2024 Spring Budget
Analysis for Financial Planners

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INTRODUCTION

When the "big day" arrives, one interesting thing to do is compare rumour, speculation, prediction, and expectation with what is announced in the Budget.

Unsurprisingly, in an election year and with burgeoning social and traditional media, there was much rumour and conjecture about what this Budget might contain - especially about pre-election tax cuts (with a further cut in national insurance being a favourite) and compensating tax increases including the removal of the tax privileges of non-domiciles and investors in furnished holiday lets.

Last November's Autumn Statement contained about £20bn of tax cuts, with measures split equally between personal National Insurance Contribution (NICs) reductions and full business expenses for companies.

Predictably and inevitably, the capacity for further tax cuts would be determined by the ‘fiscal headroom’ available to the Chancellor based on the latest Economic and Fiscal Outlook (EFO) published by the Office for Budget Responsibility (OBR).

Happily, The Chancellor reported that Inflation was lower than expected, growth was predicted to be stronger than anticipated, and debt was forecast to fall as a proportion of GDP in the medium-term.

That giveaway left little wriggle room for further tax reductions in March unless the OBR's fresh number crunching revealed an improvement in public finances — just 15 weeks after its last EFO was published. As it was, the OBR's rummage behind the sofa for spare change confirmed the difficult picture facing Mr Hunt and the UK economy. So, what did we get?

These are the main headlines from a financial planning standpoint:

- The further 2% reduction in employee's class 1 and self-employed Class 4 NIC contributions from 6th April 2024.
- Abolition of the Furnished Holiday Lettings tax breaks.

- Replacement of the ‘non-dom’ tax breaks on foreign income and capital gains from April 2025 with a more straightforward residence-based test for foreign income and gains. A consultation will be held to review and align the non-dom provisions for IHT ahead of 2025.
- Consultation on the introduction of a UK ISA. This will permit an investment of £5,000 per annum in a qualifying plan in addition to the continuing £20,000 annual limit.
- A reduction, from 6th April 2024, in the CGT rate applicable to gains made from the disposal of non-exempt residential property from 28% to 24%.
- Subject to a consultation on the details, the income test for a reduction in child benefit is to be moved to a household system from April 2026. In the meantime, the income threshold above which the benefit is withdrawn (resulting in the High-Income Child Benefit Charge) will increase from £50,000 to £60,000, with the benefit's complete removal now occurring at £80,000.
- The VAT registration threshold increased from £85,000 to £90,000 from April 2025.

Of course, other changes were announced, and we will cover them throughout our planners’ guide.

A cornerstone of the value of advice is being tax efficient throughout all stages of the financial planning journey with your clients as they strive to achieve their financial goals. That's why it's so important for advisers to be aware of the challenges and opportunities that tax, and benefit changes, bring and discuss them with their clients.

The announcement of Budget tax changes and especially at the end of one tax year, and the start of another, represents an excellent time for advisers to engage with their clients to review their financial plan and make any necessary adjustments to ensure that optimum outcomes are likely. Running this periodic and timely ‘tax health check’ throughout a client's financial planning journey will also represent a valuable and memorable contribution to proving the value of ongoing advice.

As in previous years, we will issue follow-up bulletins on Techlink Professional to keep you informed as the Finance Bill passes through Parliament.

YOUR GUIDE TO THE SPRING BUDGET ANALYSIS

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SYMBOL KEY

What was the announcement?

When does this come into effect?

What should financial planners do next?

Relevant sources of information

Relevant topics on Techlink

1. INCOME TAX

What income tax changes have been announced today as part of the Chancellor's Spring Budget?

There were no changes announced in relation to the income tax personal allowance(s) nor to the income tax bands:

- From 6 April 2024, the income tax personal allowance will remain at £12,570.
- The 0% starting rate band for savings income will remain at £5,000 for 2024/25.
- The higher rate threshold will remain at £50,270 (made up of the £37,700 threshold plus the personal allowance of £12,570) and the income tax additional rate threshold will remain at £125,140.
- The higher rate and additional rate thresholds apply to taxpayers in England, Wales, and Northern Ireland for non-savings and non-dividend income, and apply UK-wide for savings and dividend income.
- The basic rate of income tax will remain at 20%, the higher rate will remain at 40% and the additional rate will remain at 45%. The basic rate of tax applicable to dividends will remain at 8.75%; the higher rate will remain at 33.75% and the additional rate will remain at 39.35%.
- From 6 April 2024, the dividend allowance will be £500.

Blind Person's Allowance and Married Couple's Allowance

- From 6 April 2024, the Blind Person's Allowance will be £3,070 and the Married Couple's Allowance will be between £4,280 and £11,080.

Detail on income tax rates and allowances can be found in the "Facts and Figures" section.

High Income Child Benefit Charge

From 6 April 2024, the Government is increasing the income threshold at which the High Income Child Benefit charge (HICBC) applies from £50,000 to £60,000 and the top of the taper threshold will also increase from £60,000 to £80,000. Remember these thresholds are based on an individual's adjusted net income. The change will mean the higher earning partner will be charged 1% of their Child Benefit for every £200 of income which exceeds £60,000 – as opposed to the current 1% for every £100 of income which exceeds £50,000.

In addition, by April 2026 the Government plans to administer the HICBC on a household income based system rather than on an individual basis. A consultation will be launched in due course.

Domicile

The Government announced that it is abolishing the tax rules for non-UK domiciled individuals, or non-doms, and replacing them with a residence-based regime. This 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. This new regime will commence on 6 April 2025.

Please see the Residence and Domicile section for further information.

Investment in digital services

The Government will improve and simplify HMRC's digital services to support income tax self-assessment taxpayers seeking to pay tax in instalments. These changes will be implemented from September 2025.

Transfer of assets abroad

The Government will legislate in the Spring Finance Bill 2024 to ensure individuals cannot use a company to bypass anti-avoidance legislation, known as Transfer of Assets Abroad (ToAA) provisions, in order to avoid UK income tax. The changes will take effect for income arising to a person abroad from 6 April 2024.

When does this come into effect?

6 April 2024 unless otherwise stated.

What can be done to mitigate the effects of income tax and take advantage of the planned changes?

- *In terms of general planning, investing couples should aim to use their dividend and personal savings allowances in full (and ensure that they do not lose out on the ability to transfer the transferable marriage allowance where eligible to do so).*

- *Individuals should also try to arrange their investment holdings in such a way to ensure they fully use both personal allowances, personal savings allowances, dividend allowances and starting/basic rate tax bands.*

- *Consideration ought to be given to maximising pension contributions and/or making gift aid payments to help save tax. While the High Income Child Benefit threshold is set to increase, the limit is based on 'adjusted net income' so again pension planning and/or making gift aid payments can be of great benefit.*

- *Individuals should continue to maximise contributions to ISAs, particularly where dividends are likely to exceed the dividend tax allowance and/or the higher rate tax threshold. They could also give consideration to investing into VCTs (which pay tax-free dividends) and investment bonds (for tax-deferral).*

Relevant sources of information

Personal tax fact sheet
Income Tax: Increasing the High Income Child Benefit Charge threshold
Annex A: rates and allowances

Techlink

Learn more about Income Tax.

Income Tax Rates

Personal Allowances

Self-Assessment

Trading Income

Dividends

2. NATIONAL INSURANCE

What National Insurance-related tax changes have been announced today as part of the Chancellor's Spring Statement?

- From 6 April 2024, the Government is reducing the main rate of employee National Insurance by 2p from 10% to 8%.
- The Government is also reducing the main rate of self-employed National Insurance by 2p. This is on top of the 1p cut announced at Autumn Statement and the abolition of Class 2.
- This means that from 6 April 2024 the main rate of Class 4 NICs 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 on £28,000 £650 a year.
- The Upper Earnings Limit (UEL) is set at £967 per week and Upper Profits Limit (UPL) is set at £50,270 for 2024/25.
- The NICs Primary Threshold (PT) and Lower Profits Limit (LPL) will remain at £12,570.
- The Lower Earnings Limit – the point at which employees start to receive NIC credits - has been frozen at £6,396.
- Remember Class 2 NICs will be abolished for self-employed people with profits above £12,570 from April 2024.
- The Class 2 rate for those paying voluntarily will remain £3.45 per week, and the Class 3 rate £17.45 per week.

When does this come into effect?

6th April 2024

What should financial planners tell their clients?

- *The further reduction in the main rate of National Insurance for employees and self-employed individuals will be a welcomed change given both employees and self-employed individuals will be better off. According to the Chancellor, the average earner now has the lowest effective personal tax rate since 1975!*

- *Employees should continue to consider salary sacrifice for pension contributions. Using salary sacrifice means that both the employee and the employer pay less NICs, so further tax savings can be achieved. For those who already have salary sacrifice in place, a review of the agreement may be needed to ensure the desired outcome is maintained.*

- *Abolishing Class 2 NICs and reducing the rate of Class 4 NICs will also be a welcomed change given it will save more for so many while still being able to get access to contributory benefits including the State Pension.*

Relevant sources of information

Personal tax fact sheet

Learn more about National Insurance contributions.

National Insurance

3. DIVIDEND ALLOWANCE

What dividend-related changes have been announced today as part of the Chancellor's Spring Budget?

No new announcements were made regarding the dividend allowance or rates of tax applicable to dividends. From 6 April 2024 the dividend allowance will be £500.

The rates of income tax on dividends will continue with the rates as below:

	Income Tax Rate in 2024/25
Basic rate	8.75%
Higher rate	33.75%
Additional rate	39.35%

When does this come into effect?

6 April 2024.

What should financial planners tell their clients?

The 0% dividend allowance means that, regardless of their tax rates, a married couple or civil partners can receive £1,000 in combined dividend income from 6th April 2024 with no tax liability, provided that they each have sufficient dividend income to utilise their allowance. Using this allowance in the current tax year remains even more important with the impending reduction.

On the face of it this reduction will potentially increase the tax attractiveness of investments that do not pay dividends. However, investment decisions need to be made with a wide range of factors (of which tax is one) in mind. In a number of cases an investment purely focussed on capital growth can introduce greater volatility.

Having a balanced investment inside an appropriate tax wrapper can however be very beneficial. So, having chosen an appropriate investment mix to match the investors' appetite for and attitude to risk then holding this inside a tax efficient environment can really pay off. Pensions and ISAs readily spring to mind as tax efficient "no brainers". Beyond these though and assuming the (much reduced) dividend allowance and CGT exemption have been used then the tax deferment and tax management qualities of an investment bond as appropriate can be well worth considering – especially in relation to portfolios producing dividend income. Dividends received by the policyholder funds inside UK life funds are tax free with no limit and top slicing relief and the 5% withdrawal rules remain very much available for drawing funds tax efficiently. Dividends are, of course, also tax free inside international (offshore) bonds and while, in relation to a chargeable event, it may be possible to use the personal allowance, savings allowance and zero% starting rate there is no basic rate credit.

Business owners should ensure they are drawing income in the most optimal way. A remuneration structure review, in conjunction with their accountant becomes vital for the future. This is especially so given the reductions we have seen to employee NICs in both the 2023 Autumn Statement and the 2024 Spring Budget and the increase in corporation tax for many businesses.

How can the impact of the changes be mitigated?

As described above, as result of the reducing dividend allowance, investing within a pension and an ISA remains attractive as dividends will not be subject to further taxation in the wrapper. Ensuring your clients use their ISA allowances consistently is even more important where their dividend allowance is fully utilised.

Financial planners may wish to suggest to their clients, who are married or in a civil partnership, that they consider an unconditional transfer of an appropriate amount of their dividend producing investments to ensure each of a couple maximise use of their dividend and ISA allowance.

