

[www.crmoxford.co.uk](http://www.crmoxford.co.uk) 01865 379272

Chancellor Jeremy Hunt presented the 2024 Spring Budget on 6th March. With speculation about the timing of a general election, there was much talk and guesswork around the traditional pre-election tax (and National Insurance!) cuts, though set against a backdrop of challenging economic conditions, there was uncertainty as to how far this would go.

The headline grabbers will be National Insurance reductions, which had been heavily tipped in advance, which are set to benefit both employed and self-employed earners, along with changes to the High Income Child Benefit Charge. To see the main announcements, and a reminder of other changes previously announced which are coming into force, and practical guidance on these points and how they may affect you and your business, please read below:

**Employers**

[Increase in National Minimum Wage and National Living Wage rates (announced Autumn Statement 2023)](#NMW)

[Confirmation of Employment Allowance from April 202](#EmpAllow)4

[Confirmation of Benefits in Kind on company cars and vans](#CarTax)

**Business**

[Capital Allowances and extension of Annual Investment Allowance](#SuperDeduction) (previously announced)

[R&D Tax credits](#RnD) changes (announced Autumn Statement 2023)

[Increase to VAT thresholds](#VAT)

**Personal tax and other announcements**

[Reduction](#NICrates) in National Insurance rates

[Abolition of Furnished Holiday Let status](#FHL)

[Fundamental changes for non-UK-domiciled individuals (“non-doms”)](#NonDom)

[Changes to High Income Child Benefit Charge](#HICBC)

[New “UK ISA”](#UKISA)

[Reduction in Capital Gains Tax allowance](#CGT) and reduction in higher CGT rate for residential property gains

[Increase in HMRC compliance funding](#HMRC)

**Employers**

**Increase in National Minimum Wage/National Living Wage**

A reminder that it was announced in the Autumn Statement 2023 that National Minimum Wage and National Living Wage rates will increase substantially from 1st April 2024. From April 2024, the National Living Wage will apply from the age of 21, previously age 23. Consequently of course, the age 21-22 rate is abolished from April 2024. The announced rates are:

* National Living Wage for over-21s (previously over-23s): From £10.42 to £11.44 an hour (+9.8%)
* National Minimum Wage for those aged 21-22: was £10.18, now NLW rate (+12.4%)
* National Minimum Wage for 18 to 20-year-olds: From £7.49 to £8.60 (+14.8%)
* National Minimum Wage for under-18s: From £5.28 to £6.40 (+21.2%)
* The Apprentice Rate: From £5.28 to £6.40 (+21.2%)

***Planning point:*** *The increased wage rates will result in some employers (especially those with mainly part time employees) breaching the employer NIC threshold for the first time. We would remind you that you will likely be able to claim the Employment Allowance, which exempts most employers from the first £5,000 of employer NIC per tax year.*

***Planning point:*** *If you have a significant proportion of staff, it is important to revisit your pricing models in advance of this change to make sure that you can maintain your profit margins.*

**No change in Employment Allowance**

It was confirmed that the Employment Allowance, which effectively exempts the first £5,000 of Employer’s National Insurance Contributions in each tax year, will remain at its current level from April 2024.

***Planning point:*** *There remain some qualifying businesses which do not claim the Employment Allowance. There are some qualifying conditions to consider, particularly if you have more than one business, but backdated claims are generally possible, so if you have not claimed this previously, please review your position as soon as possible.*

***Planning point:*** *A common exclusion is that you are not eligible to claim if the only individual in respect of who Employer NIC is due is also a sole director. You may be able to avoid this restriction by appointing a spouse, civil partner or family member to be a director, though they must be paid at a rate greater than the Secondary NIC threshold (£9,100 p.a.).*

**Confirmation of Benefits in Kind on company cars and vans**

The Chancellor confirmed in the Autumn Statement 2023 that car, van and fuel benefit rates will remain unchanged for 2024-25, being maintained at 2023/24 rates. Rates will continue to incentivise the take up of electric vehicles:

Appropriate percentages for electric and ultra-low emission cars emitting less than 75g of
CO2 per kilometre will increase by 1 percentage point in 2025-26; a further 1% in 2026-27
and a further 1% in 2027-28 up to a maximum appropriate percentage of 5% for electric
cars and 21% for ultra-low emission cars

Rates for all other vehicles bands will be increased by 1 percentage point for 2025-26 up to
a maximum appropriate percentage of 37% and will then be fixed in 2026-27 and 2027-28.

