UK Spring Budget Highlights 2024

On March 6, 2024, Chancellor Jeremy Hunt introduced the Spring Budget, accompanied by the latest economic projections from the Office for Budget Responsibility (OBR). Although the first reading of the Spring Finance Bill is set after a week, numerous intricate announcements within the budget speech and accompanying documents warrant careful consideration. A concise overview of the major announcements is outlined below.

BUSINESS TAXES

There will be no adjustments to the corporate tax rates in the UK.

Energy Profits Levy

The Energy Profits Levy is set to be extended until March 2029, and the government is gearing up to enact legislation to bring it to a close if oil and gas prices dip below the thresholds outlined by the Energy Security Investment Mechanism (ESIM), provided this occurs before March 2029. As part of this initiative, the Spring Finance Bill 2024 will introduce legislation for the ESIM, designed to prematurely terminate the Energy Profits Levy if the 6-month average prices for both oil and gas fall at or below the ESIM threshold prices. These thresholds will undergo annual adjustments starting from April 1, 2024, based on the preceding December's Consumer Prices Index figure. Originating from the Autumn Statement 2022, the Energy Profits Levy introduced an 80% decarbonisation investment allowance, incentivizing oil and gas companies to invest in initiatives aimed at reducing greenhouse gas emissions from upstream oil and gas production.

Creative Sector

Additional tax relief is set to benefit the creative sector, including a confirmed tax credit rate of 39% for visual effects costs under the Audio-Visual Expenditure Credit, effective from April 1, 2025. Furthermore, the 80% cap on qualifying expenditure for visual effects costs will be eliminated. A new Independent Film Tax Credit will be introduced for films with budgets up to £15 million, holding a new accreditation from the British Film Institute. The increased tax reliefs for orchestras, theaters, museums, and galleries, initially introduced during the pandemic, will be made permanent. Touring productions will receive a 45% relief, while non-touring productions will have a 40% relief.

Full Expensing to Leased Assets

Complete expensing and the 50% first-year allowance for special rate assets were established as permanent, following the announcement in Autumn Statement 2023. Notably, plant or machinery expenses for leasing were excluded from these allowances. To address this, the government plans to release draft legislation for technical consultation, aiming to explore potential extensions that would encompass plant and machinery for leasing.

Cryptoasset Reporting Framework

A fresh consultation has been initiated regarding the implementation of the Cryptoasset Reporting Framework (CARF) and modifications to the Common Reporting Standard (CRS) rules in the UK. Stakeholders are encouraged to submit their responses by May 29, 2024.

Reserved Investor Fund

The government has unveiled the Reserved Investor Fund, a tax-efficient investment fund designed for institutional investors. A summary of responses to the 2023 consultation on its scope and design for this new UK investment fund vehicle has been published. Legislation for this initiative is set to commence with the Spring Finance Bill 2024.

R&D Tax Reliefs

Research and Development (R&D) tax reliefs are set to receive a boost with HMRC's initiative to form an expert advisory panel. This panel, comprising industry experts, will play a pivotal role in aiding the administration of R&D tax reliefs. Focused on key sectors like technology and life sciences, the panel will offer valuable insights into the latest advancements in R&D. Collaborating with HMRC; the panel will undertake the crucial task of reviewing and updating relevant guidance to ensure clarity and accuracy for claimants.

PERSONAL TAXES

National Insurance Contributions

National Insurance Contribution (NIC) rates are set to undergo changes, as announced:

- The main rate of Class 1 employee NICs will experience a 2p reduction, decreasing from 10% to 8%, effective from April 6, 2024. This follows the prior 2p cut announced in Autumn Statement 2023, effective from January 6, 2024.
- The main rate of Class 4 NICs, applicable to self-employed earners, will see a 3p reduction, dropping from 9% to 6%, starting April 6, 2024. This adjustment replaces the previously announced cut to 8% in Autumn Statement 2023.
- The government plans to initiate a consultation later this year to fulfill its commitment to completely abolish Class 2 National Insurance. Following the Autumn Statement 2023 announcement, starting April 2024, no self-employed person will be obligated to pay Class 2, with voluntary payments remaining an option for those wishing to build entitlement to contributory benefits.

Non-domiciled Individuals

Non-domiciled individuals will witness a significant tax regime shift as the government plans to implement a residence-based system. Key changes include:

- Starting from April 6, 2025, a new residence-based regime will be introduced. Under this, individuals tax resident in the UK for over four years will be liable for UK tax on foreign income and gains, irrespective of domicile status. New arrivals will have a four-year relief, provided they have been non-tax resident for the last ten years.