The structure of remuneration for business owners remains an important consideration in light of the proposed and recent changes identified above. The changes have meant there will be more situations where drawing all of their remuneration as salary is more efficient than using dividends.

Relevant sources of information

HC 560 – Spring Budget 2024

Learn more about dividends.

Dividends

4. CAPITAL GAINS TAX

What capital gains tax changes have been announced today as part of the Spring Budget announcements?

CGT rate on residential property gains

The Chancellor has reduced the CGT rate charged on gains made on disposal of residential properties by higher and additional rate taxpayers from 28% to 24% with effect from 6 April 2024. The 28% rate for residential property gains accruing to trustees and personal representatives will also reduce to 24% from the same date. The basic rate of tax payable on residential property gains will remain at 18%.

Legislation to implement the higher rate reduction will be included in Spring Finance Bill 2024 and will take effect for disposals on or after 6 April 2024.

Abolition of Furnished Holiday Lettings (FHL) tax regime

It was announced today that the Furnished Holiday Letting (FHL) tax regime will be abolished with effect from 6 April 2025.

Historically, section 241(3A) Taxation of Chargeable Gains Act 1992 has treated the commercial letting of furnished holiday accommodation as a trade for the purposes of Business Asset Disposal Relief (formerly Entrepreneurs Relief), meaning that any gain made on disposal of an FHL business would be taxed at just 10%.
The abolition of the FHL tax regime will mean that furnished holiday lets will be subject to the same rates of CGT on disposal as any other residential property.

Draft legislation will be published in due course and will include an anti-forestalling rule which will prevent the obtaining of a tax advantage

through the use of unconditional contracts to obtain capital gains relief under the current FHL rules. This rule will apply from 6 March 2024.

Abolition of remittance basis for non-domiciled UK residents

The Chancellor announced that the current remittance basis of taxation will be abolished for UK resident non-domiciled individuals from 6 April 2025 and 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. Under the new regime individuals will not be required to track the movement of their FIG through investments in the way they are required to do now under the current regime, making the new 4- year FIG regime much simpler than the remittance basis regime.

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. 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.

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. Transitional rules will apply for individuals who have claimed the remittance basis and are neither UK domiciled, nor UK deemed domiciled by 5 April 2025. If, on or after 6 April 2025, they dispose of a personally held foreign asset that they held at 5 April 2019, they will be able to elect to rebase that asset to its value as at 5 April 2019. This rebasing will be subject to conditions that will be set out at a later date.

Temporary Repatriation facility (TRF)

A new 12% rate of tax will be introduced for remittances of FIG made in tax years 2025/26 and 2026/27 where the FIG arose to the individual personally in a year when the individual was taxed on the remittance basis and the individual is UK resident in the relevant tax year.

There will be some relaxation of the mixed fund ordering rules to make it easier for individuals to take advantage of the TRF if, for example, they have FIG in a mixed fund or they are unable to precisely identify the quantum of their FIG.

From 2027/28 remittances of pre-6 April 2025 FIG will be taxed at normal tax rates.

Offshore trusts created by non-domiciled settlors.

From 6 April 2025, the protection from taxation on future income and gains as they arise 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. This is the same basis on which trust income and gains are taxed on UK domiciled settlors or transferors under the current regime. FIG which arose in the trust or trust structure before 6 April 2025 will be taxed on settlors or beneficiaries if they are matched to worldwide trust distributions.

Remaining provisions

As previously announced, the CGT annual exempt amount, will reduce to £3,000 per individual with effect from 6 April 2024.

CGT rates on disposals of chargeable assets other than residential property remain unchanged at 10%/20% for basic rate taxpayers and higher rate taxpayers respectively.

What should financial planners and their clients do next?

Buy-to-let landlords who are considering making disposals of residential properties may want to consider deferring the CGT point (usually date of exchange) until after 6 April 2024 to take advantage of the lower 24% rate of CGT that will apply to gains made on disposals on or after that date.

Landlords of FHL properties will need to take tax advice on how best to structure their property investments following abolition of the current favourable regime that applies to FHL businesses. In this respect, affected clients could consider transferring their FHL property into the joint names of themselves and their spouse to make use of two annual exempt amounts on sale; or explore an incorporation of their property portfolio, albeit this can be a complex and often costly process. In many instances the tax costs arising on an incorporation (and the fact that property gains will be taxed at a rate of as much as 25% within a corporate wrapper) may mean that transferring an existing FHL business into a company simply won't be viable or attractive. For many, the abolition of the existing regime may be the catalyst to sell up and invest in something that may be more tax-efficient going forward.

Non-domiciled clients who think they may be affected by abolition of the remittance basis should seek specialist advice as it goes without saying that this is a highly complex tax area.

In terms of general CGT planning, an annual exercise to ensure available allowances and exemptions, including CGT, is being used should continue to be part of the review agenda despite the continued reduction in the annual exempt amount. Indeed, the impact of inflation means the true value of the reduced annual exemption will be eroded and compound effect of annual use arguably becomes even more important.

For investors with portfolios subject to CGT, such as share portfolios, DFMs, Unit Trusts and OEICs, investors may naturally use some or all of their annual exemption as a useful and tax effective "by-product" of re-balancing. Creating an "income" through capital disposals could still create some tax alpha nonetheless - having a maximum tax rate of 20% is far more advantageous than 45%, the highest rate of income tax -

although the reduction in the CGT exempt amount is likely to increase the attractiveness of investment bonds compared to collectives for new investors in future years.

Given that the CGT annual exempt amount will reduce to just £3,000 in April 2024, clients may want to give consideration to whether there is scope to bring forward any planned disposals of chargeable assets other than property to make use of the higher exemption available in the current tax year. Where the planned disposal is of shares or collectives and the 2023/24 exemption has not yet been used, phasing the disposal over two tax years is likely to prove beneficial as it will facilitate the use of two annual exempt amounts in close succession.

It may also be possible to maximise the tax-free element of any gain by ensuring that investments are held jointly with a spouse or civil partner, so that the annual exempt amounts of both parties are available to offset against any gain on disposal.

As the annual exemption reduces it will be more important than ever to ensure that all available reliefs, losses and allowable deductions are claimed when self-assessing capital gains. For more information, please follow the links below.

Relevant sources of information

[Spring Budget 2024 — Overview of tax legislation and rates (OOTLAR)]
[Capital Gains Tax rate on disposals of residential property from 6 April 2024]
[Changes to the taxation of non-UK domiciled individuals]

Techlink **Learn more about capital gains tax.**

[Capital Gains Tax – Fundamentals]
[Capital Gains Tax – Reliefs]
[Capital Gains Tax - Planning]
[Capital Gains Tax - Computations]

5. SAVINGS AND INVESTMENTS

What savings and investment changes have been announced today as part of the Chancellor's Spring budget?

The British Savings Bond

The British Savings Bonds will be delivered through National Savings and Investments. This product will offer a guaranteed interest rate, fixed for three years, increasing the savings opportunities available to consumers.

When does this come into effect?

This will be launched in April 2024

Spring budget announcements – UK Individual Savings Accounts (UK ISAs)

The Government is launching a new UK ISA with a subscription limit of £5,000 which will be in addition to the current standard ISA subscription limit of £20,000.

The new ISA will be a new tax-free product that will allow people to invest in UK focused assets.

When does this come into effect?

The Government will consult on the details.

Spring budget announcements – The Starting Rate for Savings

The Government will maintain the starting rate for savings, the 0% band for savings income, at £5,000 from 6 April 2024 to 5 April 2025.

Spring budget announcements - Individual Savings Accounts (ISAs)

The ISA subscription limit will remain unchanged at £20,000 for 2024/25. The Government is committed to ensuring people have the opportunity to invest in a diverse range of investment types through their ISAs. As previously announced at Autumn Statement 2023 this includes certain fractional share contracts, and the Government is working as quickly as possible to bring forward legislation by the end of the summer following detailed engagement with industry and the FCA.

Spring budget announcements - Junior ISA and Child Trust Funds

The annual subscription limit for Junior ISAs or CTF will remain unchanged at £9,000 in 2024/25.

When does this come into effect?

Limits already in place

What should financial planners do next?

Those clients who have not used their full ISA allowance should be reminded to do so before the end of the tax year.

By saving towards their future, families can give children a significant financial asset when they reach adulthood – helping them into higher education, training, or work. Junior ISAs (JISAs) and Child Trust Funds (CTFs) are tax-advantaged accounts for children, designed to encourage a long-term savings habit through tax efficiencies. No new CFTs can be set up but contributions can continue to the established ones.

JISAs can only be established by parents or legal guardians though anyone can then contribute. For parents who are not happy with the fact that the child will become (in effect) fully entitled to the JISA at age 18 an alternative of collective investments held in an appropriate trust could be

considered. Properly structured these could deliver tax efficiency and control.

It should be noted that current rules permit 16- and 17-year-olds to contribute the maximum subscription to both a JISA and an ordinary (i.e. adult) cash ISA, providing the potential for children to save almost £80,000 tax free through a combination of JISA and ISAs between the ages of 16-18. Where these allowances have not been fully utilised in the current tax year, parents or grandparents may therefore want to consider making additional contributions to the JISA and/or cash ISAs of their 16/17-year-old children/grandchildren before 5th April 2024 when this opportunity will end.

Relevant sources of information

HC 560 – Spring Budget 2024

Techlink

Learn more about savings and investments.

Child Trust Fund
ISAs

6. PENSIONS

What pensions changes have been announced today as part of the Chancellor's Autumn Statement?

As expected, there were no significant changes to pensions taxation announced in the Budget. However, there were changes to other aspects of taxation that have a minor impact on pension planning as outlined below.

The abolition of the lifetime allowance from 6 April 2024 remains the key upcoming pensions taxation change that advisers need to be aware of.

In addition to the taxation changes, the Chancellor recently announced a little more detail on pension fund reforms.

National Insurance and salary sacrifice

Whilst not directly related to pensions the further 2% reduction in the main rate of employee national insurance may reduce the appeal of salary sacrifice for basic rate taxpayers, because they won't be receiving as much of a saving by doing it. However, generally the same amount will be received by the pension, but their take home pay won't be reduced as much. Salary sacrifice still generally remains the most attractive way of making contributions where the option is available with the greatest potential benefit still being the savings passed on by the employer which should not change.

When does this come into effect?

The National Insurance reduction will take effect from 6 April 2024.

Child Benefit Income limits

The income threshold is being increased to £60,000 and charge rate halved meaning benefit is not fully withdrawn until earnings reach £80,000. The earnings definition for this purpose remains as adjusted net income (ANI) meaning pension contributions can be made to reduce ANI and restore benefits for those impacted.

Additional changes are being consulted on to try and account for household income in the future, and we wait to see these proposals and if ANI will still be part of the tests.

When does this come into effect?

The child benefit income limits will be increased from 6 April 2024 with further changes to come in 2026.

Abolishing Furnished Holiday Lets regime

Generally rental income from properties does not count as relevant UK earnings. The exception to this is the profits from furnished holiday lettings. As the regime is being abolished from 6 April 2025 this income will no longer be pensionable.

When does this come into effect?

The furnished holiday letting regime will be abolished from 6 April 2025.

Pots for life

To tackle the problem that many workers have multiple small pension pots, the Government confirmed it remains committed to exploring a lifetime provider model for Defined Contribution (DC) pension schemes "in the long-term". The Government stated it will undertake continued analysis

and engagement to ensure that this would improve outcomes for pension savers.

The aim is to allow workers the option to have one pension plan and would require employers to pay contributions to it, rather than joining new workplace schemes each time they moved jobs.

