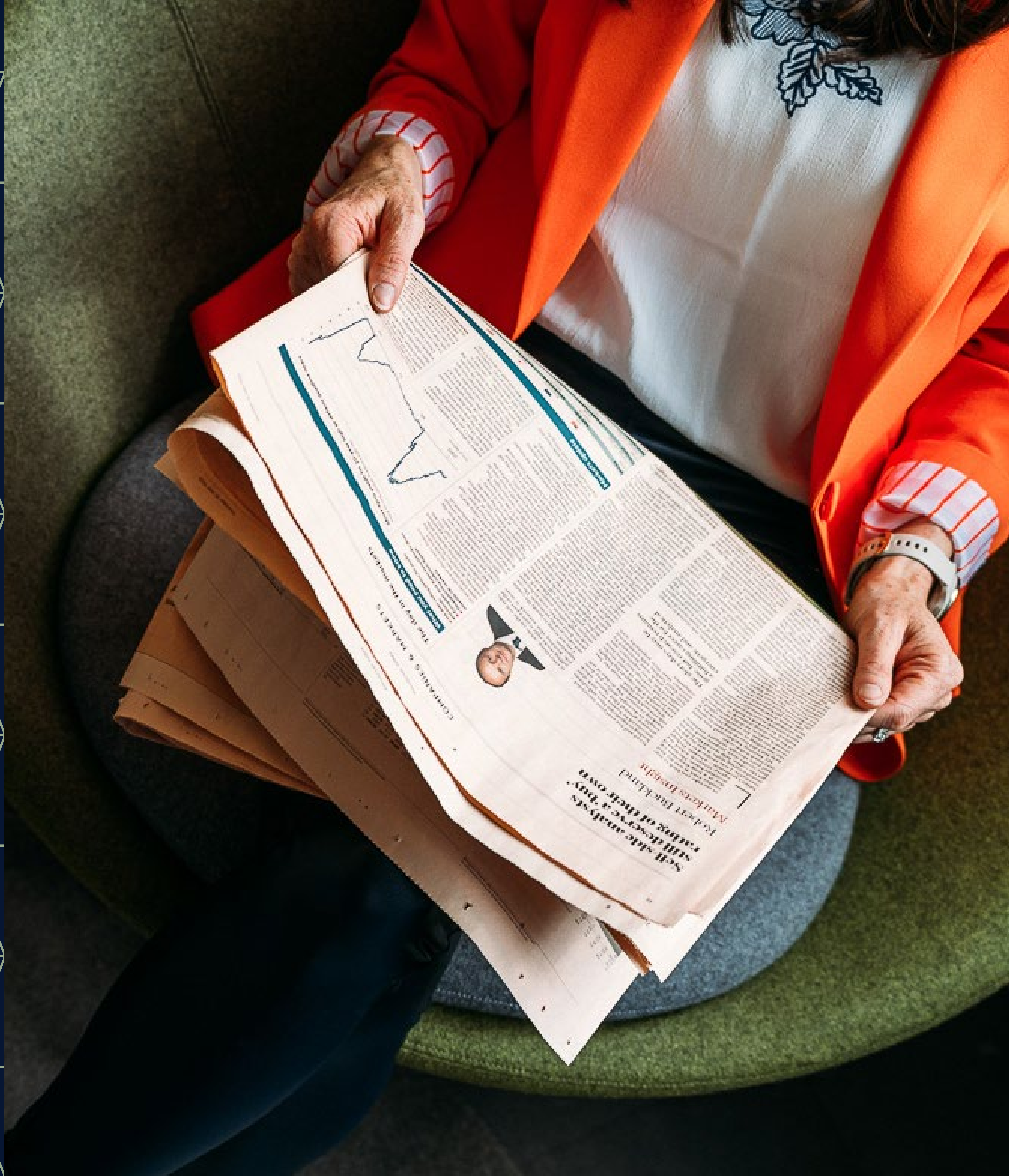
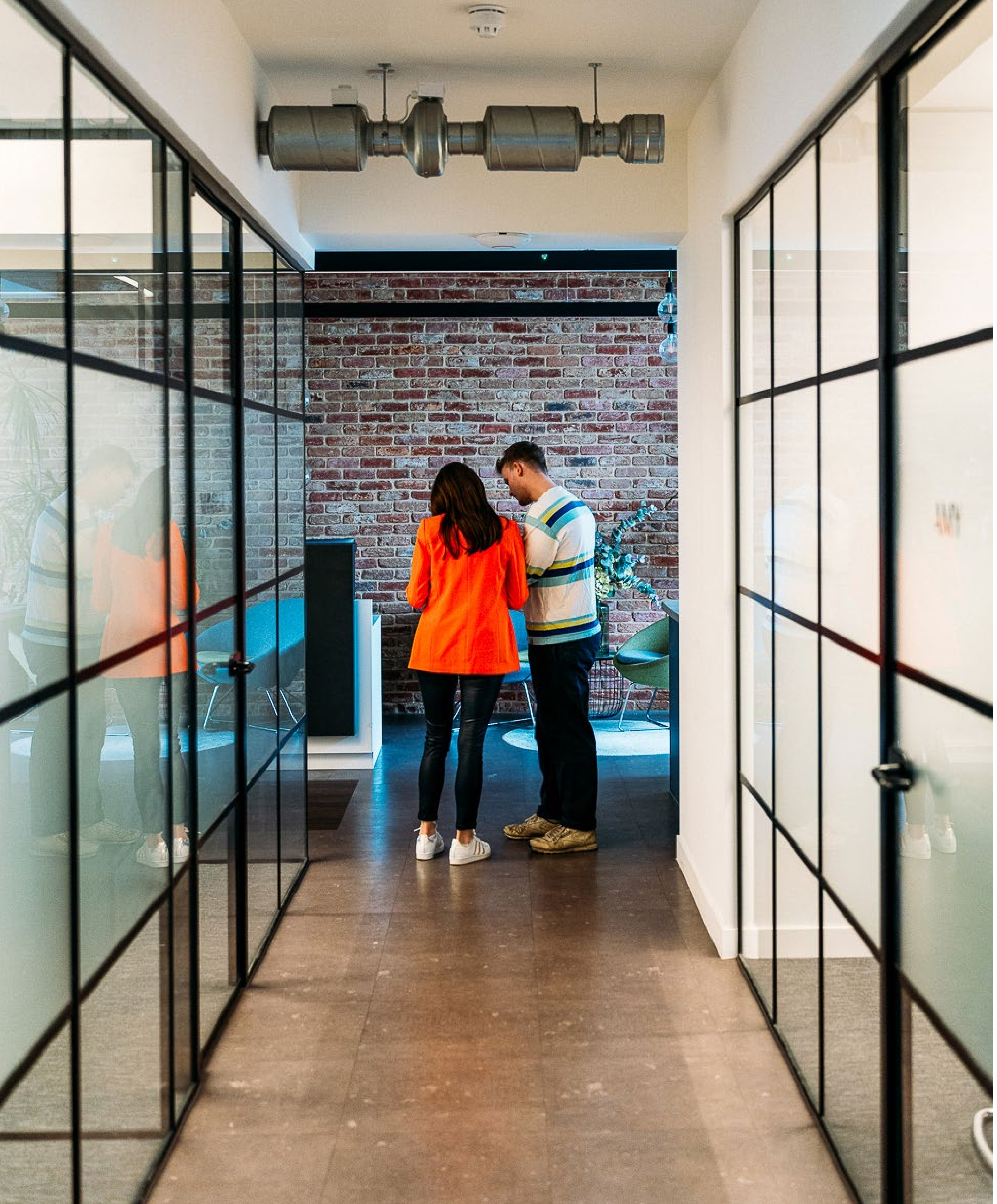
SRLV

