

# TAX BRIEFING

## SPRING BUDGET 2024



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## NATIONAL INSURANCE RATES CUT AGAIN

The headline news from the Spring Budget was further cuts to national insurance contributions (NIC) of 2% each for self-employed taxpayers and employees.

The main rate of primary Class 1 NIC paid by employees on earnings between £12,570 and £50,270 per year will be cut from 10% to 8% from 6 April 2024. Combined with the 2% cut announced in the Autumn Statement 2023, this will save the average worker earning £35,400 over £900 a year.

Self-employed taxpayers will receive a further 2% reduction in Class 4 self-employed NIC, on top of the 1% cut announced at Autumn Statement 2023. This means that from 6 April 2024 the main rate of Class 4 NIC for the self-employed will now be reduced from 9% to 6%. Combined with the abolition of the requirement to pay Class 2, this will save an average self-employed person earning £28,000 around £650 a year.

As announced in the Autumn Statement, self-employed traders with profits above £12,570 will no longer pay Class 2 NIC but will continue to receive access to contributory benefits including the state pension.

Those with profits between £6,725 and £12,570 will continue on this basis. Those with profits under £6,725 who choose to pay Class 2 NIC voluntarily to protect their entitlement to contributory benefits including the state pension will continue to be able to do so.

The rates for the 2024-25 tax year are as follows:

Employee and employer rates	Employee (Class 1 primary)		Employer (Class 1 secondary)	
	Threshold	2024-25	Threshold	2024-25
Below primary threshold / secondary threshold £242	£12,570	Nil	£9,100	Nil
Above primary threshold/ secondary threshold £242		8%		13.8%
Below upper secondary threshold for under 21s, apprentices under 25 and armed forces veterans £967				0%
Above upper earnings limit £967	£50,270	2%	n/a	13.8%
Self-employed rates	Class 2 (per week)		Class 4	
Profits per year	Limit	2024-25	Limit	2024-25
Below small profits threshold	£6,725	Voluntary (£3.45pw)	-	-
Above small profits threshold to lower profits limit		Abolished	-	-
Lower profits limit to upper profits limit			£12,570	6%
Above upper profits limit			£50,270	2%



## VAT REGISTRATION THRESHOLD RAISED

The earnings threshold above which businesses must register for and start charging VAT has been increased.

Effective from 1 April 2024, the taxable turnover above which a business is required to register and account for VAT will be increased from £85,000 to £90,000. This is the first change to the VAT registration threshold since April 2017.

If your business is VAT registered, you can choose to deregister if you expect taxable sales to be less than £83,000 in the next 12 months. This deregistration threshold will also increase to £88,000 on 1 April 2024.

Traders with taxable turnover below the VAT registration threshold can opt to register for VAT voluntarily. This allows them to reclaim input VAT paid on their costs.

For businesses trading below the limits, the decision to register voluntarily, or deregister, will largely depend on whether the level of reclaimable input tax will exceed the cost and time of administering VAT. This includes compliance with Making Tax Digital for VAT. We can help you decide.

## 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 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 furnished holiday lets (FHL) regime. FHLs are 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 deductible from rental income; and
- capital gains tax reliefs not available to normal let properties.

From 6 April 2025 the FHL regime will be abolished so that short term and long term lets will be treated the same for tax purposes. This will eliminate the tax advantage currently enjoyed by landlords who let furnished properties to holidaymakers on a short term basis.

Individuals with FHL and non-FHL properties will no longer need to calculate and report income separately. If you own properties that you let out to holidaymakers, contact us to discuss whether you may be affected.