Pension fund investments

The Chancellor announced reforms aiming to boost UK business and increase returns for savers. These build on the previous 'Mansion House' reforms announced last year.

Under the plans:

- By 2027 defined contribution pension funds will need to disclose their levels of investment in British businesses, as well as their costs and net investment returns.
- Pension funds will be required to publicly compare their performance data against competitor schemes, including at least two schemes managing at least £10 billion in assets.
- Schemes performing poorly for savers won't be allowed to take on new business from employers.

The plans are subject to a consultation by the Financial Conduct Authority.

When does this come into effect?

Pension fund reforms are mostly under consultation with the exception of the target date of 2027 for disclosure of investment in British businesses.

Abolition of the Lifetime allowance

The Lifetime Allowance will be abolished with effect from 6 April 2024. Instead, new rules will limit tax-free lump sums payable both in lifetime

and on death. Only lump sum payments will be tested whereas income payments can be made without restriction (but are generally subject to income tax).

The standard lump sum allowance (LSA) is set at £268,275 and limits the tax-free payments from pensions during the member's lifetime.
The standard lump sum and death benefit allowance (LSDBA) is set at £1,073,100 and limits the tax-free payments both in lifetime and on death.

Those with lifetime allowance protections will generally have both a higher LSA and a higher LSDBA.

For clients who have previously taken some of their benefits under the lifetime allowance regime there are complex transitional arrangements.

We have a full range of material on Techlink explaining the new rules – please see the links at the end of this section and note the planning points below.

When does this come into effect?

The lifetime allowance will be abolished from 6 April 2024.

What should financial planners do next?

Financial planners need to be aware of the new rules replacing the LTA that limit tax free lumps sums from pensions funds.

Perhaps the most pressing issue will be those clients who may benefit from applying from a Transitional Tax-Free Amount Certificate (TTAFC) and plan to take benefits in the next tax year.   Clients must apply for the TTAFC before their first post 6 April 2024 relevant crystallisation event. Therefore, anyone taking benefits via regular crystallisations may need to pause these to ensure they can make their application or otherwise lose the opportunity. Full details are available in our documents below.

Another highly time sensitive issue relates to the fact that funds that are in placed into drawdown before the 6 April 2024 will not be tested against the new lump sum and death benefit allowance. Advisers should therefore consider if there is an advantage of crystallising benefits before this date where lump sum death benefits are desired or unavoidable.

Where the value of client's benefits will exceed their lump sum and death benefit allowance advisers should ensure there is the option to pay any death benefits as beneficiaries' drawdown wherever possible. By using drawdown, the full value can be paid free of tax where the member dies under the age of 75 whereas lump sum payments in excess of the allowance will be subject to income tax at the beneficiary's marginal rates.

Although the lifetime allowance will be abolished from 6 April 2024 lifetime allowance protections are still relevant as they will offer both higher protected tax-free cash amounts and higher lump sum and death benefit allowances.

With the continued freezing of income tax thresholds many more clients will be falling into higher tax bands and tax traps. Pension contributions continue to offer a way to keep the client below these thresholds and obtain attractive rates of tax relief. For example, those with taxable income of £125,140, can make pension contributions of £25,140 to both restore their full personal allowance and obtain higher rate relief. The effective rate of tax would be 60%.

The higher child benefit income limit perhaps provides new opportunities for higher earners to reduce their income below the revised limits and restore all or some of the benefits. For example, someone earning £70,000 may have found the £20,000 pension contribution required to reduce their adjusted net income to £50,000 unaffordable whereas they may now be able to pay £10,000 to reduce it to £60,000.

Those with profits from their furnished holiday lettings business have one more tax year to obtain tax relief by using the profits to make pensions contributions.

Techlink **Learn more about Pensions.**

[An overview of the abolition of the lifetime allowance]
[Transitional tax-free cash amount certificates]
[What is the lump sum allowance?]
[What is the lump sum and death benefit allowance?]
[Valuing pre-2024 lump sums for LSA purposes]
[Benefit Crystallisation Events - an overview]
[Techlink in Conversation Podcast - Episode 63 - Claire and Eddie discuss the lifetime allowance changes]

7. EIS, VCT, SEIS, SITR & INVESTMENT ZONES

Enterprise Investment Schemes (EIS), Venture Capital Trusts (VCTs), Seed Enterprise Investment Schemes (SEIS) & Social Investment Tax Relief (SITR).

No changes were announced to EIS and VCT investments in the Spring Budget and the tax reliefs are to remain in situ.

It has been previously announced that the Government remains committed to ensuring early-stage, innovative companies have access to the investment they need to grow and develop. To continue supporting thousands of start-ups and small and medium-sized enterprises (SMEs) each year who face the biggest challenges in accessing growth capital, the Government has extended EIS and VCT reliefs to (shares issued before) 6 April 2035.This is known as "extending the Sunset Clause" – which was the previous limitation imposed by the EU in relation to "state aid".

As previously announced, from 6 April 2023, companies are now able to raise up to £250,000 of SEIS investment, a two-thirds increase. To enable more companies to use SEIS, the gross asset limit was increased to £350,000 and the age limit from two to three years. To support these increases, the annual investor limit was doubled to £200,000.

SITR was allowed to expire in April 2023. New investments made on or after 6 April 2023 no longer qualify for income and capital gains tax relief.

When does this come into effect?

No specific changes were referenced in relation to EIS and VCT, which provides confirmation that the existing reliefs will remain in situ.

Increases to SEIS limits have applied since 6 April 2023.

SITR expired on 5 April 2023.

What should financial planners do next?

Where the risk appetite of a client is appropriate, utilising an EIS or VCT can prove beneficial for clients.

For clients who have exhausted the typical tax advantages, such as pensions and ISAs, the taxation advantages of such an investment can be significant.

Note that VCT dividends can be free of income tax within certain limits, which may increase their attractiveness bearing in mind reductions in the tax-free dividend allowance from 6 April 2024.

Investment Zones and Freeport tax sites

The Spring Budget, in March 2023, announced that the Government was launching the refocused Investment Zones programme to catalyse 12 high-potential knowledge-intensive growth clusters across the UK, including four across Scotland, Wales and Northern Ireland.

The 2024 Spring Budget provided further details of the Investment Zones, with the Tees Valley Investment Zone expected to leverage £175m in private investment to help support over 2,000 jobs over the next ten years. The timescales for the Investment Zones will increase from five to ten years in Scotland and Wales, matching the extension announced for England at Autumn Statement 2023, with potential tax benefits. The tax reliefs available in Freeport tax sites are being extended from five to ten years, until September 2031 in England, and September 2034 in Scotland and Wales.

When does this come into effect?

The full detail of the changes to Investment Zones in the East Midlands, Tees Valley, Wales, Scotland and Northern Ireland will be announced later this year.

What should financial planners do next?

Depending on the specifics announced regarding Investment Zones there will be opportunities for clients and businesses based in the potential Investment Zones.

Advisers should remain abreast of the changes to ensure they can deliver relevant information and knowledge to clients.

Relevant sources of information

HC 560 – Spring Budget 2024
Investment Zones update

Techlink

Learn more about EIS, VCTs, SEIS and SITR.

Enterprise Investment Scheme
Venture Capital Trusts

8. INHERITANCE TAX

Spring Budget announcements

No changes specifically relating to Inheritance Tax (IHT) were announced in the Spring Budget; however, two wider-ranging changes that have inheritance tax implications are:

Reform of existing 'non-dom' regime

In line with pre-Budget day rumours, the Chancellor has today announced that the tax-favourable 'remittance basis' regime that currently applies to non-domiciles resident in the UK for less than 15 years, will be replaced with a simpler residence-based regime which will remove preferential tax treatment based on domicile status for all new foreign income and gains which arise from April 2025 to individuals who have been UK tax resident for more than four years.

While the reforms announced today focus on changes to the UK income and capital gains tax treatment of foreign income and gains accruing to UK resident non-UK domiciles; the Government has also announced an intention to move to a residence-based regime for Inheritance Tax. It is envisaged that the new rules for IHT will involve charging IHT on worldwide assets owned outright when a person has been resident in the UK for 10 years (the 'residence criteria'), with a provision to keep a person in scope for 10 years after leaving the UK (the 'tail provision'). The Government plans to publish a policy consultation on these changes, followed by draft legislation for technical consultation, later in the year. There are a number of detailed issues and interactions that will be consulted on, such as transitional provisions, the length of the residence criteria and tail provision, any connecting factors other than residence, gifts with reservation, domicile elections, formerly domiciled residents and calculation of trust charges. UK situs assets will remain in charge on the same basis as at present, regardless of residence.

Please see the Residence and Domicile section for further information.

Furnished Holiday Lettings (FHLs)

The Chancellor also announced that the current tax-regime that applies to furnished holiday letting (FHL) businesses will be abolished with effect from 6 April 2025. Historically, FHL businesses have benefitted from a number of income and capital gains tax reliefs that are typically only available to trading businesses; however, as FHL businesses do not generally qualify for inheritance tax business property relief unless an exceptional level of additional services is provided, the IHT impact for most FHL business owners will be limited. Please see the 'Property-related changes' section of this bulletin for further information on this change.

Remaining provisions

No other changes were announced to IHT meaning that the nil rate band and residence nil rate band thresholds for individuals remain at £325,000 and £175,000 respectively, while the rate of IHT applicable to transfers on death remains at 40%.

What should financial planners do next?

UK-domiciled and UK-deemed domiciled individuals pay UK IHT on their worldwide assets, while non-UK domiciled individuals who have been living in the UK for fewer than 15 out of the last 20 tax years, only pay UK IHT on their UK situs assets. Individuals who are neither UK domiciled nor deemed to be UK domiciled are able to transfer non-UK assets to a trust prior to becoming UK deemed domiciled so as to ring-fence those assets from UK IHT. Overseas assets held in such trusts (known as 'excluded property trusts') will not be subject to UK IHT periodic or exit charges even if the trust is a discretionary trust and will be held outside of the estate of the settlor even if he can benefit from the trust and subsequently becomes UK-deemed domiciled. The policy paper 'Non-UK domiciled individuals policy summary' published alongside the Spring Budget confirms that the treatment of non-UK assets settled into a trust by a non-UK domiciled settlor prior to April 2025 will not change. This presents a window of opportunity for non-UK domiciles who have currently been living in the UK for fewer than 15 years or who are planning to move to the

UK in the imminent future and remain UK resident for longer than four tax years and such clients may therefore wish to act promptly to take advantage of these transitional provisions.

The IHT position of FHL business owners is unlikely to be substantially affected by the abolition of the FHL taxation regime. This is because FHL businesses will not generally benefit from IHT business relief unless the property owner spends a significant proportion of his time providing additional services appreciably over and above those that would typically be expected of a landlord, relief may be given (as illustrated in the 2018 First Tier Tribunal decision in P/Rs of Grace Joyce Graham deceased v HMRC).

In terms of general IHT planning, UK domiciled and deemed domiciled clients with estates in excess of the thresholds above which IHT will be payable, will want to take steps to alleviate the impact of IHT by:

- *Ensuring that Wills are up-to-date, tax-efficient and do not contain provisions that could jeopardise the availability of the residence nil rate band (RNRB) where this would otherwise be available:*
- *Making first-death gifts, if married or in a civil partnership, to ensure that the estate on second stays below £2m;*
- *Making use of available IHT exemptions each year to stop the estate – and the IHT liability - from growing;*
- *Making larger outright gifts to reduce the estate (where appropriate and subject to CGT considerations);*
- *Using trusts to make gifts with the added benefits of flexibility and control; and*
- *Considering the merit in business relief investments (subject to risk profile) and packaged solutions such as discounted gift trusts and loan trusts to achieve IHT advantages while retaining some form of access to their investments;*
- *Using life cover, written in trust, to fund for the (residual) IHT liability.*

Relevant sources of information

Spring Budget 2024: Overview of tax legislation and rates (OOTLAR)
Spring Budget 2024: Non-UK domiciled individuals policy summary
Technical note: Changes to the taxation of non-UK domiciled individuals

Techlink

Learn more about Inheritance Tax.