***Planning point:*** *The appropriate percentage is applied to the car’s list price when new to work out the Benefit in Kind. The employee pays income tax and the employer pays Class 1A NIC on this amount. This will often differ from the actual price paid for the car, so care should be taken when completing P11Ds or indeed taxing through payroll.*

**Business**

**Capital Allowances and Annual Investment Allowance (“AIA”) extension**

In the Spring Budget 2023, it was confirmed that the extension of the Annual Investment Allowance “AIA” to a level of £1M would be made permanent.

Furthermore, what has been termed “full expensing” (in other words, a 100% First Year Allowance) of “main pool additions”, which had been introduced previously with an expiry date of March 2026, was confirmed to be made permanent in the Autumn Statement 2023. Furthermore “special rate pool” additions will receive a 50% First Year Allowance, with 6% Writing Down Allowance thereafter.

These new reliefs only apply to limited companies, although as AIA is remaining, it is considered rare that a self employed person or partnership will incur over £1M of capital expenditure!

A further announcement was made in the Spring Budget 2024 in that there is a plan for 100% First Year Allowances to be available for leased assets, though the detail is to be consulted upon.

***Planning point:*** *The Annual Investment Allowance is now to continue at a level of £1M ongoing, so you can still claim this in priority to “Full expensing relief”. This would still be a rational choice where you have special rate pool assets, since these will attract First Year Allowance at 50% or AIA at 100%.*

***Planning point:*** *The rate of the super-deduction, which technically ended on 31st March 2023, will require apportioning if an accounting period straddles 1 April 2023. The rate should be apportioned based on days falling prior to 1 April 2023 over the total days in the accounting period. Effectively, you time apportion the super-deduction 30% enhancement, so Dec 2023 year end is (90/365 x 30%) 7.4% enhancement.*

*Further, for assets that have been claimed under the super-deduction, the disposal value for capital allowance purposes should take the disposal receipt and apply a factor of 1.3 for disposals prior to 1st April 2023, except where disposals occur in accounting periods straddling 1 April 2023, resulting in a factor lower than 1.3. This rule does not apply to the 50% first-year allowance for special rate expenditures.*

*If you have a year end of anything up to February 2024, you should seek advice as to the relative tax impacts of investment in new assets in your current accounting period (with the hybrid rules) or in your next accounting period, when the transitional rules will have finished. The main factor is your profit level, and number of associated companies, which determine your marginal corporation tax rate.*

**Research and Development Tax Credits – Autumn Statement 2023**

From 1st April 2024, the SME R&D Tax Credit Regime is being merged with the less generous Research and Development Expenditure Credit “RDEC” scheme currently used by larger companies.

Under this scheme, relief is given as follows:

With qualifying expenditure of £100,000 (already in the P&L), a credit at 20% (£20,000) is credited to the P&L. This amount is then subject to tax, with the net balance being repaid to the company, so in our example, this would be £20,000 taxed at 25%, so a £15,000 rebate given (15% benefit on top of the “normal” tax relief). This is the example for a profit-making company.

For a loss-making company, the computation is different:

In this instance, the £20,000 credit remains the same, but the notional tax charge is at 19% instead of 25%, so the cash rebate is higher (£16,200 or 16.2% of qualifying expenditure).

However, it was announced in the Budget 2023 that for “R&D intensive” (defined as 40% or more of expenditure being qualifying R&D costs) SMEs, the repayable credit rate will remain at 14.5% under the current SME scheme effectively. This gives an effective rebate of (expenditure x 1.86 x 14.5%) 27% of qualifying expenditure for R&D intensive SMEs, compared with 16.2% for other SMEs. From 1st April 2024, the 40% requirement drops to 30%.

***Planning point:*** *Many companies fail to claim R&D tax credits to which they are entitled. If your company incurs costs in overcoming technical uncertainties, then you may have a valuable claim to make. If you would like to arrange a free review of your circumstances, please get in touch with your usual contact at CRM or ring the office on 01865 379272.*

***Planning point:*** *For accounting periods beginning on or after 1st April 2023, you are required to notify HMRC in advance that you intend to make an R&D claim. We have yet to see the detail on this, but please do bear this in mind. This is a highly technical area, so specialist advice is critical.*

**VAT threshold**

For the first time since April 2017, the VAT threshold is to rise on 1st April 2024 from £85,000 to £90,000. From the same date, the de-registration threshold will rise from £83,000 to £88,000.