SPRING BUDGET 2024

HIGHLIGHTS FROM THE CHANCELLOR'S STATEMENT

March 2024





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INTRODUCTION

The Chancellor, Jeremy Hunt, rose to the dispatch box yesterday for the most significant Budget speech of his tenure. Expectations were high, albeit that in the days leading up to the speech the Chancellor and the Prime Minister were keen to downplay the 'great election giveaway' with a continued desire that observers believe fiscal responsibility is being achieved.

The headline announcement of a further 2% reduction in employee National Insurance from 6 April 2024 is very significant, coming so quickly after the 2% reduction announced last November. This creates a sizeable tax reduction on salaried income, albeit that it appears a more difficult "sell" to the public.

There was much elsewhere to ponder in the Budget, with significant tax reform for Non-Domiciles and changes to the residential property rate of CGT as well as the end of multiple dwellings relief for Stamp Duty Land Tax for those working in the real estate sector.

I am left wondering if there is still time for an Autumn Statement before the next general election? By that time, inflation is predicted to be under control, interest rates may be lower, and we are likely to be out of the recession. As a result, the treasury coffers may have improved enough to be able to responsibly give further tax breaks to the hard-working electorate later in the year. We'll have to wait and see.

STEVE WREN I TAX PARTNER

E steve.wren@srlv.co.uk I T +44 (0) 20 7079 8888

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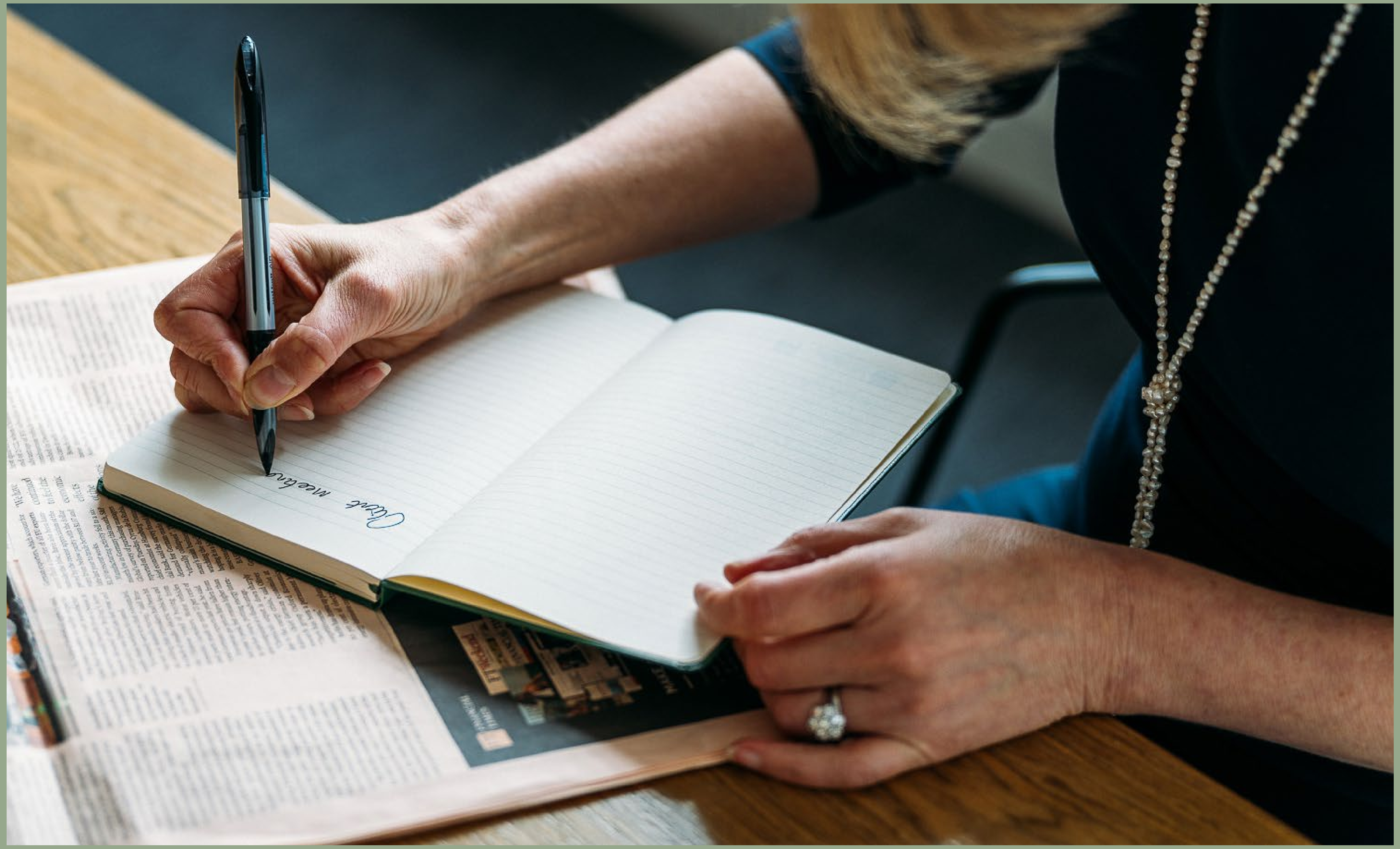
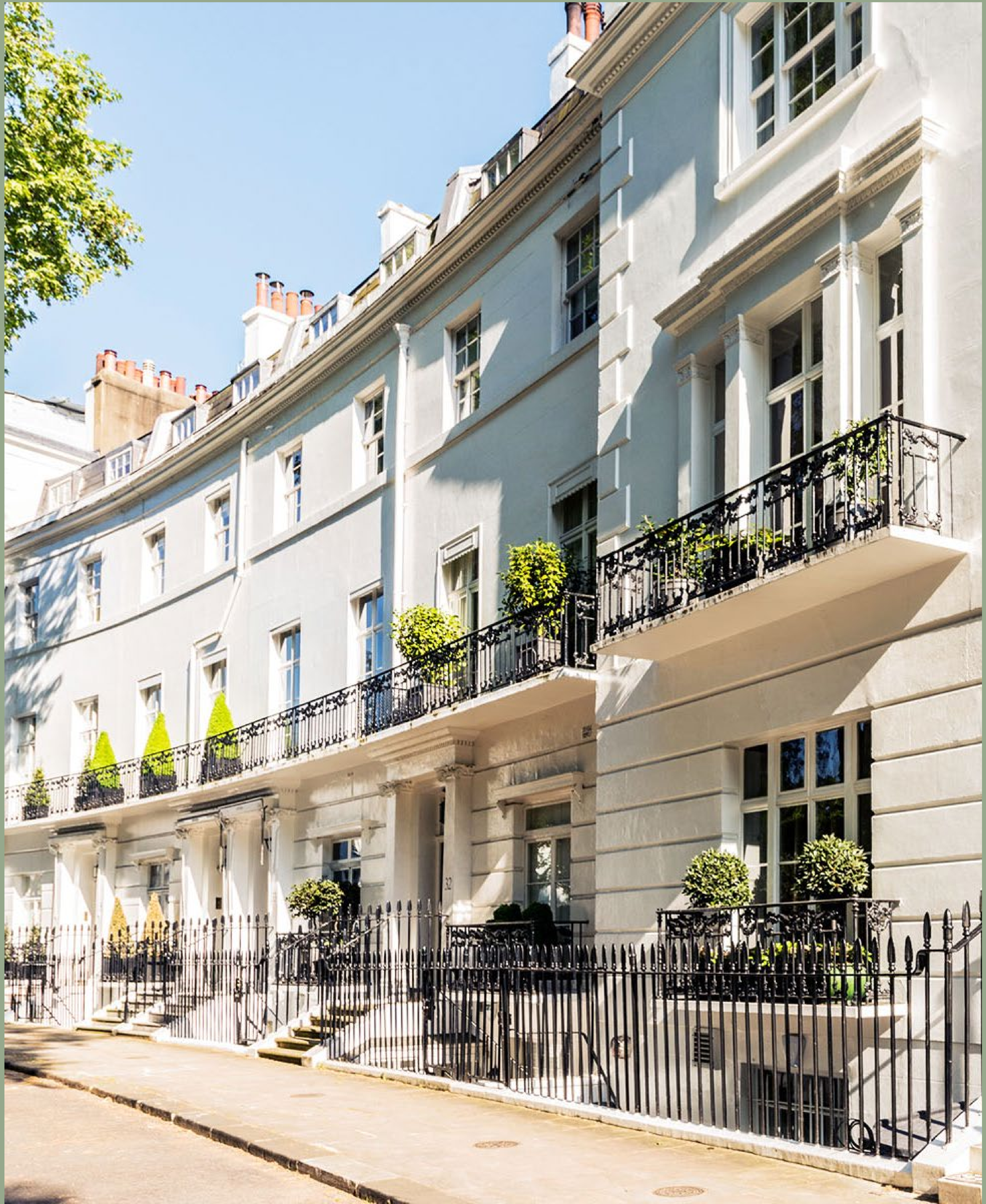
INDIVIDUALS





INDIVIDUALS

INCOME TAX RATES AND ALLOWANCES

The government has stated that the basic rate will remain at 20%, the higher rate at 40% and the additional rate at 45% for 2024/25. For 2024/25, the point at which individuals pay the additional rate of 45% will remain at £125,140. The National Insurance contributions upper earnings limit and upper profits limit will remain aligned to the higher rate threshold at £50,270 for the 2024/25 tax year as well.