Inheritance tax fundamentals
Inheritance tax planning
Business relief for FHL businesses

9. TRUST TAXATION

What trust tax-related changes have been announced today as part of the Chancellor's Spring Budget?

Although there was nothing new in today's Budget that affects trust taxation immediately, a number of measures that were announced do affect trusts.

Capital gains tax on property sales

While there have been no changes to trust tax rates announced, the reduction of the CGT rate on disposals of property from 28% to 24% from 6 April 2024 will also be relevant to trustees holding property.

Changes to non-domicile regime and trusts

Full explanation of the proposed changes to the non-domicile regime, including the abolition of the remittance basis is covered in section….

As domicile of settlors in particular is very relevant to taxation of trusts, in particular offshore trusts, the proposed changes will be of interest to many clients holding offshore structures.

The key points to take from today' announcement for trustees are:

From 6 April 2025, the protection from tax on income and gains arising within settlor-interested trust structures will no longer be available for non-domiciled and deemed domiciled individuals who do not qualify for the new 4-year foreign income and gains (FIG) FIG regime. FIG arising in the trust (whenever established) from 6 April 2025 will be taxed on the settlor on the same basis as UK domiciled settlors at present unless the settlor is eligible for the new 4-year FIG regime.

From 6 April 2025 the matching of pre-6 April 2025 FIG to trust distributions will continue, but UK resident non-domiciled individuals will no longer be entitled to the remittance basis in respect of worldwide trust distributions. Beneficiaries and settlors who are within the 4-year FIG regime will also be

able to receive benefits from 6 April 2025 free from any UK tax charges whether or not the benefits are received in the UK. However, such benefits are not matched to trust income and gains and will be subject to a modified onwards gift rule.

Inheritance tax reform

The Government intends to move IHT to a residence-based system, subject to consultation and applying this from 6 April 2025. See section on IHT for full details.

Current IHT treatment will continue for any non-UK property that is settled by a non-UK domiciled settlor and becomes comprised in a settlement prior to 6 April 2025. New trusts and additions to existing trusts made by a non-UK domiciled settlor on or after 6 April 2025 will be subject to new residence-based rules.

Excluded property trusts – new "sell-by" date

As is well known, worldwide assets settled by a UK domiciled or deemed domiciled settlor are subject to IHT. UK assets settled by a non-UK domiciled settlor are also subject to IHT. However, non-UK assets settled by a non-UK domiciled settlor are currently "excluded property" under section 48(3) of the Inheritance Tax Act 1984 and not subject to IHT unless it is an interest in a foreign entity that owns UK residential property, or where the settlor is a formerly domiciled resident in the year the IHT chargeable event arises.

The Government has confirmed that the treatment of non-UK assets that are settled by a non-UK domiciled settlor and become comprised in a settlement prior to 6 April 2025 will not change. For these settled assets:

- provided the assets in the settlement continue to meet the legislative requirements to be excluded property under current legislation, and subject to any future anti-avoidance provisions, there will be no IHT charges; and
- the interaction between the gift with reservation provisions and excluded property trust rules will also remain, meaning excluded

property will not be brought into charge on the settlor's death even if the settlor retains a benefit in the trust assets.

The exception to this is that the treatment of non-UK property comprised in a settlement that currently comes back into scope where the settlor is a formerly domiciled resident (see above) will be subject to consultation.

Simplification of tax for trusts and estates from 6 April 2024

Finally, although these have already been legislated for, it is worth reminding of the new rules coming into effect from 6 April 2024 for trusts, namely

- Exemption from tax for trusts and estates with income up to £500. Where a settlor has made other trusts, the amount is the higher of £100 or £500 divided by the total number of existing trusts (subject to some exceptions)
- Removal of the default basic rate and dividend ordinary rate of tax that applies to the first £1,000 slice of discretionary trust income (i.e. the "standard rate band")
- Exemption for beneficiaries of UK estates on income distributed to them that is within the £500 limit for the PRs.

When does this come into effect?

The CGT change is to take effect from 6 April 2024. The IHT and domicile rules to take effect from April 2025

What should financial planners do next?

Financial planners who advise trustees and /or settlors should discuss the proposals as well as the forthcoming changes to trust taxation with them. The remaining opportunity to create an excluded property trust should be of particular relevance to those who have yet to take this step.

Techlink **Learn more about trust taxation.**

Trust taxation

10. EMPLOYEE BENEFITS

What employee benefit changes have been announced today as part of the Chancellor's Spring Budget?

Reduction in National Insurance

The Government is reducing the main rate of employee National Insurance by 2p from 10% to 8% from 6 April 2024.

Please see the "Income tax" section for more information.

When does this come into effect?

From April 2024

What should financial planners do next?

The further reduction in the main rate of NICS provide some good news. Employees should continue to consider salary sacrifice for pension contributions as this means that both the employee and the employer pay less NICs, so further tax savings can be achieved.

Relevant sources of information

Personal tax fact sheet

Learn more about Employee Benefits.

Benefits in Kind - Taxable Benefits

11. CORPORATION AND BUSINESS TAX

Corporation Tax

There was no change proposed to the rates of corporation tax which will continue at 19% on profits up to £50,000, 25% for profits over £250,000 and an effective rate of 26.5% for profits falling between those two thresholds. It should be noted that policyholder funds inside UK life companies bear tax at a rate linked to the basic rate – so at 20%.

When does this come into effect?

The current corporation tax rates will continue from 1 April 2024

What should financial planners do next?

Ensuring your clients maximise the available tax reliefs and allowances is a vital part of delivering "Tax Alpha". This is especially important where we have seen an increase in corporation tax for many businesses.

VAT Changes

It was announced by the Chancellor that the VAT registration threshold would increase from the current level of £85,000 to £90,000. The deregistration threshold would also change from £83,000 to £88,000.

This will remove the VAT registration requirement for around 28,000, small businesses according to official figures.

When does this come into effect?

The changes will be made from 1 April 2024

What should financial planners do next?

Awareness of the changes are really important as there may be clients who no longer need to be registered for VAT. In addition, providing business owning clients with accurate information regarding their reporting requirements is an important piece of "Advice Alpha".

Business rate reliefs and support for creative industries

The 2023 Autumn Statement announced a 75% business rate relief for eligible retail, leisure, and hospitality businesses. It was announced in today's budget that this would continue to be the case.

The Government is also announcing over £1 billion of new tax reliefs for the UK's world-leading creative industries. This includes introducing a 40% relief from business rates for eligible film studios in England for the next 10 years; introducing a new UK Independent Film Tax Credit; and increasing the rate of tax credit by 5% and removing the 80% cap for visual effects costs in the Audio-Visual Expenditure Credit.

A permanent extension will be made to tax relief for theatres, orchestras, museums, and galleries.

When does this come into effect?

These changes will commence in April 2024 and intended to apply over the next 5 years.

What should financial planners do next?

Ensuring your business owning clients are using available tax allowances in alignment with their commercial /business planning is an important part of delivering advice. While not "mainstream advice" having an awareness of the investment incentives available to businesses will be an important

part of establishing and maintaining credibility with business owners and their professional connections.

Full Expensing Relief

It was announced at the 2023 Autumn Statement that the "biggest business tax cut in modern British history" would be brought in to benefit companies in the UK with the full expensing rules becoming permanent, full details can be found on Techlink.

Mr Hunt provided figures which suggested the full expensing changes will increase the UK economy by 0.7% and generate an additional £14bn of investment.

It was also announced that the Government will seek to extend full expensing to assets for leasing when fiscal conditions allow and will publish draft legislation shortly.

When does this come into effect?

The "full expensing" rules are already permanently in effect.

What should financial planners tell their clients?

Financial planners should always seek to be at the heart of planning for SME owners in relation to their business and personal tax planning. This will be even more so after the changes to corporation tax and the making of the full expensing rules permanent.

Consideration of tax changes will offer great opportunities to collaborate with the client's accountants, opening a broad discussion around remuneration, profit extraction and ongoing business growth.

Within the context of this relationship, it is essential that financial planners have a good working knowledge of the relevant taxation context in which

their advice is set. So, without being a "capital allowance practitioner" having a good awareness of the latest rules is important to establish and maintain professional credibility.

How can the impact of the changes be used?

Expenditure to generate corporate tax relief (commercial and non-tax considerations permitting of course) will continue to be valuable, especially where it qualifies for full deduction under the rules confirmed in the statement.

Where a business is considering future expenditure, they can do so in the knowledge that full expensing relief and the annual investment allowance increase have been made permanent.

For corporate investment of funds not needed for business purposes, subject to an appropriate assessment of liquidity requirements and attitude to risk some thought could be given to corporate investment in appropriate collective investments for their tax efficiency and tax deferment and tax management qualities.

Relevant sources of information

HC 560 – Spring Budget 2024

Techlink Learn more about corporation and business tax.

Corporation Tax
Trading Income
Corporate Investing

12. TAXATION OF SHAREHOLDER DIRECTORS

Reduction in the main rate of employee NICs

It was announced that the main rate of Employee's (Class 1) NICs will, from 6th April 2024, reduce by 2% from the current rate of 10% to 8%. This is following the 2023 Autumn Statement where the rate was reduced from 12% to the current 10%.

Even before this change was announced it was generally the case that, beyond the dividend allowance (which, of course, reduces from its current level of £1,000 to £500 from 6th April 2024), drawing funds by way of salary/bonus (as opposed to dividends) from a company paying the 25% or 26.5% corporation tax rate, for a shareholding director paying the higher or additional rate would yield the best after tax result. This substantially being due to the higher corporation tax rate leaving less to be distributed by way of dividend.

For those above the upper earning limit (£50,275) the proposed further NI reduction, will not affect this conclusion (positively or negatively) as the 2% lower NI rate will remain payable.

When does this come into effect?

The changes come into effect from 6 April 2024.

What should financial planners tell their clients?

Shareholder directors should work with their accountant to review their remuneration structure, ensuring that they are drawing income in the most tax efficient manner. Creating a remuneration structure with the correct blend of salary, dividends and tax efficient pension contributions can make a significant tax difference to the after tax and NI outcome for shareholding directors.

With the relatively recent changes to dividend tax rates, corporation tax and the reduction in the dividend tax allowance together with the new changes to employee NICs this review will be very important.
Almost every "moving part" in the decision-making process has recently changed or, in the case of employee NIC between the lower earning and upper earning limit, is about to change.

Specialist, experienced tax advice should be sought on matters of incorporation and remuneration structure.

Pension Changes: Lifetime Allowance and Annual Allowance

Especially since the beneficial changes to the Lifetime Allowance and the Annual Allowances having available corporate funds invested into a pension where they are not required for corporate business purposes or for individual expenditure (via extraction as salary/bonus or dividend) can be an exceptionally tax effective to deploy those funds.

When did those pension changes come into effect?

The changes to both annual allowances and lifetime allowance took place from April 2023 with the removal of the lifetime allowance in April 2024.

What should financial planners tell their clients?

Where business owning clients had ceased their pension contributions due to reaching the lifetime allowance, they should consider re-starting the contributions where appropriate. The tax efficiency of a pension contribution and the tax efficiency of holding investments in a registered pension fund is significant and those who have ceased due to the lifetime allowance, and have control of their remuneration structure, should consider re-starting contributions.