## NON-DOM REFORMS

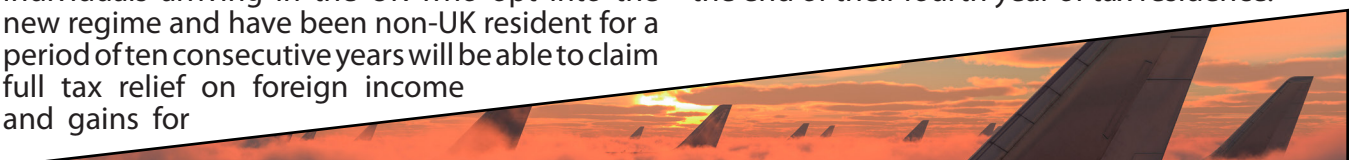
The remittance basis tax relief offered to non-UK domiciled individuals (non-doms) will be removed and replaced with a simpler residence-based regime from 6 April 2025.

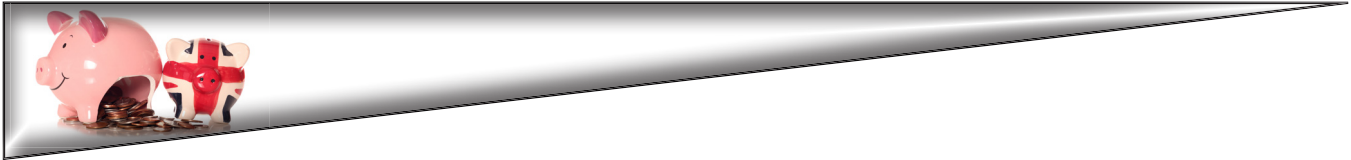
The new system will ensure that all UK residents who stay in the UK for over four years will pay the same tax on their foreign income and gains, regardless of their domicile status.

Individuals arriving in the UK who opt into the new regime and have been non-UK resident for a period of ten consecutive years will be able to claim full tax relief on foreign income and gains for

the first four years of UK tax residence.

Existing non-doms who have been tax resident in the UK for less than four years can opt into the new scheme and claim full foreign tax relief until the end of their fourth year of tax residence.





After the first four years they will pay UK tax on their foreign income and gains, as is the case for other UK residents.

Transitional arrangements for existing non-doms will be in place, including an option to rebase the value of capital assets to 5 April 2019 and a temporary 50% exemption for the taxation of foreign income for the first year of the new regime (2025-26).

A two-year temporary repatriation facility will be available for individuals who have paid tax on the remittance basis prior to 6 April 2025 allowing them to bring previously accrued foreign income and gains into the UK at a 12% rate of tax.

If you are a non-UK domiciled UK taxpayer and you have foreign income and gains, contact us to discuss whether this change will affect you.

## TWO NEW PRODUCTS FOR UK SAVERS

**Two new savings products have been announced, aimed at supporting growth of UK companies and encouraging a culture of saving.**

Individuals can currently deposit up to £20,000 each year into an individual savings account (ISA). This is a sensible move as any interest earned is tax free. The annual limit is being increased 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. From April 2024, UK savers

can invest in new British Savings Bonds, delivered through National Savings and Investments. The bonds will offer consumers a guaranteed interest rate, fixed for three years.

The Chancellor also promised to bring forward the legislation to clarify the position on whether fractional shares (portions or slivers of shares that are smaller than a whole or single share) can be held in ISAs, which

was promised in the Autumn Statement. This should be completed by the end of the summer and will further support savers investing in a diverse range of investment types.

If you are considering where to put your savings, consult an independent financial advisor who can help you work out the most beneficial structure for your investments.

## 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 with a full overhaul of the regime promised in April 2026.**

**Basic rate taxpayers will not be liable for the HICBC**

If you or your partner receive child benefit and your adjusted net income is above £50,000 you are liable to pay some or all of the child benefit back via the

high income child benefit charge (HICBC). The HICBC kicks in once adjusted net income reaches £50,000 and the clawback is tapered for earnings up to £60,000 when 100% of child benefit must be repaid.

This means that basic rate taxpayers, with earnings under £50,270, will not be liable for the HICBC and will no longer need to file self assessment tax returns purely to pay the HICBC.

