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2024 Spring Budget

Your guide to the Budget

Your guide to the 2024 Spring Budget

How will the changes affect you?

Introduction

With the next General Election fast approaching, the Chancellor of the Exchequer, Jeremy Hunt came to Parliament to deliver his Spring Budget.

Pre-Budget rumours hinted of tax giveaways balanced against warnings not to cut spending. Despite the warnings the Chancellor said he was sticking to the plan.

Here are some of the main announcements from the UK Spring Budget.

Personal Tax

It is worth noting the Scottish Parliament has had the power for a number of years to vary the tax rates and thresholds of Non-Savings, Non-Dividend income for Scottish taxpayers. The differential between Scotland and the rest of the UK in this respect has grown quite significantly.

Like Scotland, the National Assembly of Wales can vary the tax rates in respect of Welsh resident taxpayers as regards Non-Savings and Non-Dividend income. However, to date they have continued to set income tax rates in line with that announced by the UK Government.

The Income Tax Personal Allowance and all other elements of the Income Tax system remain part of the Chancellor's responsibility.

The Personal Tax Allowance is currently set at £12,570, and will remain at this level until 2028. The Basic Rate Tax Band, is presently set at £37,700 until April 2028. Personal allowances will be reduced by £1 for every £2 a person's income exceeds £100,000.

Band	Taxable income	2024/25
Allowance	£0 to £12,570	0%
Basic rate	£12,571 to £50,270	20%
Higher rate	£50,271 to £125,140	40%
Additional rate	Over £125,140	45%

UK Income Tax Rates 2024/25 (except Scotland)

Scottish Tax Rate Bands

On 19 December 2023, the Scottish Parliament announced the tax rates and thresholds for Scottish Taxpayers for the tax year starting 6 April 2024.

Band	Taxable income	2024/25
Allowance	£0 to £12,570	0%
Starter rate	£12,571 to £14,876	19%
Basic rate	£14,877 to £26,561	20%
Intermediate rate	£26,562 to £43,662	21%
Higher rate	£43,663 to £75,000	42%
Advanced rate	£75,001 to £125,140	45%
Top rate	Over £125,140	48%

Scottish tax rates 2024/25 for non-savings, non dividend income

The Welsh income tax rates will mirror the rest of UK for 2024/25.

Tax tip

With the 2% cut in national insurance rates from April 2024, consider whether it is advantageous delaying paying a bonus until after 5 April 2024. However, if you are a Scottish resident taxpayer, despite the national insurance cut, you may be better off paying the bonus prior to 6 April 2024 as the Scottish income tax rates and rate bands for earned income are changing from that date.

National Insurance

The Budget included a further 2% reduction in some National Insurance rates on top of the reductions already announced in the 2023 Autumn Statement. From 6 April 2024, Employees National Insurance will fall to 8% and Class 4 contributions for self-employed will become 6%.

The National Insurance thresholds will remain the same. The annual National Insurance (NI) threshold for an individual where they start to pay National Insurance Contributions (NIC) on their earned income will remain at £12,570 (£1,048 per month).

Tax tip

It is worth reviewing your NIC records at least every 5 years, whilst it is fresh in your memory, to ensure they are correct and up to date. National Insurance contributions protect your rights to certain state benefits and contribute towards your state pension. We are happy to assist you with this review.

The point at which the National Insurance rate drops to 2%, known as the Upper Earnings Limit, will remain at £50,270. The Employer's annual National Insurance threshold will be £9,100 (£758 per month).

Tax tip

A Financial Benefit Award Scheme can enable an employer to pay out up to £5,000 to an employee tax and National Insurance free if a suggestion is adopted in the belief that it will result in an improvement in efficiency or effectiveness, which may create a financial benefit for the business.

As previously announced from 6 April 2024 the self-employed will not be required to pay Class 2 National Insurance Contributions, but will continue to receive access to contributory benefits, including the State Pension.

National Insurance (NI)	2023/24	2024/25
Class 1 NI employees – earnings between £12,570 - £50,270	12% / 10%*	8%
Class 1 NI employees – earnings in excess of £50,270	2%	2%
Class 1 NI employers – earnings in excess of £9,100	13.8%	13.8%
Class 1A Benefits in kind	13.8%	13.8%
Class 1B NI PAYE settlement agreements	13.8%	13.8%
Class 4 NI self-employed – Profits between £12,570 - £50,270	9%	6%
Class 4 NI self-employed earnings in excess of £50,270	2%	2%

** Class 1 Employees NIC reduced to 10% from 6 January 2024.*

Dividend Rate Bands

As already announced, from 6 April 2024 the zero rate of tax limit will fall from the current £1,000 to £500.