With the general trend of increasing taxation for business owners, pension tax relief becomes even more valuable.

Please see the section entitled "Pensions" for full details.

Income tax thresholds

The rates of income tax for both salary and dividends will remain unchanged from the 2023/24 tax year.

In addition, the recent freezing of the income tax threshold until 5 April 2028 announced in the Autumn Statement of 2022 will be causing more business owners to be paying higher or additional rates of tax (or the dividend tax equivalent) on their income from the business.

Dividend Allowance

From 6 April 2024 the dividend allowance will be £500.

How can the impact of these changes be mitigated?

For couples where one is a shareholder in a private, "owner managed company" and the other is not, then, subject to any non-tax considerations and provided that fully participating shares are used, thought should be given to the income tax (and potential longer term) CGT benefits that a transfer of shares could deliver in relation to future declared dividends if the transferee's income tax rate is lower than that of the transferor.

For funds that are not required for personal expenditure and especially given the relaxations in relation to the annual and lifetime allowances then, as indicated above, serious thought should be given to the power and tax efficiency of corporate pension contributions.

In relation to the personal investments of business owners then full account should be taken of the reducing dividend allowance and CGT exemption when determining the most tax efficient strategy for their investments. In some cases, investment bonds can look more attractive

for their tax deferment and tax management qualities. This is especially so in relation to growth in investment value that is driven by reinvested income otherwise subject to high rates of personal tax when generated outside of an investment bond wrapper.

For corporate investment of funds not needed for business purposes, subject to an appropriate assessment of liquidity requirements and attitude to risk some thought could be given to corporate investment in appropriate collective investments for their tax efficiency and tax deferment and tax management qualities.

Techlink **Learn more about the taxation of shareholder directors.**

Business Succession - Company Shareholders
Corporate Investment
Dividends

13. CAPITAL ALLOWANCES

What capital allowance-related tax changes have been announced today as part of the Chancellor's Spring Budget?

Full expensing - leasing

In the Autumn Statement the Government announced that it would launch a consultation to consider whether to extend full expensing to leasing. Draft legislation on an extension of full expensing to assets for leasing will be published shortly.

Full expensing will be extended to assets for leasing when fiscal conditions allow.

Reference was made to the recent changes, allowing full expensing of qualifying business expenditure. There was nothing in the Spring Budget to suggest this will not continue.

When does this come into effect?

When fiscal conditions allow.

Learn more about capital allowances.

Capital allowances relevant to the financial services industry – an introduction
Research and Development tax relief reform - an update

14. PROPERTY RELATED TAX CHANGES

Spring Budget announcements

Some significant property-related changes announced in today's Budget as follows:

Furnished Holiday Lettings (FHLs)

The Furnished Holiday Letting (FHL) tax regime is to be abolished with effect from 6 April 2025. Draft legislation will be published in due course and include an anti-forestalling rule which will prevent the obtaining of a tax advantage through the use of unconditional contracts to obtain capital gains relief under the current FHL rules. This rule will apply from 6 March 2024.

Traditionally, properties that met the criteria to qualify as FHLs have benefitted from a range of tax reliefs and allowances including:

- Business Asset Disposal Relief (i.e. 10% CGT rate) on disposal of an FHL business;
- Plant and machinery capital allowances for items such as furniture, equipment and fixtures;
- Profits treated as relevant earnings for pension purposes, meaning that pension contributions can be made out of pre-taxed rental profit; and
- The full amount of finance costs (i.e. mortgage interest) can be deducted from FHL income

The abolition of the existing regime for FHLs means that from 6 April 2025 the tax treatment of holiday lets will be aligned with that of other rental properties. Individuals with FHL and non-FHL properties will therefore no longer need to calculate and report income separately for tax years from 2025/26 onwards.

Note that FHL businesses do not qualify for inheritance tax business property relief unless the property owner spends a significant proportion of his time providing additional services appreciably over and above those

that would typically be expected of a landlord, relief may be given. The IHT impact of the abolition of the FHL tax regime is therefore likely to be negligible for most FHL business owners.

Stamp Duty Land Tax (SDLT) – Multiple Dwellings Relief

The Chancellor has announced that Multiple Dwellings Relief (MDR) will be abolished with effect for transactions with an effective date on or after 1 June 2024.

MDR currently applies where two or more properties are acquired for consideration in the same transaction or in linked transactions. The relief works by charging SDLT on the mean average cost of the properties (as opposed to their aggregate value) and can often provide a significant reduction in the amount of SDLT that would otherwise be charged.

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. This is subject to various exclusions, for example that 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.

Legislation to repeal the existing legislation will be introduced in Spring Finance Bill 2024.

Stamp Duty Land Tax (SDLT) – First-time Buyers Relief

Legislation will also be included in Spring Finance Bill to amend the rules for claiming First-time Buyers' Relief where a new lease is granted through a nominee or bare trustee on or after 6 March 2024; while incidental

provisions will update the definition of 'first-time buyer' for the purposes of the relief to ensure that those who have previously acquired a lease through a nominee or bare trustee will not be treated as a first-time buyer.

Prior to Budget Day, individuals buying a new residential lease via a nominee or bare trust were unable to claim SDLT First-time Buyers' Relief on their purchase due to special rules that treated the nominee or the trustee as the purchaser, rather than the individual. This meant that victims of domestic abuse who wished to use such arrangements to prevent former partners from finding their new address were unable to claim relief.

The changes mean that, going forward, individuals using these types of arrangements will be able to claim relief, bringing them in line with purchasers of residential freeholds and pre-existing leases using similar arrangements.

The new rule applies to transactions with an effective date (usually the date of completion) on or after 6 March 2024, although where contracts are exchanged prior to 6 March 2024 but complete or are substantially performed on or after that date, transitional rules may apply in respect of the changes being made to the definition of 'First-time Buyer'.

Note that the changes do not affect the position in Scotland or Wales where devolved land transaction taxes apply.

Capital Gains Tax (CGT)

The Chancellor has reduced the CGT rate charged on gains made on disposal of residential properties by higher and additional rate taxpayers from 28% to 24% with effect from 6 April 2024. The 28% rate for residential property gains accruing to trustees and personal representatives will also reduce to 24%The basic rate of tax payable on residential property gains will remain at 18%.

Legislation to implement the higher rate reduction will be included in Spring Finance Bill 2024 and will take effect for disposals on or after 6 April 2024.

What can be done to mitigate the effects of property-related changes?

With an effective date of 1 June 2024 for the changes to Multiple Dwellings Relief, prospective purchasers of multiple properties and/or those contemplating transferring their property portfolios into a company have little notice to bring forward planned purchases/transfers to take advantage of the current regime.

Buy-to-let landlords who are looking to sell residential properties, may however, want to consider deferring sale/exchange of contracts until after 6 April 2024 to take advantage of the lower 24% rate of CGT that will apply to disposals made on or after that date.

Landlords of FHL properties will need to take tax advice on how best to structure their property investments following abolition of the current favourable regime that has applied to FHL businesses since. In this respect, they could consider transferring property into the joint names of themselves and their spouse; or transferring the property into a company ownership structure to mitigate taxes. The most appropriate solution will depend on all the circumstances including the mortgage position and their requirement for access to the rental income.

From a general perspective, property investor clients will want to continue to consider the merits of holding buy-to-let properties jointly (if married or in a civil partnership) to make use of two capital gains tax annual exempt amounts on disposal, and potentially the personal allowance and basic rate band of a lower-earning spouse/civil partner in relation to rental income.

Higher or additional rate taxpaying clients who are considering buying new properties may want to consider purchasing those properties within a corporate structure to take advantage of lower rates of corporation tax – particularly where annual rental profit after expenses (including mortgage interest) is likely to be below £50,000 and the post-corporation rental profit can be accumulated within the company and used to expand the portfolio. Over a period of time, the increased potential for portfolio growth

afforded by a low corporation tax rate will outweigh the double taxation on eventual profit extraction - even with the reduction in the dividend allowance and the CGT annual exempt amount and the increase in corporation tax rates.

Property investors who will need access to rental profit could consider making loans to their company to finance any planned property purchases to avoid the impact of double taxation on profit extraction.

Clients considering making new buy-to-let property investments (or transferring property to a company) should also note that if they are able to complete the purchase or transfer before 1 April 2025, they will benefit from the temporary increase in the SDLT threshold and save themselves up to £2,500 in SDLT.

Bespoke tax advice will be essential as the most tax-efficient approach will depend on the circumstances and objectives of the client.

Relevant sources of information

Spring Budget 2024 — Overview of tax legislation and rates (OOTLAR)
Stamp Duty Land Tax: Abolition of Multiple Dwellings Relief from 1 June 2024
Stamp Duty Land Tax: First-time Buyers' Relief
Capital Gains Tax rate on disposals of residential property from 6 April 2024

Techlink **Learn more about Property tax.**
Property Investments
Stamp Duty

15. TAX AVOIDANCE

Spring Budget announcement

The Government says that the 'Tackling the Tax Gap' package, announced at Autumn Statement 2023, was the largest since 2016, raising £5 billion of tax revenue over the five-year Autumn Statement 2023 forecast period. The Government is building on this with a new package of measures that will raise over £4.5 billion by 2028/29, including by ensuring taxpayers are supported out of tax debt faster. The Government is also implementing international standards to close gaps in the tax transparency system that have emerged as a result of recent developments in financial technology and the global crypto-asset market.

The Government says that it is building on strong actions at recent fiscal events, including measures to clamp down on promoters of tax avoidance, and is now going further to strengthen taxpayer protections, making it harder for bad actors to provide tax advice that could cause harm. The Government is consulting both on options to strengthen the regulatory framework in the tax advice market, and on requiring tax advisers to register with HMRC if they wish to interact with HMRC on a client's behalf.

These are not provisions that should concern the vast majority of financial planners who access the wide range of tried and tested strategies for delivering tax effective (but entirely uncontentious) financial planning outcomes for their clients.

Tackling non-compliance in the umbrella company market

The Government says that it is committed to protecting workers employed by umbrella companies, ensuring fair, genuine competition in the market and preventing significant Exchequer losses caused by tax non-compliance. Following consultation in 2023, the Government will set out next steps for tackling non-compliance in the umbrella company market shortly.

Amendments to the transfer of assets abroad provisions

This measure will affect UK resident individuals who own or have a financial interest in either UK resident close companies, or non-resident companies that would be close if they were UK resident. It amends the transfer of assets abroad provisions by applying a charge to tax where relevant transfers are carried out by a closely held company. This is done to avoid a liability to tax, of which an individual has a qualifying interest in. These individuals will have used companies to transfer assets to a separate non-resident person, or to a non-domiciled individual. This measure ensures that individuals cannot use a company to bypass anti-avoidance legislation, known as the Transfer of Assets Abroad (ToAA) provisions.

The measure introduces a provision that deems individuals who are participators in a close company, or a non-resident company that would be close if they were UK resident, as transferors to address situations where transfers are made by such companies. This change will ensure that a transfer made via a company, in which the individual is an owner or has a financial interest, will be considered a 'relevant transfer' by that individual for the purposes of the ToAA legislation. The Government says that the measure will not impact transactions where there is no tax avoidance purpose or where the transactions are genuine commercial transactions, as set out in s736 to s742 Income Tax Act 2007.

Business rates: avoidance and evasion

The Empty Property Relief "reset period" will be extended from six weeks to thirteen weeks from 1 April 2024 in England. The Government will also consult on a "General Anti-Avoidance Rule" for business rates in England and has published at Spring Budget a summary of responses to the Business Rates Avoidance and Evasion Consultation.