The income tax personal allowance and basic rate limit are fixed at their current levels until April 2028. They are £12,570 and £37,700 respectively. For those entitled to a full personal allowance, the point at which they will pay income tax at the higher rate will continue at £50,270.

The Savings Allowance, which applies to income such as bank and building society interest, remains unchanged. Broadly, individuals taxed at up to the basic rate of tax have an allowance of £1,000. For higher rate taxpayers the allowance is £500. No allowance is due to additional rate taxpayers.

TAX ON DIVIDENDS

Currently, the first £1,000 of dividends is chargeable to tax at 0% (the Dividend Allowance). This will be reduced to £500 for 2024/25.

These changes will apply to the whole of the UK.

Dividends received above the allowance are taxed at the following rates for 2024/25:

- 8.75% for basic rate taxpayers
- 33.75% for higher rate taxpayers
- 39.35% for additional rate taxpayers.

The Corporation Tax due on directors' overdrawn loan accounts is paid at 33.75% and remains unchanged.

Dividends within the allowance still count towards an individual's basic or higher rate band and so may affect the rate of tax paid on dividends above the Dividend Allowance.

To determine which tax band dividends fall into, dividends are treated as the last type of income to be taxed.

PENSION TAX LIMITS

The Annual Allowance and threshold and adjusted income levels will remain the same for 2024/25.

As previously announced the LA of £1,073,100 will be abolished from 2024/25. Changes have been made to clarify the taxation of lump sums and lump sum death benefits, and the application of protections, as well as the tax treatment for overseas pensions, transitional arrangements, and reporting requirements.

INDIVIDUAL SAVINGS ACCOUNTS

The government is freezing the limits on Individual Savings Accounts (ISAs) (£20,000), Junior Individual Savings Accounts (£9,000), Lifetime Individual Savings Accounts (£4,000 excluding government bonus) and Child Trust Funds (£9,000) for 2024/25.