***Planning point:*** *The VAT threshold applies to any 12 month period, not just your accounting year. If you are near to the registration threshold, but do not wish to register until you have to, please ensure you keep a good record of monthly turnover and review on a rolling basis.*

**Personal tax and other announcements**

**National Insurance changes**

Following the surprise announcement in the 2023 Autumn Statement of reductions in National Insurance Contributions (“NIC”), it was announced in the Spring Budget 2024 that NIC would be cut again from April 2024.

To recap the Autumn Statement changes, firstly, the self-employed (including members of a partnership) will no longer be required to pay Class 2 NIC from 6th April 2024, saving £192.40 for the year.

Additionally, the Class 4 NIC rate paid by the self-employed (and members of a partnership) on profits between £12,570 and £50,270 will reduce from 9% to 8% from April 2023, saving up to an additional £377.

Finally, it was announced that with effect from January 2024, the main (Class 1) rate of NIC for employees would reduce from 12% to 10% for earnings between £242 and £967 per week (£12,570 and £50,270 annually), a saving of up to £754 annually.

It was further announced in the Budget 2024 that the main rate of Class 4 NIC will drop from 8% to 6% from April 2024, and that the main rate of Class 1 NIC for employees will drop from 10% to 8% from the same date.

Employer NIC remains unchanged (see earlier regarding Employment Allowance).

 ***Planning point:*** *There will be concerns over HMRC tracking State Pension entitlement for self employed earners. For those with self employed income over £6,725, state pension credit should accrue, but it is sensible to keep records of this entitlement such as a copy of your tax return. Others may wish to pay Class 2 or Class 3 NIC voluntarily in order to preserve entitlement to state pension.*

***Planning point:*** *Employers will need to make sure that their payroll software is updated in time for their first payroll run after 6th April 2024 in order to make sure they correctly calculate NIC for their employees.*

**Abolition of Furnished Holiday Let (“FHL”) status**

From April 2025, the tax status of furnished holiday lets is to be abolished. Currently, income from FHL rental has several tax benefits, such as full tax relief for interest costs, enhanced loss relief options, the potential for lower rates of Capital Gains Tax on disposal, availability of certain capital allowances and the income counting as pensionable income for determining the maximum pension contributions upon which tax relief may be claimed.

***Planning point:*** *If you are contemplating selling a property currently qualifying as an FHL, you should review whether your CGT position is likely to change dramatically from April 2025 and take a balanced approach with the full facts in mind. We would urge caution from making decisions based solely on tax, but of course this is a potentially significant issue.*

**Changes to non-domiciled (“non-dom”) tax rules**

From 6th April 2025, a new set of tax rules for “non-doms” will apply, in fact the concept of domicile for taxation is being replaced. It remains to be confirmed how this will apply for Inheritance Tax, though it was announced that the treatment of non-UK assets settled into a trust by a non-UK domiciled settlor prior to April 2025 will not change.

From this date, individuals arriving in the UK (who have not been UK resident in the previous 10 years) will not pay UK tax on foreign income and gains (“FIG”) in their first four years of tax residence in the UK. This income can be remitted to the UK free of tax in that period. Overseas workday relief will continue to be available for the first three years, where employment duties are carried out overseas.

Transitional arrangements for existing non-doms claiming the remittance basis will include an option to rebase the value of capital assets to 5 April 2019 and a temporary 50% exemption for the taxation of foreign income for the first year of the new regime (6th April 2025-5th April 2026). They will be offered a two-year Temporary Repatriation Facility for individuals who have paid tax on the remittance basis prior to 6 April 2025 to bring previously accrued foreign income and gains into the UK at a 12% rate of tax.

Existing non-doms who have been resident for less than four years as at 5th April 2025 will benefit from the new treatment until the end of their four year period, not for a further four years from 2025. For those who have already been resident for four years at that point in time, a temporary 50% reduction in the personal foreign income subject to tax in 2025-26 for non-doms who will lose access to the remittance basis on 6 April 2025 and are not eligible for the new 4-year FIG exemption regime.