Relevant sources of information

Tackling non-compliance in the umbrella company market
Amendments to the transfer of assets abroad provisions
Business Rates Avoidance and Evasion: Consultation response

Techlink **Learn more about tax avoidance.**

Tax Avoidance

16. RESIDENCE AND DOMICILE

What residence and domicile changes have been announced today as part of the Chancellor's Autumn Statement?

Foreign Income and Gains regime – overview

The changes announced today are far-reaching for those who currently claim non-domicile status. It is intended that the whole concept of domicile in taxation is gradually replaced with system based on residence.

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

However, it will be replaced from the same date with a new four-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.

Those that qualify will not pay tax on FIG arising in the first four tax years after becoming UK tax resident and will be able to bring these funds into the UK free from any additional charges. They will not pay tax on non-resident trust distributions either. They will pay tax on UK income and gains, as is the case for non-domiciled individuals now.

Those who will be within this four-year window (after 10 years of non-UK tax residence) on 6 April 2025 when the new regime is introduced, will be eligible for the new regime for the remainder of the four years.

Overseas workday relief

Overseas workday relief (OWR) will be retained and simplified. It will be available for the first three years of UK residence and eligibility will be based on an employee's residence and whether they opt to use the new four-year FIG regime.

Trust Protections

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 will be taxed on the settlor or transferor (if they have been UK resident for more than 4 tax years) on the arising basis. This will be in-line with the current taxation of trust income and gains on UK domiciled settlors or transferors. However, FIG which arose in the trust or trust structure before 6 April 2025 will be taxed on settlors or beneficiaries if they are matched to worldwide trust distributions.

Reduced amount of foreign income subject to tax

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

From 6 April 2026, tax will be due on all worldwide income in the normal way.

Capital Gains Tax Rebasing

An individual who is not, or who later ceases to be, eligible for the new four-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 after 5 April 2025 of an asset held personally at 5 April 2019, be able to elect to rebase that asset to its value as at that date.

Temporary Repatriation Facility (TRF)

A new 12% rate of tax will be introduced for remittances of FIG made in tax years 2025/26 and 2026/27 where the FIG arose to the individual personally in a year when the individual was taxed on the remittance basis and the individual is UK resident in the relevant tax year.

From 2027-28 remittances of pre-6 April 2025 FIG will be taxed at normal tax rates.

Inheritance tax changes

From 6 April 2025 the Government intends to move inheritance tax from a domicile-based regime to a residence-based regime. This will be subject to consultation. It will consider both property owned outright, and property owned in trust.

- Owned outright – the current thinking is that the new rules will involve charging IHT on worldwide assets owned outright when a person has been resident in the UK for 10 years (residence provision), with a provision to keep a person in scope for 10 years after leaving the UK (tail provision).

- Owned in Trust – the current thinking is that the new rules for chargeability of assets comprised in a settlement will depend upon whether a settlor meets the residence criteria or is within the tail provision at the time the assets are settled and/or when charges such as 10-year anniversary charges or exit charge arises.

Both of the above are subject to consultation.

The treatment of non-UK assets that are settled by a non-UK domiciled settlor and become comprised in a settlement prior to 6 April 2025 will not change.

When do these changes come into effect?

6th April 2025

What should financial planners do next?

Financial planners who have non-domiciled clients should discuss the proposed changes and their potential consequences with those clients. IHT

planning should be in the forefront, especially given the Government's assurance that excluded property trusts created before 6 April 2025 will not be affected. Of course, we need to keep an eye out for the proposed consultation and things might change depending on the outcome of the forthcoming General Election, although changes to non-dom status have also been on the Labour Party's agenda.

Relevant sources of information

Changes to the taxation of non-UK domiciled individuals

Techlink

Learn more about Residence and Domicile.

Residence and Domicile

17. SOCIAL SECURITY BENEFITS

Spring Budget announcements – High Income Child Benefit Charge

The Government will reform Child Benefit to support working families. Child Benefit helps parents pay for the costs associated with having children, meaning they can better balance work with looking after their children. However, due to the complexities of the proposed changes – testing on household income, rather than an individual's income – these changes can not be put in place until April 2026.

In the meantime, the current income threshold at which High Income Child Benefit charge (HICBC) applies will be increased from £50,000 of adjusted net income to £60,000 and the top of the taper threshold will increase from £60,000 to £80,000.

When does this come into effect?

The changes to the taper take effect from 6th April 2024, but the more extensive changes will not impact until 6th April 2026.

Spring Budget announcements –Additional Jobcentre Support Pilot

The Government is extending the duration of the Additional Jobcentre Support pilot across England and Scotland for a further 12 months. This pilot will continue to test how intensive support at specific points in a Universal Credit claimant's journey can help support them into employment or higher earnings. As part of the pilot extension, claimants will also be required to accept a new claimant commitment at 6, 13 and 26 weeks, agreeing to more work requirements or have their claim closed.

When does this come into effect?

Already in place

Spring Budget announcements –Additional Funding for Disability Benefit Claims

The Government is providing additional funding that will increase system capacity to meet increased demand, and therefore enable people to get the right support in a timely manner.

When does this come into effect?

Ongoing

Spring Budget announcements –Universal Credit Loans

The Government will increase the maximum repayment period on new budgeting advance loans from 12 months to 24 months.

When does this come into effect?

With effect from Budgeting Advances taken from December 2024 onwards

Spring Budget announcements –Household Support Fund

The Government is also providing an additional £500 million (including Barnett impact) to enable the extension of the Household Support Fund in England.

When does this come into effect?

From April to September 2024.

What should financial planners do next?

With specific regards to the HICBC then reviewing if clients are now entitled to claim this benefit due to the increased thresholds. It may also now be worth considering increased pension contributions to reduce adjusted net income and so restore the benefit.

Generally, clients in receipt of benefits should ensure that they are fully aware of these changes and any impact they may have on other parts of their financial plan. Increases in benefits such as the state pension could mean that clients now have to complete a tax return should they have other income.

Planners should make sure that their clients are in receipt of all benefits they are entitled to claim.

Relevant sources of information

HC 560 – Spring Budget 2024

Learn more about Social Security Benefits.

State Benefits

18. GOALS BASED PLANNING – CASHFLOW MODELLING

Autumn Statement announcements

It is important to consider any changes announced in the Autumn Statement in the context of your clients' cashflow plans to determine whether an ad hoc revisit of a client's plan would be prudent. Most tools will incorporate personal taxation and national insurance calculations and therefore any changes can impact on cashflow planning forecasts.

There were no new changes announced in relation to the income tax personal allowance(s) nor to the income tax bands. The personal tax and national insurance thresholds continue to be frozen until April 2028.

No new changes were announced in relation to Inheritance Tax, Dividend Tax, or Capital Gains Tax allowances. The Inheritance Tax Nil Rate band and Residence Nil Rate band remain frozen until April 2028.

The State Pension increase also continues to follow the triple lock principle and will increase by 8.5% from April 2024.

National Insurance Contributions

Today's announcement about a further reduction in National Insurance Contributions will impact on cashflow planning forecasts for working clients.

Coupled with the previous reductions announced in the Autumn Statement, the reduction in Class 1 NICs to 8% from 6 April 2024 will benefit the average employed worker by £1,250 per year. The reduction in the main rate of Class 4 self-employed NICs to 6%, and the abolition of Class 2 NICs, from 6 April 2024, will benefit the average self-employed worker by £650 per year.

In the current climate, this will be a welcome reduction for many earners, providing relief from the current cost of living struggles. For some this may free up additional surplus income that could be put to better use through

increasing pension or investment contributions and the benefit of doing so can be modelled in a cashflow tool.

As a reminder, the change to National Insurance Contributions is as follows:

- A reduction in the main rate of Class 1 employee NICs from 10% to 8% from 6 April 2024 (a reduction from 12% to 10% was announced in the Autumn Statement and this was implemented in January 2024)
- A reduction in the main rate of Class 4 self-employed NICs from 8% to 6% from 6 April 2024 (a reduction in Class 4 NICs from 9% to 8%, and the abolition of Class 2 NICs, was announced in the Autumn Statement)

These changes are unlikely to be implemented immediately into your cashflow planning tool as some time will be needed to develop and test the changes in the software. Your cashflow tool provider should be able to inform you of the potential release date of an updated version.

Capital Gains Tax on Property

A change was announced to the higher rate of capital gains tax on the sale of residential property. The rate will reduce from 28% to 24% from 6 April 2024. This change will be important to consider when including the sale of residential property in a client's cashflow forecast.

High Income Child Benefit Charge

From April 2024 the High Income Child Benefit Charge (HICBC) threshold will rise from £50,000 to £60,000 and the rate at which the HICBC is charged will be halved, with it being fully withdrawn when earnings reach £80,000. Whilst this particular charge may not in itself be included within a cashflow tool, the change will mean that approximately 170,000 more families may be able to claim child benefit and for others the marginal rate tax will reduce. Overall, the Government estimates 485,000 families will gain an average of £1,260 in Child Benefit in 2024-25 as a result of these changes. Again, this could mean that some individuals may be able to put

these additional funds to better use through pension or investment contributions.

UK ISA

It was announced that a new 'UK ISA' with a £5,000 annual allowance will be introduced to encourage investment in UK equities. This will enter a consultation period running from 6 March 2024 to 6 June 2024, so we await further details on this.

What should financial planners do next?

As a result of National Insurance cuts at the last two fiscal events combined with the Government's cuts to the High-Income Child Benefit Charge:

- A couple with 2 school aged children, both working full-time, one on £60,000 and one earning the average salary (£35,000) will receive an annual gain of £4,600.
- A couple with 2 school aged children, both working full-time, one on £80,000 and one earning the average salary (£35,000) will receive an annual gain of £2,400.
- A single earner couple with 2 school aged children, where one is working full-time on £62k will receive an annual gain of £3,500.

If these gains can be put to use through increased pension or investment contributions, a cashflow tool will be able to demonstrate the positive impact this could have on a client's future finances. For example, a £5,750 gross (£4,600 net) personal pension contribution invested annually for 20 years into a pension growing at 4% per annum, would result in a fund of just over £170,000.

It is worth considering which clients may be worth revisiting in the context of these changes.

19. THE OPPOSITION (LABOUR) RESPONSE

Once the chamber had settled from the raucous reception to Jeremy Hunt's Budget speech, Sir Keir Starmer gave the Labour response.

It was a response that was less about the announcements within this Budget and more about the failings of the Conservative Government in managing the economy, and Sir Keir's observations on the broken promises of previous Budget announcements.

Starmer stated that with food prices 25% higher than two years ago; rents up 10%; and a typical family having to pay an extra £240 a month when remortgaging, the UK people are, "paying more and more for less and less".

Sir Keir explained that, regardless of the announcements made in this Budget, the impact of 'fiscal drag' was that taxes were now at a 70 year high.

In terms of growth, in Labour's eyes it is not the GDP numbers given by the Chancellor that are important, but the GDP per capita – the growth that has an impact on the individual pockets of people. Here the numbers look less favourable with the economy not having grown since the first quarter of 2022.

This has been supported by OBR figures that show the average income will be no higher at the end of this Parliament than they were at the start of 2019.

Labour has said that they will support the 2 pence reduction in National Insurance but reminded the chamber that in 2022, Rishi Sunak (then Chancellor) had promised that the basic rate of income tax would be 19% by 2024, when it currently stands at 20%.

The Leader of the Opposition ended his response with a challenge; for the Prime Minister to call an election on the 2nd May 2024.