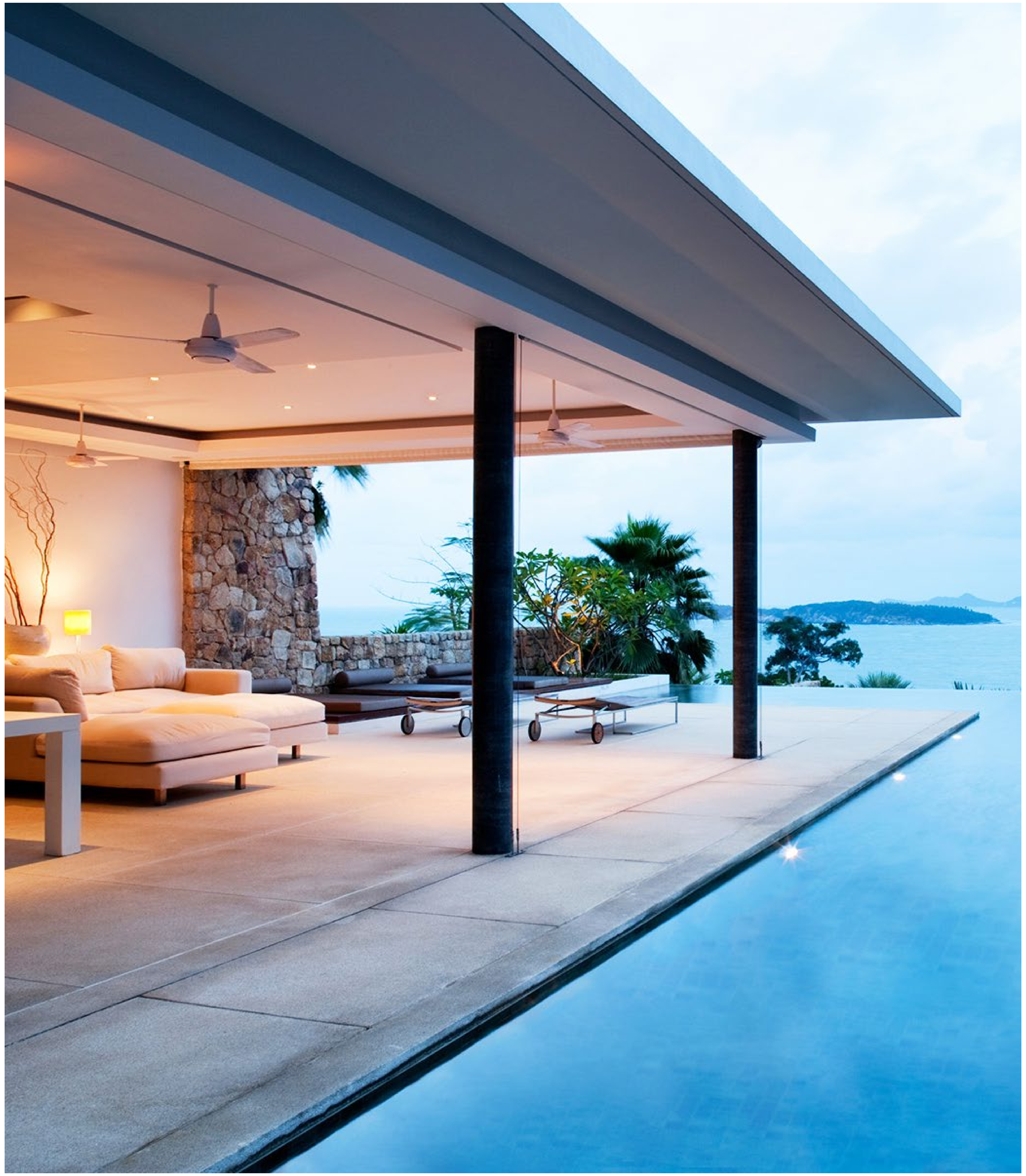
The government announced that it is looking to introduce the UK ISA. This will have a new ISA allowance of £5,000 in addition to the existing ISA allowance, and will provide a new tax-free savings opportunity for people to invest in the UK.

HIGH INCOME CHILD BENEFIT CHARGE

The High Income Child Benefit Charge (HICBC) is a tax charge that applies to higher earners who receive Child Benefit, or whose partner receives it.

The government is increasing the income threshold at which HICBC starts to be charged from £50,000 to £60,000 from April 2024. The rate at which HICBC is charged will be halved from 1% of the Child Benefit payment for every additional £100 above the threshold to 1% for every £200. This means that Child Benefit will not be withdrawn in full until individuals have 'adjusted net income' of £80,000 or more.

In addition, the government plans to administer the HICBC on a household rather than individual basis by April 2026, with a consultation in due course.



NON-UK DOMICILED INDIVIDUALS

From 6 April 2025, the current remittance basis of taxation for non-UK domiciled individuals will be abolished and replaced with a residence-based regime. Individuals who opt into the new regime will not pay UK tax on any foreign income and gains arising in their first four years of tax residence, provided they have been non-tax resident for the last ten years. Anyone who has been tax resident in the UK for more than four years will pay UK tax on their foreign income and gains.

The government will also introduce the following transitional arrangements for existing non-UK domiciled individuals claiming the remittance basis:

- An option to rebase the value of capital assets to 5 April 2019
- A temporary 50% exemption for the taxation of foreign income for the first year of the new regime (2025/26)
- A two year Temporary Repatriation Facility to bring previously accrued foreign income and gains into the UK at a tax rate of 12%.
- There will be changes to the tax treatment of offshore trusts after 6 April 2025.

The government will also reform Overseas Workday Relief for employment duties carried out overseas.

Inheritance Tax (IHT) is currently a domicile-based system. The government announced the intention to move to a residence-based system, subject to consultation, but no changes to IHT will take effect before 6 April 2025.

We will be publishing a more detailed update regarding these changes on our website.

OUR VIEW

Jeremy Hunt's Budget announcements will have a huge impact on wealthy non-UK domiciliaries, reducing the number of years they can spend in the UK before paying tax on their worldwide assets from 15 years to just four. There are also rule changes for offshore trusts and the protections they provide against the automatic attribution of income tax and capital gains tax to UK resident settlors, from 6 April 2025.

Whilst some may argue that it is reasonable to make long-term UK residents pay tax on their worldwide assets, the tax-free window of four years is quite short, although the government has announced certain transitional rules which will help somewhat. I do hope that the new rules will encourage inward investment of offshore income and gains which, under the current system, is generally not easy or tax efficient.

