There is an additional £757 taxable benefit for fuel for private mileage.

*This Report was prepared immediately after the Chancellor's Spring Budget based on official press releases and supporting documentation. The Budget proposals are subject to amendment before the Finance Act receives Royal Assent. This Report is for guidance only, and professional advice should be obtained before acting on any information contained herein.*