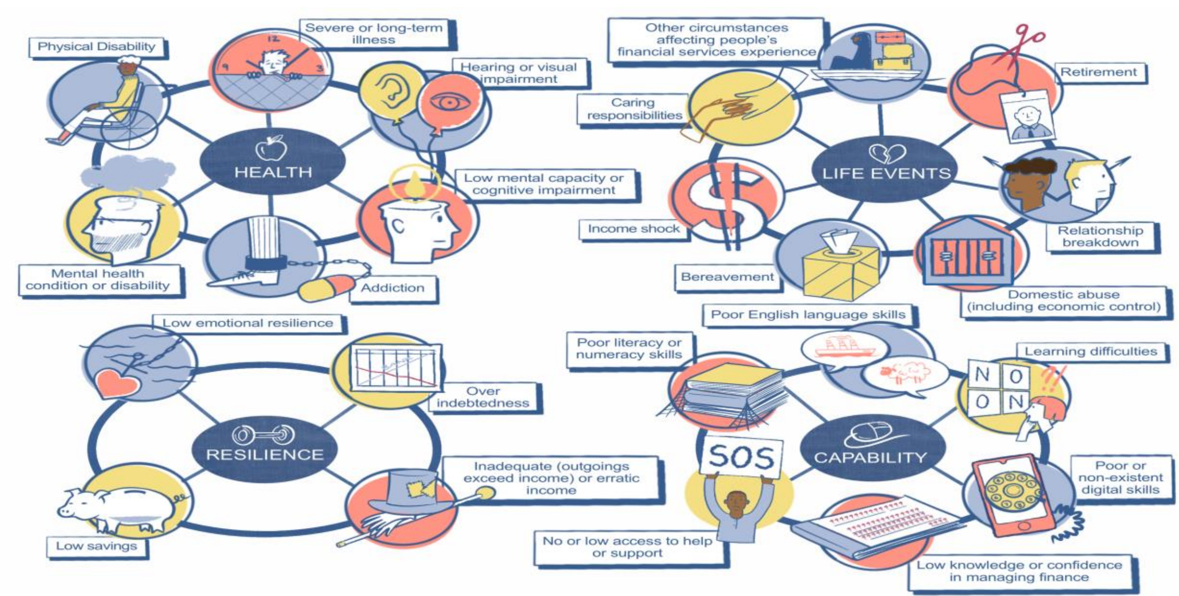
We will watch with interest to see if this challenge is accepted, or whether the chance to see a potentially more positive OBR outlook later in the year, means the Government will look closer to November.

THE COST-OF-LIVING CRISIS AND VULNERABLE CLIENTS

The cost-of-living crisis continues to disproportionately impact those already vulnerable. Vulnerability is driven by life events, poor health, financial resilience, and capability.

Listen and share our cost-of-living podcast series designed to help build a robust strategy to navigate through financial, emotional, and societal issues. You can access our free series here.

The Financial Conduct Authority (FCA) Consumer Duty Guidance, published in July 2022, available here, had 110 reference to vulnerable clients and gives financial planners clear guidance on considering client vulnerabilities and any additional support they may require ensuring fair treatment.



Key Spring Budget 2024 relevant measures for clients in vulnerable circumstances.

Announcement	**HEALTH**	**LIFE EVENTS**	**RESILIENCE**	**CAPABILITY**
National Insurance contributions (NICs): cut the main rate of Class 1 employee NICs from 10% to 8% from 6 April 2024.			✓	✓
National Insurance contributions: cut the main rate of Class 4 self-employed NICs from 8% to 6% from 6 April 2024.			✓	✓
High Income Child Benefit Charge: increase income threshold to £60,000 and taper range to £60,000 to £80,000 from 6 April 2024.			✓	✓
Fuel Duty: 12-month extension to the 5p cut in rates and no RPI increase in 2024-25.			✓	✓
Alcohol duty: freeze rates until 1 February 2025.			✓	✓
Increased capacity for processing disability benefits from 2024-25.	✓	✓	✓	✓
Vaping products duty: introduce from 1 October 2026.	✓	✓	✓	
Tobacco duty: one-off increase to maintain financial incentive to choose vaping over smoking from 1 October 2026.	✓	✓	✓	✓
Starting Rate for Savings: maintain at £5,000 for 2024-25.			✓	✓
National Insurance contributions: freeze Class 2 and 3 rates for 2024-25.			✓	✓
Abolishing £90 debt order relief charge used for personal insolvency.			✓	
Household support fund to support people on low incomes extended for 6 months.			✓	
loan repayment period for people on Universal Credit increase from 12 to 24 months.			✓	

APPENDIX 1: FACTS AND FIGURES

MAIN INCOME TAX ALLOWANCES

	2023/24	2024/25
	£	£
Personal allowance – standard	12,570	12,570
Personal allowance reduced if total income exceeds ∞	100,000	100,000
Transferable tax allowance (marriage allowance) §	1,260	1,260
Property allowance	1,000	1,000
Trading allowance	1,000	1,000
Rent a room relief	7,500	7,500
Employment termination lump sum limit	30,000	30,000

∞ For 2023/24 and 2024/25 the reduction is £1 for every £2 additional income over £100,000. As a result, there is no personal allowance if total income exceeds £125,140.

§ Available to spouses and civil partners born after 5 April 1935, provided neither party pays tax at above basic rate.

INCOME TAX RATES (UK EXCLUDING SCOTTISH TAXPAYERS' NON-DIVIDEND, NON-SAVINGS INCOME)

	2023/24	2024/25
	£	£
Starting rate	0%	0%
Starting rate on savings income	1-5,000	1-5,000
Personal savings allowance (for savings income):		
- Basic rate taxpayers	1,000	1,000
- Higher rate taxpayers	500	500
- Additional rate taxpayers	Nil	Nil
Basic rate	20%	20%
Higher rate - 40%	37,701-125,140	37,701-125,140
Additional rate on income over £125,140	45%	45%
Discretionary and accumulation & maintenance trusts (except dividends) °	45%	45%
Discretionary and accumulation & maintenance trusts (dividends) °	39.35%	39.35%
Dividend nil rate band (dividend allowance)	1-1,000	1-500
Basic rate on dividends	8.75%	8.75%

Higher rate on dividends	33.75%	33.75%
Additional rate on dividends	39.35%	39.35%
High income child benefit charge 1% of benefit per £100/£200 income between	£50,000 and £60,000	£60,000 and £80,000

° For 2023/24, up to the first £1,000 of gross income is generally taxed at the standard rate (unless more trusts were created by the same settlor), i.e. 20% or 8.75% as appropriate. The £1,000 standard rate band is set to be abolished from 6 April 2024. From that date, trusts with income up to £500 will not pay tax on that income as it arises. If income exceeds £500, income tax will be due on the full amount of income. Where a settlor has created a number of trusts, the £500 limit will be proportionately reduced for accumulation & maintenance trusts and discretionary trusts by the total number of the current trusts to a minimum of £100. Interest in possession trusts, settlor-interested trusts, vulnerable beneficiary trusts, heritage maintenance trusts and certain pension schemes will not be taken into account.

For Scotland, the 2023/24 and 2024/25 tax bands and tax rates, which cover only non-dividend and non-savings income, are:

Band name	**Tax rate**	**Taxable income**	
		2023/24	**2024/25**
Starter	19%	£0 - £2,162	£0 - £2,306
Basic	20%	Over £2,162 - £13,118	Over £2,306 - £13,991
Intermediate	21%	Over £13,118 – £31,092	Over £13,991 - £31,092
Higher	42%	Over £31,092 - £125,140	Over £31,092 - £62,430
Advanced	45%	N/A	Over £62,430 - £125,140
Top	47%/48%	Over £125,140	Over £125,140

For dividends and savings income, the 'rest of UK' (rUK) rates and bands set by Westminster apply. Westminster also fixes the personal allowance (set at £12,570 for 2023/24 and 2024/25), which Scotland adds in when publishing out its tax bands.

NATIONAL INSURANCE CONTRIBUTIONS (NICs)

Class 1 employee NIC	**06/04/23 to 05/01/24**		**06/01/24 to 05/04/24**	
	Employee	Employer+	Employee	Employer+
Main NIC rate	12%	13.8%	10%	13.8%
No NICs on first: Under 21* 21* & over	 £242 pw £242 pw	 £967 pw £175 pw	 £242 pw £242 pw	 £967 pw £175 pw
Main NIC charged up to	£967 pw	No limit	£967 pw	No limit
Additional NIC rate on earnings over	2% £967 pw	N/A	2% £967 pw	N/A

Class 1 employee NIC	**2024/25**	
	Employee	Employer+
Main NIC rate	8%	13.8%
No NICs on first: Under 21* 21* & over	 £242 pw £242 pw	 £967 pw £175 pw
Main NIC charged up to	£967 pw	No limit
Additional NIC rate on earnings over	2% £967 pw	N/A

+ No employer NICs for veterans on annual earnings up to £50,270 for the first year of a qualifying veteran's employment in a civilian role, until 5 April 2025.

NIC limits and thresholds	**2023/24**		**2024/25**	
	Weekly	**Yearly**	**Weekly**	**Yearly**
Lower earnings limit	£123	£6,396	£123	£6,396
Primary earnings threshold	£242	£12,570	£242	£12,570
Secondary earnings threshold	£175	£9,100	£175	£9,100
Upper secondary threshold - U21s*	£967	£50,270	£967	£50,270
Upper earnings limit	£967	£50,270	£967	£50,270

* Under 25 for apprentices.

Employment Allowance	**2023/24**	**2024/25**
Per business*	£5,000	£5,000

* Not available if a director is the sole employee or the previous tax year's secondary NICs were £100,000 or more.

Self-employed and non-employed NICs	2023/24	2024/25
Class 2 NICs		
Flat rate Small profits threshold	£3.45 pw £6,725 pa	£3.45 pw* £6,725 pa
Class 4 NICs (*Unless over State Pension Age on 6 April*)		
On profits	£12,570 – £50,270 pa: 9% Over £50,270 pa: 2%	£12,570 – £50,270 pa: 6% Over £50,270 pa: 2%
Class 3 NICs (Voluntary)		
Flat rate	£17.45 pw	£17.45 pw

* From 6 April 2024, self-employed people with profits above £12,570 will no longer be required to pay Class 2 NICs, but will continue to receive access to contributory benefits, including the State Pension. Those with profits between £6,725 and £12,570 will continue to get access to those benefits through a NICs credit, without paying NICs as they do currently. Those with profits under £6,725 and others who pay Class 2 NICs voluntarily to get access to those benefits will continue to be able to do so.

CAPITAL GAINS TAX

Main exemptions and reliefs	2023/24	2024/25
Annual exemption	£6,000*	£3,000*
Principal private residence exemption	No limit	No limit
Chattels exemption	£6,150	£6,150
Business assets disposal relief	Lifetime cumulative limit £1,000,000. Gains taxed at 10%	

* Reduced by at least 50% for most trusts.

Individuals, personal representatives and trustees will not have to complete the capital gains tax pages of a tax return if their chargeable gains for the tax year do not exceed £50,000.