Also, rather interestingly, the government has confirmed that offshore trusts set up prior to 6 April 2025 will retain their inheritance tax protection forever, so it is important that international families get advice now to see what options are available.

KIERON CLEMENT-SMITH
DIRECTOR

EMPLOYMENT

NATIONAL INSURANCE CONTRIBUTIONS

The Chancellor has previously announced major changes to the National Insurance contributions (NICs) system.

EMPLOYEES AND NICS

Following the Autumn Statement in 2023 the government cut the main rate of Class 1 employee NICs from 12% to 10% from 6 January 2024. The government has further cut the main rate of Class 1 employee NICs from 10% to 8% from 6 April 2024.

THE SELF-EMPLOYED AND NICS

The self-employed generally have to pay two forms of NICs: Class 2 and Class 4.

Firstly, the government will amend Class 2 self-employed NICs from 6 April 2024.
This means that, from 6 April 2024:

- Self-employed people with profits above £6,725 will continue to get access to contributory benefits, including the State Pension, through a National Insurance credit, without paying NICs.
- Those with profits under £6,725 and others who pay Class 2 NICs voluntarily to get access to contributory benefits including the State Pension will continue to be able to do so.

Secondly, the government will cut the main rate of Class 4 self-employed NICs from 9% to 6% from 6 April 2024.

TAXABLE BENEFITS FOR COMPANY CARS

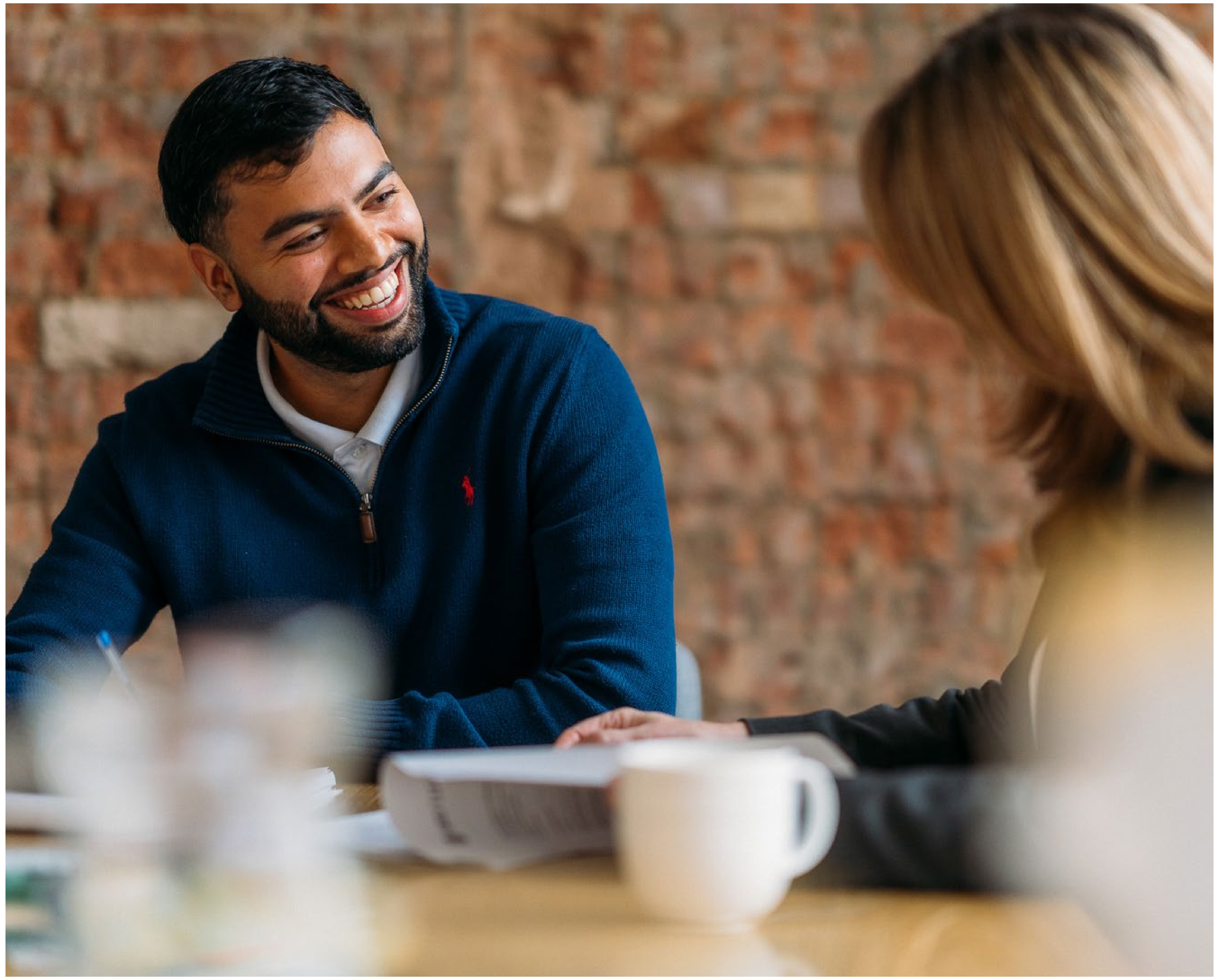
The rates of tax for company cars remain frozen for 2024/25. Future car benefit rates have been announced for 2025/26 to 2027/28:

- For 2025/26, the rates for emissions under 75gm/km increase by 1%.
- For 2026/27, the rates for emissions under 75gm/km increase by a further 1%.
- For 2027/28, the rates for emissions under 75gm/km increase by a further 1%.