- Transitional arrangements for existing non-doms opting for the remittance basis will include the option to rebase capital assets' value to April 5, 2019, and a temporary 50% exemption for taxing foreign income in the first year of the new regime (2025-26).

- A two-year Temporary Repatriation Facility will be introduced for individuals who have paid tax on the remittance basis before April 6, 2025. This facility allows the bringing in of previously accrued foreign income and gains into the UK at a 12% tax rate.

- Eligible employees can claim Overseas Workday Relief in their initial three years of tax residence for income from employment duties performed overseas.

- The government also aims to transition to a residence-based regime for Inheritance Tax, with consultations to determine the best approach. No alterations to IHT will be effective before April 6, 2025.

Shifting to new regime

Transitional rules will facilitate the shift to the new regime, offering several provisions:

- An option to rebase the value of capital assets to April 5, 2019.

- A temporary 50% exemption for taxing foreign income during the first year of the new regime (2025-26).

- Establishment of a two-year Temporary Repatriation Facility (TRF) enabling the transfer of previously accrued foreign income and gains into the UK at a 12% tax rate.

It's important to note that the TRF will not be applicable to foreign income and gains generated within trusts and trust structures prior to April 6, 2025.

High Income Child Benefit

The government is set to make changes to the High Income Child Benefit Charge, effective from April 6, 2024:

- The threshold will be increased from £50,000 to £60,000.

- A tapered charge will be implemented for incomes falling between £60,000 and £80,000.

- Furthermore, there will be a consultation on transitioning to a household-based system, shifting away from the current structure based on individual incomes, starting in April 2026.

Pensions

The government has proposed several measures related to pensions:

- Defined Contribution pension funds will be required to publicly disclose their asset allocations, including UK equities. The Financial Conduct Authority (FCA) will conduct a consultation on this matter soon.

- Similar disclosure requirements will be introduced for Local Government Pension Scheme Funds in England and Wales, potentially starting in April 2024. Further actions may be taken if the data doesn't indicate an increase in UK equity allocations.

- A Value for Money pension framework is being developed in collaboration with the FCA and pension regulator. This framework aims to identify instances where pension schemes prioritize short-term cost savings over long-term investment outcomes. In cases of persistently poor outcomes for savers, the FCA and The Pension Regulator will possess regulatory powers for intervention.

Transfer of Assets

The government is set to introduce legislation in the Spring Finance Bill 2024 to prevent individuals from utilizing a company to circumvent anti-avoidance measures, specifically the Transfer of Assets Abroad (ToAA) provisions, with the aim of evading UK income tax. These changes will be applicable to income generated abroad by individuals from April 6, 2024.

Overseas Workday Relief

The government is set to overhaul Overseas Workday Relief (OWR). Qualified employees will now be eligible to claim OWR during the initial three years of their tax residence, enjoying income tax relief on earnings derived from employment duties conducted overseas, and the existing constraints on remitting these earnings will be lifted. Specific details outlining the eligibility criteria will be provided in the future.

Furnished Holiday Lettings

The Furnished Holiday Lettings tax regime will be discontinued by the government starting from April 6, 2025.

INDIRECT TAXES

VAT registration threshold

The government has decided to raise the VAT registration threshold to £90,000 and the VAT deregistration threshold to £88,000, effective from April 1, 2024.

Alcohol Duty

Alcohol duty rates will remain unchanged at current levels until February 1, 2025, as the government has opted to freeze them.

Fuel Duty

Fuel duty rates will be sustained at their present levels for an additional 12 months, as the government extends the temporary 5p reduction and cancels the scheduled inflation-related increase for 2024-25.

Vape Levy

A fresh duty is set to be imposed on vaping products starting from October 1, 2026. The government will conduct a consultation on the intricate design and implementation of this duty, concluding on May 29, 2024. The levy will be applicable to vaping devices and e-cigarettes, with the objective of discouraging non-smokers from adopting vaping. The proposed rates for this duty include £1 per 10ml for nicotine-free liquids, £2 per 10ml for liquids containing 0.1 - 10.9mg nicotine per ml, and £3 per 10ml for liquids containing 11mg nicotine per ml.

Air Passenger Duty

Air Passenger Duty (APD) is set for an adjustment as the government plans to increase the rates for non-economy class flights starting from 2025-26, considering the impact of high inflation in recent years. However, the rates for economy flights will remain frozen.