Rates of capital gains tax	**2023/24**	**2024/25**
Individuals	10% on gains within basic rate band/20% on gains in higher rate band and above	
Additional rate on property gains accruing to individuals	8%	8%/4%
Trustees and personal representatives	20%	
Additional rate on property gains accruing to trustees and personal representatives	8%	4%
Additional rate on carried interest gains	8%	

TAX PRIVILEGED INVESTMENTS (MAXIMUM INVESTMENT)

	2023/24	**2024/25**
ISA		
Overall per tax year	£20,000	£20,000
Maximum cash ISAs for 16- and 17-year-olds**	£20,000	N/A
Junior ISA (additional to overall limit for 16–17-year-olds)	£9,000	£9,000
Lifetime ISA	£4,000	£4,000
Help to buy ISA°	*£200 p/m*	*£200 p/m*
Help to Save savings account	£50 p/m	£50 p/m
Enterprise Investment Scheme* (30% income tax relief)	£2,000,000	£2,000,000
Maximum carry back to previous tax year for income tax relief	£2,000,000	£2,000,000
Seed Enterprise Investment Scheme (50% income tax relief)	£200,000¶	£200,000¶
Venture Capital Trust (30% income tax relief)	£200,000	£200,000

** The account opening age for any adult ISAs will be harmonised to 18, from 6 April 2024.

° Closed to new investors from 1 December 2019. Existing investors may continue to contribute.

* Income tax-relieved investment above £1m must be in knowledge-intensive companies. No limit for capital gains tax reinvestment relief.

¶ 50% capital gains tax reinvestment exemption in 2023/24 and 2024/25.

The Government has extended the existing sunset clauses for the Enterprise Investment Scheme and Venture Capital Trust from 6 April 2025 to 6 April 2035.

PENSIONS

	2023/24	2024/25
The maximum an individual can claim as a PCLS (tax free cash lump sum), except where protections apply	£268,275	£268,275
Annual allowance	£60,000	£60,000
Annual allowance taper: ¶ Threshold income limit Adjusted income limit Minimum annual allowance	 £200,000 £260,000 £10,000	 £200,000 £260,000 £10,000
Money purchase annual allowance	£10,000	£10,000
Annual allowance charge	20%-45% of excess	20%-45% of excess
Max. relievable personal contribution	100% relevant UK earnings *or* £3,600 gross if greater	

¶ 50% taper down to the minimum allowance based on excess over adjusted income limit if threshold income limit is also exceeded.

INHERITANCE TAX

	Cumulative chargeable transfers [gross]		Tax rate on death	Tax rate in lifetime*
	2023/24	2024/25		
Nil rate band[+]	£325,000	£325,000	0%	0%
Residence nil rate band¶	£175,000	£175,000	0%	N/A
Residence nil rate band reduced if estate exceeds[°]	£2,000,000	£2,000,000	N/A	N/A
Excess above available nil rate band(s)	No limit	No limit	40%[∞]	20%

* Chargeable lifetime transfers only.

\+ On the death of a surviving spouse/civil partner on or after 9 October 2007, their personal representatives may claim up to 100% of any unused proportion of the nil rate band of the first spouse/civil partner to die (regardless of their date of death).

¶ On the death of a surviving spouse/civil partner on or after 6 April 2017, their personal representatives may claim up to 100% of any residence nil rate band of the first spouse/civil partner to die (regardless of their date of death, but subject to the tapered reduction).

° The reduction is £1 for every £2 of additional estate over £2,000,000. As a result, there is no residence nil rate band available if the total estate exceeds £2,350,000 (£2,700,000 on second death if 100% is transferable).

∞ 36% where at least 10% of the net chargeable estate, before deducting the charitable legacy, is left to charity.

CAR BENEFITS

Company car tax

The charge is based on a percentage of the car's "price". "Price" for this purpose is the list price at the time the car was first registered including delivery and the price of extras but excluding the first registration fee or annual road tax. For cars first registered after 31 December 1997 the charge, based on the car's "price", is graduated according to the level of the car's approved CO_2 emissions.

For zero emission cars

2023/24	2024/25
2%	2%

For petrol or diesel hybrid cars with an approved CO_2 emission figure of up to 50g/km.

	2023/24		2024/25	
Electric-only range (miles)	NEDC: Registered before 6/4/2020	WLTP: Registered after 5/4/2020	NEDC: Registered before 6/4/2020	WLTP: Registered after 5/4/2020
Less than 30	14%	14%	14%	14%
30-39	12%	12%	12%	12%
40-69	8%	8%	8%	8%
70-129	5%	5%	5%	5%
130 or more	2%	2%	2%	2%

For petrol and RDE2° diesel cars with an approved CO_2 emission figure of more than 50g/km.

	2023/24		2024/25	
Emissions g/km	NEDC: Registered before 6/4/2020	WLTP: Registered after 5/4/2020	NEDC: Registered before 6/4/2020	WLTP: Registered after 5/4/2020
51-54	15%	15%	15%	15%
55 and above	16%* - 37%	16%* - 37%	16%* - 37%	16%* - 37%

° For diesels not meeting RDE2 emission standards (which became mandatory for registrations from 1 January 2021), add 4%, maximum 37%.

* Calculated as 1% above 51-54g/km scale percentage for each extra 5g/km above 50g/km, subject to a maximum of 37%.

Car fuel benefit

For cars with an approved CO_2 emission figure, the benefit is based on a flat amount of £27,800 for 2023/24 and £27,800 for 2024/25. To calculate the amount of the benefit, the percentage figure in the above car benefits table (that is from 0% to 37%) is multiplied by £27,800 in 2023/24 and by £27,800 in 2024/25. The percentage figures allow for a diesel fuel surcharge. For example, in 2023/24, a petrol car registered before 6 April 2020 emitting 118g/km would give rise to a fuel benefit of 28% of £27,800 = £7,784; in 2024/25, a petrol car registered before 6 April 2020 emitting 118g/km would also give rise to a fuel benefit of 28% of £27,800 = £7,784.

CORPORATION TAX

Year ending 31 March	2024	2025
Small profits rate (companies with profits under £50,000)	19%	19%
Main rate (companies with profits over £250,000)	25%	25%
Main rate (all profits except ring fence profits)	25%	25%
Marginal relief lower limit	£50,000	£50,000
Marginal relief upper limit	£250,000	£250,000
Standard fraction	3/200	3/200
Special rate for unit trusts and open-ended investment companies (OEICs)*	20%	20%

The 19% rate applies to the first £50,000 of profits and a marginal rate of 26.5% applies to any excess up to £250,000 (£50,000 @ 19% + £200,000 @ 26.5% = £62,500 = £250,000 @ 25%). The 19% rate does not apply to close investment-holding companies. For close investment-holding companies, the rate of corporation tax is 25%. (The 19% rate can apply to a property letting company with profits of up to £50,000.)

* The special rate for unit trusts and OEICs is based on the basic rate of income tax, which will be remaining at 20% from 1 April 2024.

STAMP DUTY LAND TAX, LAND AND BUILDINGS TRANSACTION TAX, LAND TRANSACTION TAX AND STAMP DUTY

England and Northern Ireland: Stamp Duty Land Tax from 23 September 2022 to 31 March 2025			
Residential (on slice of value)		**Commercial (on slice of value)**	
Up to £250,000	0%	Up to £150,000	0%
		£150,001 – £250,000	2%
£250,001 – £925,000	5%	Over £250,000	5%
£925,001 – £1,500,000	10%		
Over £1,500,000	12%		

- 15% for purchases over £500,000 by certain non-natural persons.
- First-time buyers: from 23 September 2022, first £425,000 slice of value at 0% if property consideration is not more than £625,000.
- All rates increased by 3% for purchase of additional residential property if value is £40,000 or more.
- All rates increased by 2% for purchase of residential property by non-UK resident if value is £40,000.

Individuals buying a new residential lease via a nominee or bare trust will be able to claim Stamp Duty Land Tax First-time buyers' relief on their purchase for transactions with an effective date (usually the date of completion) on or after 6 March 2024.

The devolved administrations in Scotland and Wales set their own rates of tax on Land and Buildings Transaction Tax (LBTT) and Land Transaction Tax (LTT) respectively:

Scotland: LBTT from 1 April 2021 on slices of value			
Residential (on slice of value)	¶	**Commercial (on slice of value)**	
£145,000* or less	0%	£150,000 or less	0%
£145,001* to £250,000	2%	£150,001 to £250,000	1%
£250,001 to £325,000	5%	Over £250,000	5%

£325,001 to £750,000	10%		
Over £750,000	12%		

¶ All rates increased by 6% (for transactions on or after 16 December 2022) for purchase of additional residential property if value is £40,000 or more.

* £175,000 for first-time buyers.

Wales: LTT from 10 October 2022			
Residential (on slice of value)	¶	**Commercial (on slice of value)**	
£225,000 or less	0%	£225,000 or less	0%
		£225,001 to £250,000	1%
£225,001 to £400,000	6%	£250,001 to £1,000,000	5%
£400,001 - £750,000	7.5%	Over £1,000,000	6%
£750,001 to £1,500,000	10%		
Over £1,500,000	12%		

¶ All rates increased for purchase of additional residential property. For purchases over £40,000 (for transactions with an effective date on or after 22 December 2020) LTT is charged at 4% on the full purchase price up to £180,000, 7.5% on the portion between £180,000 and £250,000, 9% between £250,000 and £400,000, 11.5% between £400,000 and £750,000, 14% within the next band up to £1.5 million and 16% over that.

UK Stamp Duty (including SDRT)

Stocks and marketable securities	0.5%

No stamp duty charge unless the duty exceeds £5.

APPENDIX 2: CONSULTATIONS

The following new consultations were published on the day of the Spring Budget announcements:

- UK ISA: Consultation
- Cryptoasset Reporting Framework and Common Reporting Standard
- Raising standards in the tax advice market: strengthening the regulatory framework and improving registration
- Vaping Products Duty consultation
- An Accelerated Planning System Consultation

Previously announced consultations

For an update on all current and previously announced tax related consultations, please see HMRC's guide 'Check the status of tax policy consultations' here.

APPENDIX 3: POLICY COSTINGS

A comprehensive document covering policy costings for the Spring Budget announcements can be found here.

OUR SERVICES

Continue to stay up to date with all aspects of the Budget and our other content through the following channels.

Budget coverage on Techlink

To access our continuing Budget coverage please refer to the Budget section of Techlink.

Conferences

In July 2023, Technical Connection hosted 'Techlink Live', an all-day in person conference. During the day Technical Connection experts guided attendees through case study scenarios, bringing to life topical planning opportunities in tax, trusts, pensions, and goals-based planning; and highlighting how Techlink can be used to help support you in your work with clients and understanding their circumstances. Recordings of the sessions can be found on Techlink here.

If you would like to register your interest in attending our 2024 conference, please fill out this form.

Technical Connection social media

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The 'Techlink in Conversation' podcast series offers a regular in-depth conversation with the Techlink authors, who take a deeper dive into a relevant topical area.

The podcast is an ideal way for you to listen on the move, and is available on iTunes, Spotify and Google to download as well as Podbean.

Resilience in a Changing World – It's Good to Talk (about money) podcast

The 'Resilience in a Changing World – It's Good to Talk (about money)' podcast is your guide to fostering resilience in a changing world. This podcast is crafted to empower you with a robust strategy to navigate financial challenges, emotional situations, and societal issues.

The podcast is an ideal way for you to listen on the move, and is available to download on Spotify and Podbean.

ASK

ASK is a premium add on service to Techlink that allows subscribers to ask case-related or more generalised questions through a secure area of Techlink. Questions asked by other users are available to view on an anonymous basis making this section of Techlink an expanding question and answer database.

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Communicator is a premium add on service to Techlink that includes FYI and Newsletters.

FYI

FYI is highly focussed content that you can email your clients to keep them up to date on financial planning developments and opportunities that are likely to be of interest.

FYI Professional offers content more appropriate for your professional clients, but with the same aim of updating them on any key developments and opportunities.

Newsletter

Each quarter we produce a client and professional facing newsletter. These newsletters feature articles on relevant developments in tax, tax planning, trusts, pensions and financial planning with retail investment and protection products. These articles include a commentary on how these developments will affect your clients and professional connections.

To register your interest in Communicator please contact:
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