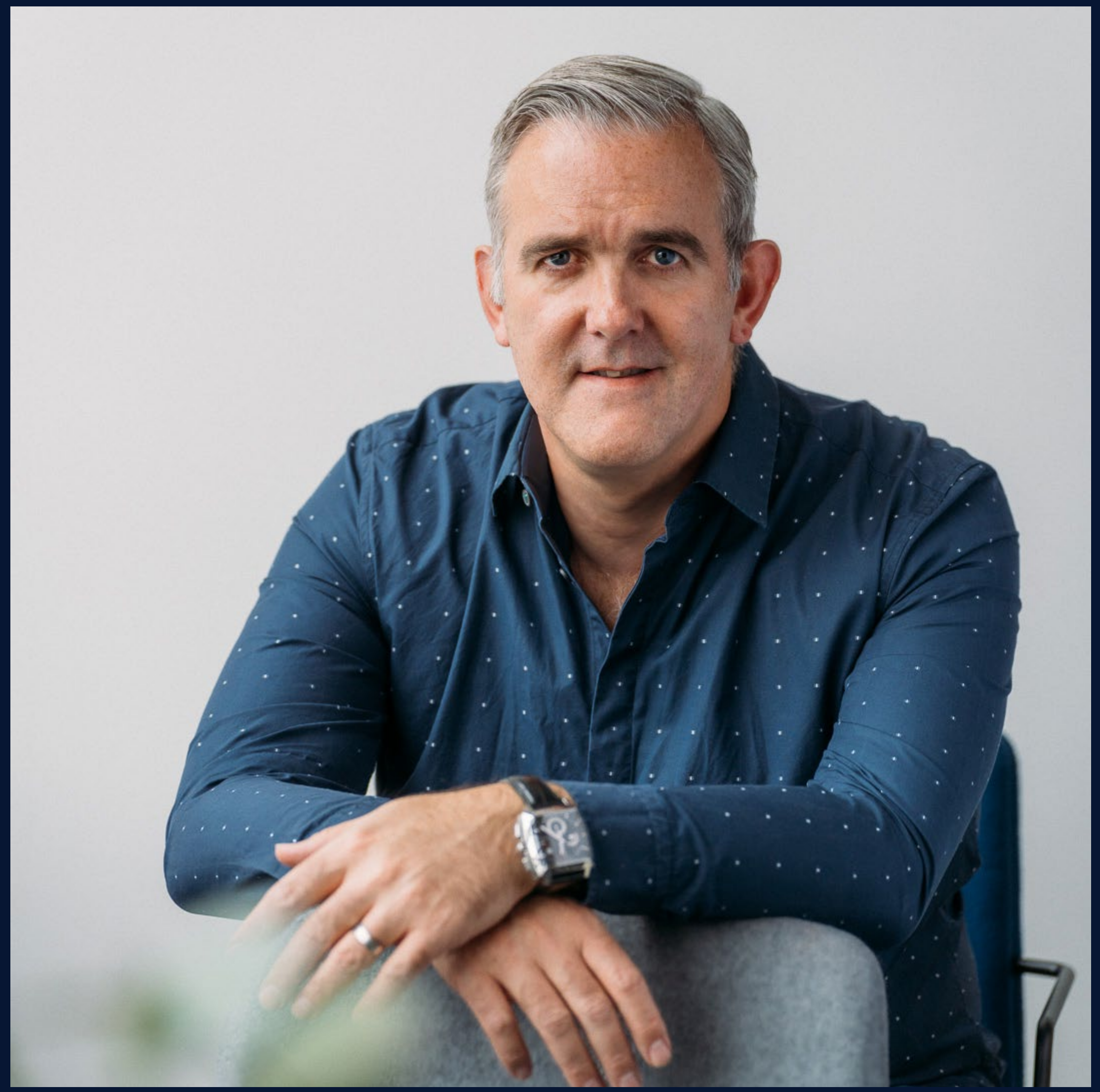
The charge for electric cars will rise from 2% to 5% over that period.

For cars with emissions of 75gm/km and above, there will be a 1% rise in 2025/26 only, subject to a maximum of 37%.

From 6 April 2024 the figure used as the basis for calculating the benefit for employees who receive free private fuel from their employers for company cars remains £27,800.



INDIVIDUALS CONTACTS



STEVE WREN I PARTNER

TAX EXPERTISE

Private Client Tax I International Tax
Family Office & Trusts I Business & Corporate Tax

E steve.wren@srlv.co.uk
T +44 (0) 20 7079 8888

GAVIN LENTHALL I PARTNER

TAX EXPERTISE

Private Client Tax I International Tax
Non-Domiciles I Family Office & Trusts
Probate I Business & Corporate Tax
Payroll & HR

E gavin.lenthall@srlv.co.uk
T +44 (0) 20 7079 8888

JANICE LLOYD I PARTNER

TAX EXPERTISE

Private Client Tax I International Tax
Business & Corporate Tax

E janice.lloyd@srlv.co.uk
T +44 (0) 20 7079 8888

KIERON CLEMENT-SMITH DIRECTOR

TAX EXPERTISE

Private Client Tax I International Tax
Non-Domiciles I Family Office & Trusts
Business & Corporate Tax

E kieron.clement-smith@srlv.co.uk
T +44 (0) 20 7079 8888

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BUSINESS & CORPORATE

BUSINESS & CORPORATE

THE VAT REGISTRATION THRESHOLD

After many years of being frozen, the government will increase the VAT registration threshold from £85,000 to £90,000 and the deregistration threshold from £83,000 to £88,000 from 1 April 2024. The government has stated that these new thresholds will be frozen but has not stated for how long.

CORPORATION TAX RATES

The government has confirmed that the rates of Corporation Tax will remain unchanged, which means that, from April 2024, the rate will stay at 25% for companies with profits over £250,000. The 19% small profits rate will be payable by companies with profits of £50,000 or less. Companies with profits between £50,001 and £250,000 will pay tax at the main rate reduced by a marginal relief, providing a gradual increase in the effective Corporation Tax rate.

CAPITAL ALLOWANCES

The Full Expensing rules for companies allow a 100% write-off on qualifying expenditure on most plant and machinery (excluding cars) as long as it is unused and not second-hand. The rules were originally designed to be effective for expenditure incurred on or after 1 April 2023 but before 1 April 2026. Similar rules apply to integral features and long life assets at a rate of 50%. The government announced in the Autumn Statement 2023 that both allowances will be made permanent.

The government is to publish draft legislation for consultation to help consider any potential extension, to include plant and machinery for leasing. The Annual Investment Allowance (AIA) is available to both incorporated and unincorporated businesses. It gives a 100% write-off on certain types of plant and machinery up to certain financial limits per 12-month period. The limit remains at £1 million.

TRANSFER OF ASSETS ABROAD - ANTI-AVOIDANCE LEGISLATION

The Transfer of Assets Abroad (ToAA) provisions will be amended so that UK resident individuals cannot bypass the legislation by using a company to transfer assets offshore in order to avoid tax. Transfers of assets by certain companies will be considered a relevant transfer for the purposes of the legislation. The new measure will apply to income arising to persons abroad on or after 6 April 2024. This seems to a be a reaction to HMRC's loss in the Supreme Court in the long running HMRC v Fisher case.