There will be no change to the dividend tax rates.

Band	2023/24	2024/25
Dividend ordinary rate	8.75%	8.75%
Dividend upper rate	33.75%	33.75%
Dividend additional rate	39.35%	39.35%

Dividend tax rates

Tax tip

Given the changes in limits and rates, care is needed when considering whether to receive a bonus or dividend from your company and when to pay it. It can be worth calculating the figures as getting it wrong could cost in unnecessary tax. The calculations are even more complicated for individuals resident in Scotland.

Care is needed to ensure the correct paperwork is in place and any dividends are valid.

Tax tip

With the dividend zero rate threshold falling from £1,000 (2023/24) to £500 (2024/25), is it worthwhile transferring some shares to a spouse or civil partner to maximise the benefit?

Tax tip

if you are an employer carry out a regular review to ensure that you are adhering to the NMW Regulations. Failure to comply, can result in a penalty of up to 200% of the liability due and any underpayment of wages can go back up to 6 years using the current NMW rates. Please contact us if you require assistance.

National Minimum Wage

The National Minimum Wage (NMW) and the National Living Wage (NLW) rates will increase from 1 April 2024.

	currently	from 1-4-24
NLW - Worker 23+	£10.42	£11.44
NMW - Worker 21 - 22	£10.18	£11.44
NMW - Worker 18 - 20	£7.49	£8.60
NMW - Worker under 18	£5.28	£6.40
NMW - Apprentice	£5.28	£6.40

Wage rates from 1 April

Pensions

The annual pension allowance, which impacts on how much individuals can contribute to their pension schemes will remain at £60,000 for 2024/25.

The Money Purchase Annual Allowance and Tapered Annual Allowance will remain at £10,000 from 6 April 2024. In addition the Tapered Annual Allowance will remain at £260,000.

Tax tip

It is worth having an annual pension review, to ensure you maximise the use of all the pension allowances which may be available to you and to do so in the most tax efficient way. We are happy to carry out this review for you.

From 6 April 2024, in the event of a pension member dying under the age of 75, any lump sum tax free limit not utilised by the deceased will remain tax free in the hands of qualifying beneficiaries. Any excess above that limit will be taxed at the beneficiaries marginal rate of tax.

The pension tax free lump sum percentage will remain at 25% of the pension value up to a maximum of £268,275.

Tax tip

If you are a member of a UK registered pension scheme and are thinking of leaving the UK, you may want to consider topping up your pension scheme in the tax year in which you leave the UK in order to maximise your UK tax relief and enhance your pension provision. This should be done in conjunction with your accountant and a suitably qualified IFA.

State Pension

Under the triple lock, the State Pension will rise in line with the highest of average earnings, inflation or 2.5%. The Government have announced an increase to the State Pension of 8.5% from April 2024 based upon the September 2023 figures.

Tax tip

Consider making voluntary national insurance contributions to fill gap years in your state pension history. Up until 5 April 2025 you can go as far back as April 2006. Each year would cost you just over £824. After that date you can only go back 6 tax years. The cost for each year would then be based upon the voluntary Class 3 national insurance rate applicable for that current year. Each additional year could result in an extra £325 state pension (based upon 2024/25 figures) on an annual basis.

Capital Gains Tax

From 6 April 2024 the top rate of Capital Gains Tax on the disposal of residential property will reduce from 28% to 24%. The basic rate band will remain at 18% and there are no other changes to the Capital Gains Tax rates.

	Residential property	Other assets
Individuals	18% / 24%	10% / 20%
Personal representative	24%	20%
Certain trusts	24%	10% / 20%

UK Capital Gains Tax rates for 2024/25

Tax tip

If you are about to sell a UK residential property, which could trigger a taxable gain it may be worth delaying the exchange of contracts until after 5 April 2024 to save up to 4% tax or bring forward the exchange to take advantage of the higher annual exemption in the current tax year. The right option will very much depend upon your circumstances and the figures.