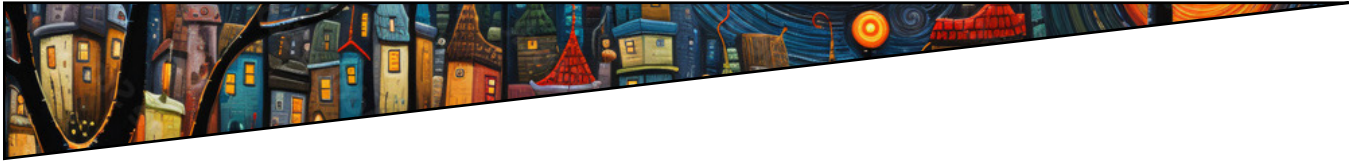
### Example

A family with three children where the sole earner has adjusted net income of £60,000 will be better off in 2024-25 by £4,220 as a result of the changes to the HICBC and the reduction in national insurance contributions.

The Chancellor has announced an increase in the clawback thresholds, effective from 6 April 2024. The point at which clawback begins will be raised from £50,000 to £60,000. The charge will then apply at the lower rate of 1% (currently 2%) of the full child benefit for each £200 of adjusted net income between £60,000 and £80,000.

If you are claiming child benefit and you or your partner's adjusted net income is between £50,000 and £80,000, contact us to discuss what this change will mean for you.





## MULTIPLE DWELLINGS RELIEF SCRAPPED

**M**ultiple dwellings relief (MDR) can significantly reduce the stamp duty land tax (SDLT) payable on the purchase of two or more properties in one transaction.

When a taxpayer purchases a property that consists of more than one dwelling they may claim MDR to reduce the amount of SDLT payable on the purchase. MDR works by allowing the purchaser to calculate SDLT based on the average consideration paid for each property. They can then apply the lower rate of SDLT (0% + 3% surcharge if another residence is already owned).

### Example

A taxpayer purchases a town house that has been split into five individual flats, or dwellings. The total consideration is £925,000.

With MDR applied, SDLT will be calculated for each dwelling as  $£925,000/5 = £185,000 \times (0\% + 3\%)$  so £5,550 per dwelling and a total of  $£5,550 \times 5 = £27,750$  is due.

Without MDR, the SDLT will be calculated on the total consideration as follows:

First £250,000 @ (0% + 3%) = £7,500  
Remaining £675,000 @ (5% + 3%) = £54,000  
Total SDLT = £61,500.

In this example, MDR results in a tax saving of £33,750.

Unfortunately the relief, while beneficial to those taxpayers genuinely purchasing multiple dwellings, has been subject to abuse by individuals hoping to gain an undue tax advantage. The government ran a consultation in 2021 on ways to reform to the relief, which included potential amendments such as only making MDR available where three or more dwellings were purchased in a single transaction.

However, in a somewhat unexpected move, the Chancellor announced in the Budget that MDR will be abolished for transactions which complete, or which substantially perform, on or after 1 June 2024. 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.

If you are purchasing a property that may have qualified for MDR, contact us to discuss your options.

## CGT HIGHER RATE ON DWELLINGS REDUCED

**T**he 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 will remain at 18% for any gains that fall within an individual's unused basic rate band.

Most residential property sales will be covered by private residence relief (PRR) so no CGT will be payable.

The annual exempt amount will be lowered as planned from £6,000 to £3,000 from 6 April 2024.

CGT is usually only payable on disposals of non-permanent residences such as buy-to-lets, second homes and holiday lets. This measure is designed to encourage earlier disposals of second homes to increase the housing stock available to buyers looking to move home or get onto the property ladder.

**The 24% rate is only payable on disposals of non-exempt dwellings**

The 18% and 28% rates of CGT that apply to gains in respect of carried interest will remain unchanged.

If you are considering disposing of residential property that does not qualify for PRR, we can help you calculate any CGT due.