VAT Retail Export Scheme

The VAT Retail Export Scheme for GB (Northern Ireland operates its own scheme under specific rules) did not see any changes in the recent Budget. The government, while maintaining the status quo, expressed its openness to considering representations and will take into account the findings of the Office for Budget Responsibility (OBR) regarding the cost implications of eliminating 'tax-free shopping.'

Landfill Tax rates

Landfill Tax rates for the fiscal year 2025-26 will be adjusted by the government to more accurately align with the real Retail Price Index (RPI). The standard rate of Landfill Tax is set to rise to £126.15 per tonne, while the lower rate will increase to £4.05 per tonne.

Tobacco Duty

A singular adjustment to tobacco duty is scheduled, entailing a £2 increment per 100 cigarettes or 50 grams of tobacco, effective from October 1, 2026.

Carbon Border Adjustment Mechanism

A Carbon Border Adjustment Mechanism (CBAM) for the UK, disclosed in December 2023, is set to be implemented starting January 1, 2027. This mechanism will be applicable to pertinent goods imported within the aluminum, cement, ceramics, fertilizer, glass, hydrogen, and iron and steel sectors.

Terminal Markets Order

The government is poised to revise the VAT Terminal Markets Order (TMO), facilitating additional reforms that encompass the inclusion of trades in carbon credits under the TMO's purview.

Other Tax Measures

The UK government has outlined key fiscal developments, including the introduction of a new UK ISA with a proposed £5,000 additional allowance, specifically for investment in UK equities.

Furthermore, the government will extend the sunset date for freeport special tax sites, pushing it to September 30, 2031, for English Freeports and September 30, 2034, for Scottish Green Freeports and Welsh Freeports, subject to secondary legislation.

A comprehensive set of tax administration and maintenance announcements is anticipated on April 18, 2024, focusing on measures to address non-compliance in the umbrella company market. Importantly, none of these announcements will necessitate legislative action in the Spring Finance Bill 2024.

Addressing Non-Compliance: The government is set to enhance HMRC's capability to recover tax debts, with projections indicating potential revenue generation exceeding £4.5 billion by 2028-29.

Regulation of Tax Advisers: A consultation has been initiated to elevate standards within the tax advice market. It proposes several options for a reinforced regulatory framework, suggesting that tax advisers should register with HMRC to engage with them on behalf of clients.

PROPERTY TAXES

Multiple Dwellings Relief

Multiple Dwellings Relief (MDR) for Stamp Duty Land Tax (SDLT) will cease from June 1, 2024. However, MDR can still be applied for contracts exchanged on or before March 6, 2024, regardless of completion date.

SDLT Amendments

Amendments to SDLT definitions concerning registered social landlords will be made, and public bodies will no longer be subject to the 15% higher rate charge when acquiring residential property valued over £500,000. These changes take effect from March 6, 2024.

First-time buyers purchasing new leases through nominee or bare trusts will now be eligible for SDLT first-time buyers' relief. However, they will be ineligible to claim the relief again in the future under their own name.

Capital Gains Tax

The higher rate of capital gains tax on residential property will decrease from 28% to 24%, effective April 6, 2024.

KNAV

PARTNERS BEYOND BOUNDARIES

KNAV has charted a course to be one of the world's leading accounting and consulting firms over the last two decades. We provide an expansive suite of public accounting services which includes accounting, assurance, taxation, international transfer pricing, global risk consulting, and business advisory services. With over 500+ professionals in 6 countries, our team combines local insights with global expertise to design powerful strategies and help our clients stay ahead of the curve. Our commitment to customer service, integrity, and innovation makes us the best choice for businesses of all sizes.

US | India | Singapore | UK | Netherlands | Canada

USA

Atlanta

One Lakeside Commons, Suite 850, 990 Hammond Drive NE, Atlanta, GA 30328

New York

1177 6th Ave 5th Floor, New York, NY 10036, USA

Houston

6430 Richmond Ave., Suite 120, Houston, TX 77057-5908

India

Mumbai

7th floor, Godrej BKC, Bandra Kurla Complex, Mumbai 400051

Bangalore

306, 3rd Floor, Embassy Square, 148, Infantry Road, Bangalore 560001

Canada

55 York Street, Suite 401, Toronto, ON M5J 1R7, Canada

Singapore

70 Shenton Way, #13-03 Eon Shenton, Singapore 079118

UK

Ground floor, Hygeia Building, 66-68 College Road, Harrow,
Middlesex HA1 1BE

Netherlands

Fokkerstraat 12, 3833 LD Leusden, The Netherlands