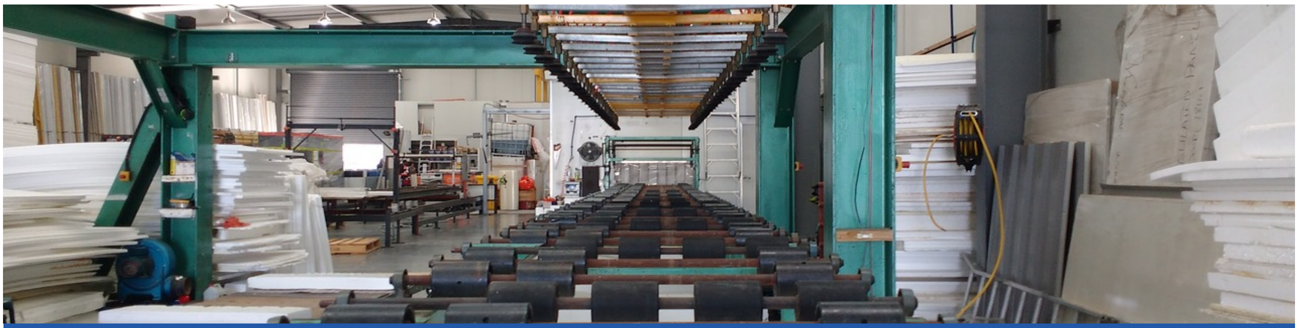
As previously announced the annual exempt amount available is reducing from 6 April 2024 to £3,000 per annum. This is the tax free allowance available against taxable gains.

Tax year	Individuals	Trustees
2023/24	£6,000	£3,000
2024/25	£3,000	£1,500

UK Capital Gains Tax Annual Exemption

Tax tip

Before you sell an asset, such as shares or property, please speak to us. There may be planning opportunities prior to the sale to reduce the potential capital gains tax.



Company Taxation

There were no new announcements for corporation tax. From 1st April 2024, the Corporation Tax main rate for non-ring fenced profits will remain at 25% for profits over £250,000.

The small profits rate (SPR) will continue at 19% for companies with profits of £50,000 or less. The small profits rate will not apply to close investment-holding companies.

Tax tip

Does your company have cash reserves which are not required for working capital? Consider paying your corporation tax early as the interest return on early payments is competitive.

Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective Corporation Tax rate.

If the total profits are below £250,000, the effective rate for profits between these limits is called 'Marginal Rate' and shown below.

Company tax rates for non-ring fenced profits

	From 1-4-23	From 1-4-24
Main rate (Profits over £250,000)	25%	25%
Small profits rate (Profits under £50,000)	19%	19%
Marginal rate* (On profits between £50,000 & £250,000)	26.5%	26.5%

**Profits below £50K effectively taxed at small profits rate*

Research and Development (R&D)

For accounting periods beginning on or after 1 April 2024 the research and development tax relief scheme for small and medium-sized companies (SME) and the research and development expenditure credit (RDEC) used by large companies will merge.

The SME rules restricting relief where part of the project expenditure has been subsidised have been removed.

Loss-making companies claiming the existing SME tax relief will be eligible for a higher payable credit rate of 14.5% if they meet the definition for R&D intensity. The intensity threshold will be 30%.

There will be a one-year grace period that allows a company which fails to meet the intensity threshold, for example due to a one-off shock or small fluctuations in expenditure (for companies close to the threshold), to continue claiming the enhanced support in that year if it met the intensity threshold and successfully claimed enhanced support in the previous year.

Construction Industry Scheme

From 6 April 2024, subcontractors will have to demonstrate compliance with VAT obligations to be granted and keep gross payment status.

HMRC will be able to immediately cancel gross payment status to include cases where they have reasonable grounds to suspect fraud involving VAT, Corporation Tax, Income Tax and Pay As You Earn.

Capital Allowances

For qualifying expenditure incurred on or after 1st April 2023 companies can claim a 100% first year allowance for main rate expenditure (known as Full Expensing) and 50% first year allowance for special rate expenditure. These allowances are only available to companies. Draft legislation will be published, along with a consultation to consider any potential extension to include plant and machinery for leasing at a future date.

The 100% Annual Investment Allowance deduction for expenditure incurred of up to £1 million in purchasing plant & machinery will continue as it is indefinitely.

VAT

The taxable turnover threshold for determining whether a person must register for VAT will increase from £85,000 to £90,000 from 1 April 2024 and the point at which a person can apply to deregister will rise from £83,000 to £88,000.

