Spring Budget 2024

Tax

National Insurance

In the headline announcement the Government shaved a further two percentage points off National Insurance (NI) rates. This follows on from a similar cut in January, announced in the Autumn Statement. That means the main rate of employee NI which was 12%, fell to 10% in January and from April will drop to 8%. The self-employed will benefit too, with the main rate of Class 4 NI reducing from 9% to 6%, as well as the abolition of Class 2 NICs.

These changes may affect any salary sacrifice schemes which are in place for pensions or other benefits such as company cars. While there will still be a saving for employees it won't be as significant as a year ago.

High-Income Child Benefit Charge

The High-Income Child Benefit Charge (HICBC), which has faced criticism for its unfairness, will see some immediate changes. Currently individuals effectively start to lose child benefit at a rate of 1% for every £100 earned above £50,000, with the tax charge equalling child benefit for anyone earning above £60,000.

From 6 April, the starting threshold will increase to £60,000 and the rate at which HICBC is charged is halved to 1% for every £200 earned above this level. That means those earning £80,000 or more will see child benefit withdrawn in full.

That doesn't remove the inherent unfairness that one household with a single earner who earns just above the threshold loses child benefit. Whereas a household with two earners each just below the threshold keep it, despite their household income being significantly higher.

To try to solve that issue, the Government plans to administer HICBC on a household basis from April 2026 and will consult on the detail. That would be a significant shift in tax policy, considering household income rather than on an individual basis.

In the meantime, don't forget that payment of a pension contribution reduces earnings for this purpose. So, as well as normal pension tax relief, regaining some or all of the child benefit can mean effective tax relief of more than 60%.

Non-domiciled individuals

Changes to how UK resident, but non-domiciled individuals (non-doms) and how they'll be taxed going forward were announced by the Chancellor.

The remittance basis of taxation, where UK resident, non-doms only pay tax on income and gains they remit to the UK will be abolished and replaced with a residence-based regime, to come in to force from 6 April 2025. Individuals who opt into the regime won't pay UK tax on foreign income and gains for the first four years of tax residence, after which they'll be treated as a UK resident on an arising basis.

For those already claiming remittance basis, the government will introduce the following transitional arrangements:

- an option to rebase the value of capital assets to 5 April 2019
- 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 to bring previously accrued foreign income and gains into the UK at a 12% rate of tax.

We anticipate investment bonds, including offshore investment bonds, as non-income producing and non-capital gains producing assets, will continue to play a part in wealth planning for high-net-worth individuals, including those who are UK resident but non UK domiciled.

Inheritance Tax

The government has announced an intention to move to a residence-based regime for Inheritance Tax. It will consult on a 10-year exemption period for new arrivals and a 10-year tail-provision for those who leave the UK and become non-resident.

No changes to IHT will take effect before 6 April 2025 and the policy consultation on these changes, followed by draft legislation, will be published later this year.

Those with excluded property trusts might have an opportunity until the new rules are implemented but should seek legal and tax advice before adding more assets to these to ensure the whole trust does not become tainted.

Offshore bonds remain a suitable home for money as a non-income producing asset which offers multiple tax features and benefits.

Capital Gains Tax (CGT)

The Chancellor announced a rate change for property chargeable for CGT at the upper rate from 28% to 24%. This move will hope to stimulate the property market and encourage landlord and second homeowners to sell their properties, making more available for the local community to purchase, especially in tourist areas such as Devon and Cornwall, or those trying to purchase their first house.

The reduction in the upper rate of CGT when selling a property may help offset the cuts in the annual exemption which have taken place. The annual exemption was £12,300 in 2022-23, dropped to £6,000 in 2023-24 and will fall to £3,000 from 6 April 2024.

Where the gain realised on disposal of a residential property exceeds £68,100 the new 24% rate more than negates the drop in the CGT annual exemption.

Example

In 2022-23

Residential property disposal when CGT annual exemption was £12,300

Capital gain of	**£68,100**
Annual exemption	**(£12,300)**
Chargeable	**£55,800 @ 28% = £15,624 CGT liability**

In 2024-25

Residential property disposal when CGT annual exemption is £3,000

Capital gain of	**£68,100**
Annual exemption	**(£3,000)**
Chargeable	**(£65,100) @ 24% = £15,624 CGT liability**

This change, combined with today's announcement of the abolition of the Furnished Holiday Lettings tax regime and Multiple Dwellings Relief could kick start the property market again.

This will remove the tax advantage landlords currently receive for renting out their properties for short-term furnished holiday purposes compared to those who let out residential properties to longer-term tenants. This will take effect from April 2025.

Abolishing Multiple Dwellings Relief, related to stamp duty, will come into effect for transactions with an effective date on or after 1 June 2024. Transitional rules mean that MDR can still be claimed for contracts which are exchanged on or before 6 March 2024, regardless of when completion takes place.

Savings

ISAs and savings

A number of measures aim to increase investment in the UK. British Savings Bonds will launch in April through National Savings & Investments. This product will offer a guaranteed interest rate, fixed for three years, and will provide opportunities to save whilst investing in the UK.

The Government will consult on a new UK ISA which will be designed to invest in UK-focused assets. The intention is that this will offer a £5,000 allowance in addition to the existing ISA allowance of £20,000. The consultation will run until June, which would suggest April 2025 is the target date for launch.

Yet another potential type of ISA means we're in danger of ISAs becoming too difficult and complex for people to understand. Multiple different variants put barriers in the way of customers. We are also not sure this will drive the outcomes Government hope to achieve. If an individual invests in UK shares through a UK ISA or a British Savings Bond then many may well adjust their wider investment portfolio to take that into account, for example by selling some UK equity investments held elsewhere.

Pensions

Investment in the UK

Continuing the theme of encouraging UK investments, the Government intends to require defined contribution (DC) pension schemes to disclose the breakdown of their asset allocations, including UK equities. The Financial Conduct Authority (the UK financial services regulator) will consult in the Spring.

Value for Money

The FCA's spring value for money consultation will include proposals to require the publication of contract-based DC default funds' historic net investment returns and a breakdown of their UK investments.

Proposals will require schemes to compare their performance, costs and other metrics against those of at least two schemes managing over £10 billion in assets. The intention is for this to be in place by 2027.

Pot for Life

The government has said it remains committed to exploring a lifetime provider model for DC pension schemes in the long-term. The Government will undertake continued analysis and engagement to ensure that this would improve outcomes for pension savers, and build on the foundations of reforms already underway, including the Value for Money Framework.

In the Autumn Statement the Government proposed that a member of an auto enrolment scheme would have a right to choose which scheme contributions are made to – they don't need to join the employer's scheme. This confirms that will be looked at but doesn't give any further detail.

Lifetime allowance

While not mentioned in the Budget, a reminder that the abolition of the pension lifetime allowance takes effect from 6 April 2024. This is a huge change to the pension tax rules, introduced at very short notice.