FURNISHED HOLIDAY LETTINGS

The Furnished Holiday Lettings (FHL) tax regime will be abolished from April 2025. Draft legislation is to be published and will include anti-forestalling measures that will apply from 6 March 2024. The effect of abolishing the rules will be that short-term furnished holiday lets and longer-term residential lets are treated the same for tax purposes and individuals will no longer need to report the two income streams separately.

RESEARCH AND DEVELOPMENT RELIEF

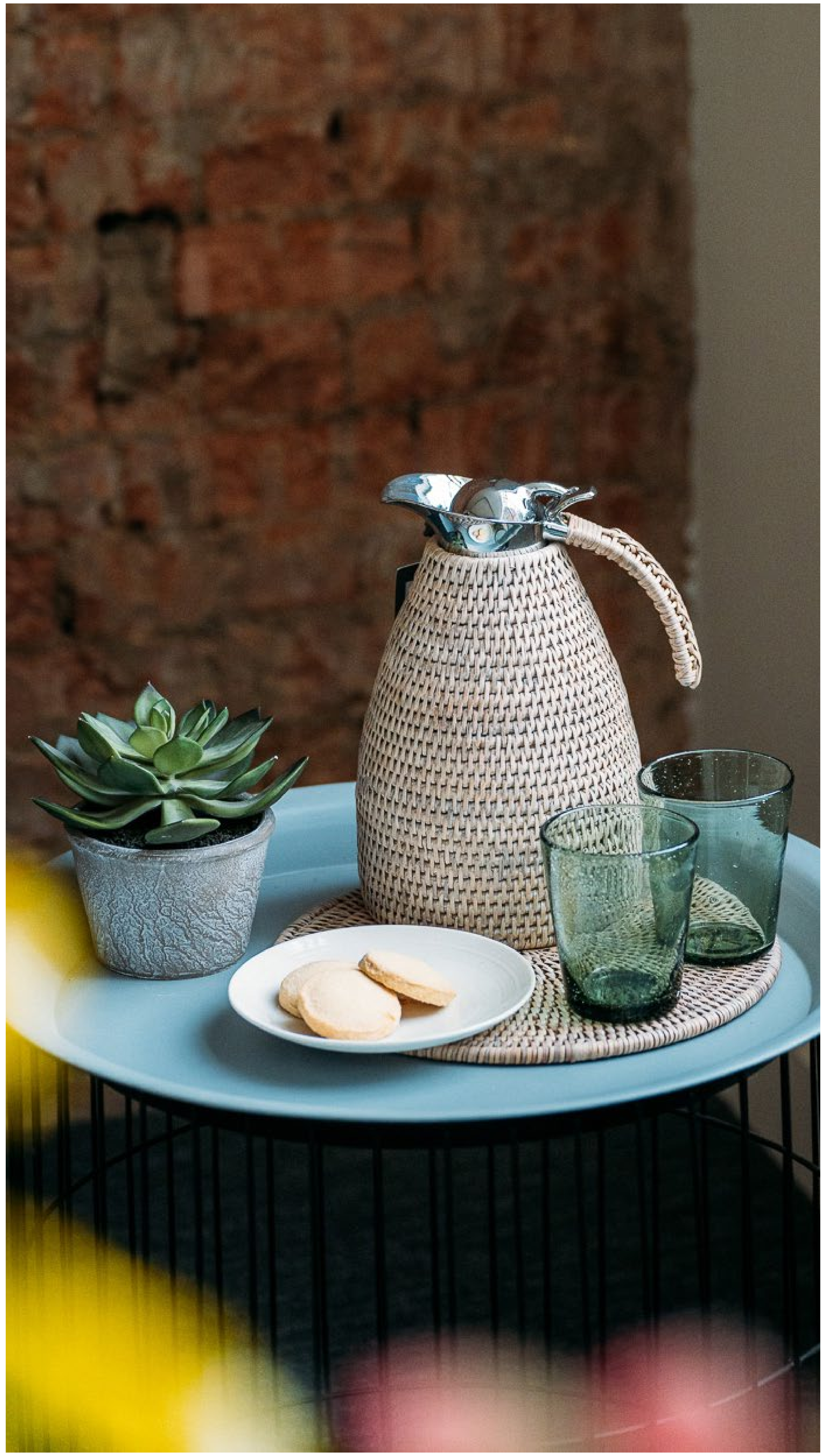
As announced in the Autumn Statement 2023, the existing Research and Development Expenditure Credit (RDEC) and SME schemes will be merged, with expenditure incurred in accounting periods beginning on or after 1 April 2024 being claimed in the merged scheme. The rate under the merged scheme will be set at the current RDEC rate of 20%.

The changes also provide additional relief for loss-making Research and Development (R&D) intensive SMEs through a higher rate of payable tax credit from April 2023, as a feature of the existing SME scheme. Those entitled to this higher rate would, from April 2024, continue to claim under rules similar to the current SME scheme rather than under the new RDEC scheme.

A number of other changes will apply to the new regime from April 2024, including that R&D claimants will no longer be able to nominate a third-party payee for R&D tax credit payments, subject to limited exceptions.

MAKING TAX DIGITAL FOR INCOME TAX

The government has announced the outcome of the review into the impact of Making Tax Digital (MTD) for Income Tax Self Assessment (ITSA) on small businesses and intends to proceed with implementation from April 2026. The government will also ensure taxpayers who join MTD from 6 April 2024 are subject to the government's new penalty regime for the late filing of tax returns and late payment of tax.



BUSINESS RATES

The small business multiplier will be frozen for another year, while the 75% Retail, Hospitality and Leisure relief will be extended for 2024/25. The standard multiplier will be uprated in line with the Consumer Prices Index for September 2023. These changes will take effect from 1 April 2024 in England.

OTHER

Other announced changes include:

- Making the cash basis of accounting the default position for the self-employed from 2024/25, with an alternative to opt for the accruals basis, together with technical changes to the regime.
- A number of changes to strengthen the Construction Industry Scheme from April 2024.

"THE REDUCTION IN THE TOP RATE OF CAPITAL GAINS TAX (CGT) FOR RESIDENTIAL PROPERTY SALES WAS A SURPRISE, ALBEIT A WELCOME ONE, WHEN MUCH OF THE PREVIOUS COMMENTARY WAS AROUND AN INCREASE TO CGT RATES. PERHAPS THIS MAY ENCOURAGE THOSE WITH SECOND HOMES TO SELL?"