Following digitisation of the DIY Housebuilders Scheme, HMRC will be given additional powers to request further evidential documentation in relation to a DIY house builder's claim.

This will assist the Commissioners in validating claims and carrying out compliance checks.

The power will come into force on the date of Royal Assent and will apply to claims made on or after the day the provisions come into force.

Tax tip

If you are a partially exempt business for VAT purpose, you normally cannot claim the VAT input tax on costs attributable to any VAT exempt supplies that you make. However, if the total value of your exempt input tax is not more than £625 per month on average and it represents no more than 50% of your total VAT input tax then this can be recovered.

Tax tip

When first registering for VAT, you are able to claim input VAT on goods purchased in the 4 year period before registration where those goods have been used in the business and are still owned on the first date of registration. This includes both stock and assets. In addition you are able to claim input VAT on services purchased in the previous 6 months for business purposes, unless already recharged to a customer prior to registration.

Annual Tax on Enveloped Dwellings (ATED)

The ATED charge, for those property companies liable to pay the charge, increases by 6.7% from 1 April 2024 in line with the September 2023 CPI.

Property value	2023/24	2024/25
£500,001 to £1M	£4,150	£4,400
£1,000,001 to £2M	£8,450	£9,000
£2,000,001 to £5M	£28,650	£30,550
£5,000,001 to £10M	£67,050	£71,500
£10,000,001 to £20M	£134,550	£143,550
Over £20M	£269,450	£287,500

Tax tip

Do you own or have an interest in residential property through a corporate vehicle? Was the value of the property, as at 1 April 2022, worth more than £500,000 or did you acquire it after that date for more than that amount? Even if you rent the property out on a commercial basis, you still need to complete an ATED return within 30 days of acquiring the property.

If a corporate has constructed a new build or converted an existing property into a dwelling then it has 90 days from the completion date or the date it is first occupied if earlier to complete the ATED return. An ATED return should then be completed by 30th April each year otherwise penalty charges of up to £1,600 per property could arise.

Furnished Holiday Lettings

The beneficial Furnished Holiday let tax regime will be abolished from April 2025. The regime currently provides a number of tax advantages for landlords who let out short term furnished holiday properties over those who let out residential properties to longer-term tenants.

Draft legislation will be published in due course and will include an anti-forestalling rule. This will prevent the obtaining of a tax advantage through the use of unconditional contracts to obtain capital gains relief under the more generous furnished holiday let rules. This rule will apply from 6 March 2024.

Tax tip

Depending upon what is in the legislation, this could result in a large increase in your overall tax liability. It would make sense, at some point pre April 2025, to carry out a rental property review to look at legitimate ways to either mitigate the tax bill or increase the net rental yield.

High Income Child Benefit Charge (HICBC)

The individual's High Income Child Benefit Charge (HICBC) adjusted net income threshold will increase from £50,000 to £60,000, from 6 April 2024.

For individuals with income between £60,000 and £80,000, the rate at which HICBC is charged is halved, and will equal one per cent for every £200 of income that is more than £60,000.

New claims to Child Benefit are historically automatically backdated by three months, or to the child's date of birth (whichever is later).

Tax tip

If you have a child under the age of 12 and register for child benefit you will automatically receive a parent's state pension credit for each year. If you have a family member who helps you with childcare support whilst you are at work and has a gap in their own national insurance records, you may be able to elect to transfer your state pension credit to them.

However, for Child Benefit claims made after 6 April 2024, backdated payments will be treated for HICBC purposes as if the entitlement fell in the 2024/25 tax year if the backdating would otherwise create a HICBC liability in the 2023/24 tax year.

A consultation will take place to introduce legislation from April 2026 to base the HICBC on household income as opposed to an individual's income in order to make the system fairer.

Non-Dom Tax status

From 6 April 2025, the current remittance basis of taxation will be abolished for UK resident non-domiciled individuals.

This will be replaced with a new 4-year foreign income and gains (FIG) regime for individuals who become UK tax resident after a period of 10 tax years of non-UK residence.

Qualifying individuals will not pay tax on FIG arising in the first 4 tax years after becoming UK tax resident and will be able to bring these funds to the UK free from any additional charges.

They will not pay tax on non-resident trust distributions either.