**Changes to High Income Child Benefit Charge (“HICBC”)**

A significant announcement was the reform of High Income Child Benefit Charge (“HICBC”). Currently, where one partner has income in excess of £50,000, any Child Benefit claimed by them or their partner is recouped as tax at a rate of one percent of the claim for each £100 of income over the £50k threshold, meaning it is totally repayable by the time one partner has income of over £60,000. There have been significant representations as to the disparity in treatment of families with one higher earner and one non/low earner compared with a scenario where two people each earn just under the threshold.

A full review is to be undertaken with a view to assessing qualification based on household income from April 2026, but as an interim measure, the point at which the reclaim starts is to rise from £50,000 to £60,000, and the rate at which clawback occurs is to halve, meaning that entitlement is fully repaid with an income of £80,000 rather than £60,000. These changes are to have effect from April 2024.

***Planning point:*** *Many people will have opted to not receive Child Benefit rather than have to pay it back. If you have previously made such election, you should review your position with effect from 6th April 2024. Claims can be made via the .gov site here* [Child Benefit: Make a claim - GOV.UK (www.gov.uk)](https://www.gov.uk/child-benefit/how-to-claim). *There is a three-month limit on backdating claims, so make sure you have taken any action by 5th July 2024.*

**New UK ISA**

The Chancellor announced that a new ISA product would become available, aimed at investing in UK stocks and securities. This is to have an extra contribution of £5,000 over and above the current £20,000 limit into other ISA products. This is being consulted upon, and no effective date is proposed as of yet.

**Decrease in Capital Gains Tax (CGT) annual exempt allowance and decrease in higher CGT rate for disposals of residential property**

A reminder that a change to Capital Gains Tax was announced in the 2022 Autumn Statement. The rates of tax were not changed, but the tax-free CGT allowance is being reduced. For the current year from April 2023, this is £6,000, and it is to reduce from April 2024 to £3,000. Previously it was set at £12,300 until April 2023.

A surprise change was announced at Spring Budget 2024, in that the rate charged on disposals of residential property subject to tax (in other words, those not fully covered by the exemption for disposal of your main residence) will reduce from 28% to 24% with effect from 6th April 2024. Gains on residential property which fall into the basic rate band remain at 18%, and the main rates of CGT remain at 10% and 20% for basic rate and higher/additional rate taxpayers respectively for disposals of other assets.

***Planning point:*** *If you have assets with latent gains, such as share portfolios, you may wish to realise gains of up to £6,000 (per person, where relevant e.g. for married couples and those in civil partnerships) in advance of April 2024. For many years, you have been unable to “bed and breakfast” shares, where you sell and repurchase them to set your base cost higher. However, you can still “bed and ISA” where you sell and repurchase within your ISA, exempting future gains and dividends from tax, or “bed and spouse” where one spouse sells and the other one repurchases at the higher base cost to minimise future tax charges.*

***Planning point:*** *For property disposals, the date of exchange determines the tax year in which a gain falls. If you have a sale due to exchange upon which significant CGT is to be charged, you may wish to consider your options around delaying exchange.*

***Planning point:*** *A reminder that if you have a CGT liability on a residential property disposal, this must be reported to HMRC and CGT paid within 60 days of completion in most cases. If you need assistance with this process, CRM are happy to assist.*

**Increase in HMRC debt management funding**

It was unsurprising to hear an increase in funding for HMRC’s debt management activities. On top of previous announcements of increasing spend on compliance activities, a further £163 million of funding to HMRC was announced in the Autumn Statement 2023, with an aim of increasing the tax take by over £1bn a year.

Additionally, in the 2023 Budget, an additional £47.2 million was announced to assist HMRC in debt collection.

Therefore we expect tax, VAT and PAYE enquiries to increase for small business clients and non-business taxpayers. The profession is already seeing an increase in enquiry activity from HMRC for the first time post pandemic, with HMRC clearly tasked with increasing the tax take.

***Planning point:*** *You can protect yourself and your business from the cost of defending yourself from HMRC enquiries by subscribing to our tax investigation service. The cost for businesses starts at just £120 + VAT per annum. Please get in touch with your usual contact at CRM if you would like to find out more about this service.*

Please note that this is designed as a generic guide rather than specific advice. As always, it is impossible to include every nuance in a publication such as this, so if you have a question about how a given measure may affect you or your business, or if you have a general tax query, please get in touch with us on 01865 379272.

© Copyright 2024 Chapman Robinson & Moore Ltd Accountants, Oxfordshire