Tax tip

Where you are in receipt of income or gains from overseas, Tax Treaties between the UK and that particular country may mitigate or wipe out the potential UK tax liability arising on it. In some cases where either the treaty does not cover that particular source of income or gains or the UK does not have a tax treaty with that country, you may be able to claim unilateral relief to mitigate your UK tax liability.

Some UK tax treaties, such as with India and Pakistan can potentially even mitigate a deceased's estate UK inheritance tax position.

Individuals, who on 6 April 2025, have been tax resident in the UK for less than 4 years (after 10 years of non-UK tax residence) will be able to use this new regime for any tax year of UK residence in the remainder of those 4 years.

Claims to use the new 4-year FIG regime are to be made for each year to which it is to apply.

Individuals need not make a claim for every year of the 4-year period.

If an individual leaves the UK temporarily during the 4-year period they will be able to make a claim under the 4-year FIG regime for any of the qualifying tax years remaining on their return to the UK.

If an individual chooses to be taxed under the new 4-year FIG regime, they will lose entitlement to personal allowances and the capital gains tax annual exempt amount.

Overseas Workday Relief (OWR) for the first 3 tax years of UK residence will be retained and simplified.

From 6 April 2025 eligibility for OWR will be based on an employee's residence and whether they opt to use the new 4-year FIG regime.

From 6 April 2025, the protection from taxation on future income and gains as it arises within trust structures (whenever established) will be removed for all current non-domiciled and deemed domiciled individuals who do not qualify for the new 4-year FIG regime.

FIG arising in non-resident trust structures from 6 April 2025 will be taxed on the settlor or transferor (if they have been UK resident for more than 4 tax years) on the arising basis.

Individuals who move from the remittance basis to the arising basis on 6 April 2025 and are not eligible for the new 4-year FIG regime will, for 2025-2026 only, pay tax on 50% of their foreign income.

From 6 April 2025, an individual who is not, or who later ceases to be, eligible for the new 4-year FIG regime will be taxed on foreign gains in the normal way.

Transitionally, individuals who have claimed the remittance basis will, on a disposal of an asset held personally at 5 April 2019, be able to elect to rebase that asset to its value as at that date.

From 6 April 2025, individuals who have been taxed on the remittance basis will be able to elect to pay tax at a reduced rate of 12% on remittances of pre-6 April 2025 FIG under a new Temporary Repatriation Facility (TRF) which will be available for tax years 2025-26 and 2026-27.

TRF will not apply to pre-6 April 2025 FIG generated within trusts and trust structures.

Tax tip

It can be worth organising investments and assets between couples to minimise annual income tax bills. Both spouses are entitled to the same allowances and tax bands. You may wish to ensure assets or investments generating income are held by the spouse with the lower rate of marginal tax. Care is required to avoid the pitfalls and traps on re-organising.

Individual Savings Account (ISA)

The government will introduce a new UK ISA with its own allowance of £5,000 a year. This will be on top of the existing ISA allowance of £20,000.

They will consult on the details at a later date.

The government is also committed to ensuring people have the opportunity to invest in a diverse range of investment types through their ISAs.

They are working to bring forward legislation by the end of the summer following detailed engagement with industry and the Financial Conduct Authority (FCA).

Stamp Duty Land Tax (SDLT)

The SDLT residential rates and thresholds will remain as they are until 31st March 2025 inclusive.

Property/Lease premium/Transfer value	SDLT rate
Up to £250,000	Zero
£250,001 to £925,000	5%
£925,001 to £1,500,000	10%
Above £1,500,000	12%

England & Northern Ireland SDLT residential rate

Multiple Dwellings Relief (MDR) will be abolished from 1 June 2024.

Multiple Dwellings Relief is available to any purchaser buying 2 or more dwellings in England and Northern Ireland, in a single transaction, or linked transactions, and allows the purchaser to calculate the tax based on the average value of the dwellings purchased as opposed to their aggregate value.

Purchasers who exchanged contracts on or before 6 March 2024 remain eligible for MDR regardless of when the transaction completes, provided there is no variation of the contract after that date.

MDR will also continue to apply to contracts which substantially perform before 1 June 2024.

For transactions which are linked and include the purchase of dwellings both before and after the change, those pre and post change transactions will be treated as unlinked for the purposes of MDR.

First time buyers purchasing a new residential lease in England and Northern Ireland via a nominee or bare trust will, for completions on or after 6th March 2024, be able to claim SDLT Tax First-time Buyers' Relief.

The SDLT surcharge on acquiring an interest, in excess of £40,000, in a second residential property remains at 3%.

The Devolved Parliaments of Wales and Scotland set their own land transaction tax rates.

Property (freehold/leasehold) value	LTT rate
Up to £225,000	Zero
£225,001 to £400,000	6%
£400,001 to £750,000	7.5%
£750,001 to £1,500,000	10%
Above £1,500,000	12%

Wales residential Land Transaction Tax (LTT) rate

Property purchase value	LBTT rate
Up to £145,000	Zero
£145,001 to £250,000	2%
£250,001 to £325,000	5%
£325,001 to £750,000	10%
Above £750,000	12%

Scotland residential Land & Building Transaction Tax (LBTT) rate

Tobacco & vaping duty

The government announced that it would introduce a new Vaping Products Duty from October 2026. A consultation will be held to set out the proposals for how the duty will be designed and implemented.

The duty will take effect from 1 October 2026 alongside a proportionate increase in tobacco duties.

The vaping duty will apply to liquids for use in vaping devices and e-cigarettes at the following rates:

a) £1 per 10ml for nicotine free liquids.

b) £2 per 10ml for liquid containing nicotine at concentrations between 0.1 to 10.9mg per ml.

c) £3 per 10ml for liquids containing nicotine at concentrations 11mg per ml or above.

Alcohol duty

Alcohol duty will remain frozen until 1 February 2025.

The Alcohol Duty Stamp Scheme that applies to many retail containers for spirits, wine and other fermented products will be wound down in due course.

Draft legislation will be published later in 2024 for an orderly wind-down of the Scheme.

Inheritance Tax

The current 40% Inheritance Tax rate, the £325,000 Nil Rate Band and the £175,000 Residence Nile Rate Band (RNRB) will remain in place until April 2028.

Agricultural property relief is a relief from IHT available on the agricultural value of land and other property that is owned and occupied for the purposes of agriculture.

To ensure compatibility with EU law, action was taken in Finance Act 2009 to expand the scope of agricultural property relief and woodlands relief to property located in the EEA.

As a result of the UK leaving the EU, with effect from 6th April 2024, this legislation will be reversed.

Tax tip

Did the deceased gift an asset away within 7 years prior to death but the value of it was lower at the time of death? Normally the market value at the date of the gift comes back into the deceased's estate for inheritance tax purposes. However if the value was less at the time of death you can make a loss relief claim and use that value instead to mitigate the inheritance tax burden.

Cultural Reliefs

From 1 April 2025, the rates of Theatre Tax Relief, Orchestra Tax Relief and Museums and Galleries Exhibition Tax Relief will be permanently set at 40% (for non-touring productions) and 45% (for touring productions and all orchestra productions).

Rates for these cultural reliefs were temporarily increased from 27 October 2021 to help the sector in their economic recovery from COVID-19 and is currently set at 5% higher than is proposed from April 2025.

There will be additional support for 'independent films' that can currently claim the Audio-Visual Expenditure Credit (AVEC) - the Independent Film Tax Credit (IFTC).

Films that meet the IFTC qualifying criteria will be eligible for a higher rate of expenditure credit on their qualifying expenditure.

The basic rate of credit under AVEC is 34% — independent films will receive a rate of 53%.

Qualifying expenditure will be capped at a maximum of 80% of a film's total core expenditure; the most taxable credit a film can receive will be £6.36 million.

The changes will take effect for films that commence principal photography from 1 April 2024 on expenditure incurred from 1 April 2024. Claims may be submitted from 1 April 2025.

Further Announcements

Fuel duty remains at its current rate, keeping the 'temporary' 5p cut which has been in place since 2022 until March 2025.

There will be an additional funding of £170m to save up to 55,000 hours a year of administrative time in the justice system through digitising jury bundles and new software to streamline parole decisions.

There will be £165m funding to cut last year's local authority overspend of £670m on children's social care places across England by making 200 additional child social care places available, reducing the reliance on costly emergency places for children.

£34m funding to reduce fraud by a wider AI usage across government agencies.

Additional funding so that a least 100 MRI scanners in England are upgraded with AI with the aim to speed up cancer test results.

Additional funding to provide more drones for police to use for such things as traffic collisions, with the aim to free up more police time to deal with serious crime and burglaries.

There is to be a £360m investment in advanced manufacturing projects across the life sciences, automotive and aerospace sectors.

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