Gavin Lenthall I Tax Partner

CAPITAL TAXES

CAPITAL GAINS TAX RATES

The Capital Gains Tax (CGT) rate remains at 10%, to the extent that any income tax basic rate band is available, and 20% thereafter.

Higher rates apply for certain gains, mainly chargeable gains on residential properties, with the exception of any element that qualifies for Private Residence Relief. These rates are changed from 18% and 28% in 2023/24 to 18% and 24% in 2024/25.

There is still potential to qualify for a 10% rate on gains up to £1 million under Business Asset Disposal Relief and £10 million under Investors' Relief.

CGT ANNUAL EXEMPTION

The government has announced that the CGT annual exempt amount will be reduced from £6,000 to £3,000 from 6 April 2024.

INHERITANCE TAX NIL RATE BANDS

Despite much speculation before the Budget, Inheritance Tax (IHT) has not been abolished. The nil rate band has been frozen at £325,000 since 2009 and this will now continue up to 5 April 2028. An additional nil rate band, called the 'residence nil rate band' is also frozen at the current £175,000 level until 5 April 2028.

CHANGES TO AGRICULTURAL PROPERTY RELIEF AND WOODLANDS RELIEF

To ensure compatibility with EU law, action was taken many years ago to expand the scope of Agricultural Property Relief

(APR) and Woodlands Relief to property located in the European Economic Area. Following Brexit, this measure reverses those changes and also removes APR from property in the Channel Islands and Isle of Man. Broadly, the changes take effect from 6 April 2024.

ENVIRONMENTAL LAND MANAGEMENT AND ECOSYSTEM SERVICE MARKETS

The government is undertaking significant reform of agricultural policy and spending in England.

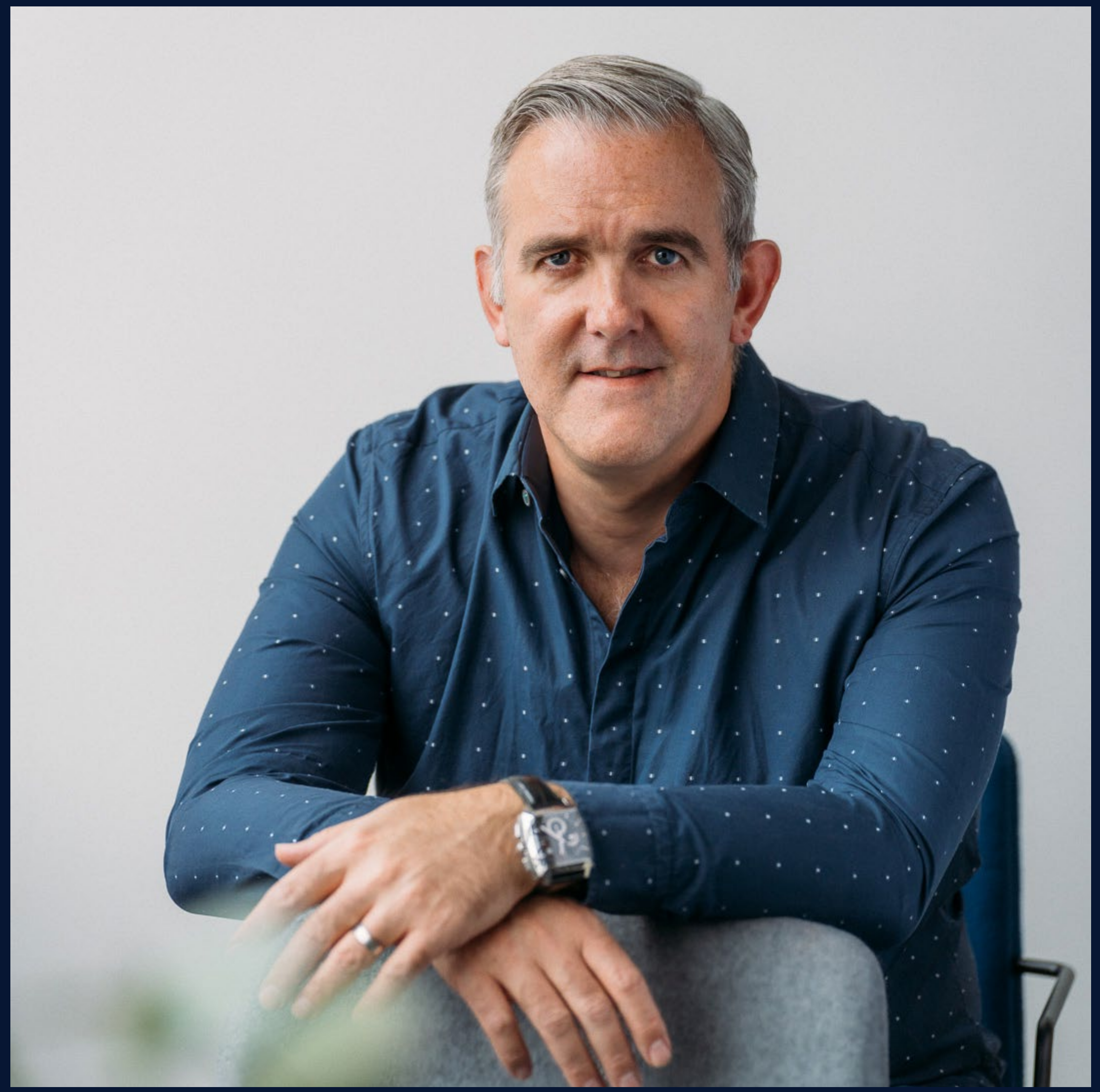
As part of the Budget 2023, the government published a consultation exploring elements of the tax treatment of environmental land management and ecosystem service markets. Following consideration of the responses, the government has decided:

- to extend the existing scope of APR from 6 April 2025 to land managed under an environmental agreement with, or on behalf of, the UK government, Devolved Administrations, public bodies, local authorities, or approved responsible bodies and
- not to restrict APR to tenancies of at least eight years.

THE ABOLITION OF MULTIPLE DWELLINGS RELIEF IS A SIGNIFICANT ANNOUNCEMENT FOR THOSE INVOLVED IN SUBSTANTIAL PROPERTY INVESTMENT AND THE SHORT TIMEFRAME FOR IMPLEMENTATION MAY DERAIL SOME CURRENT NEGOTIATIONS"

Brian Williams
Tax Partner

BUSINESS & CORPORATE CONTACTS

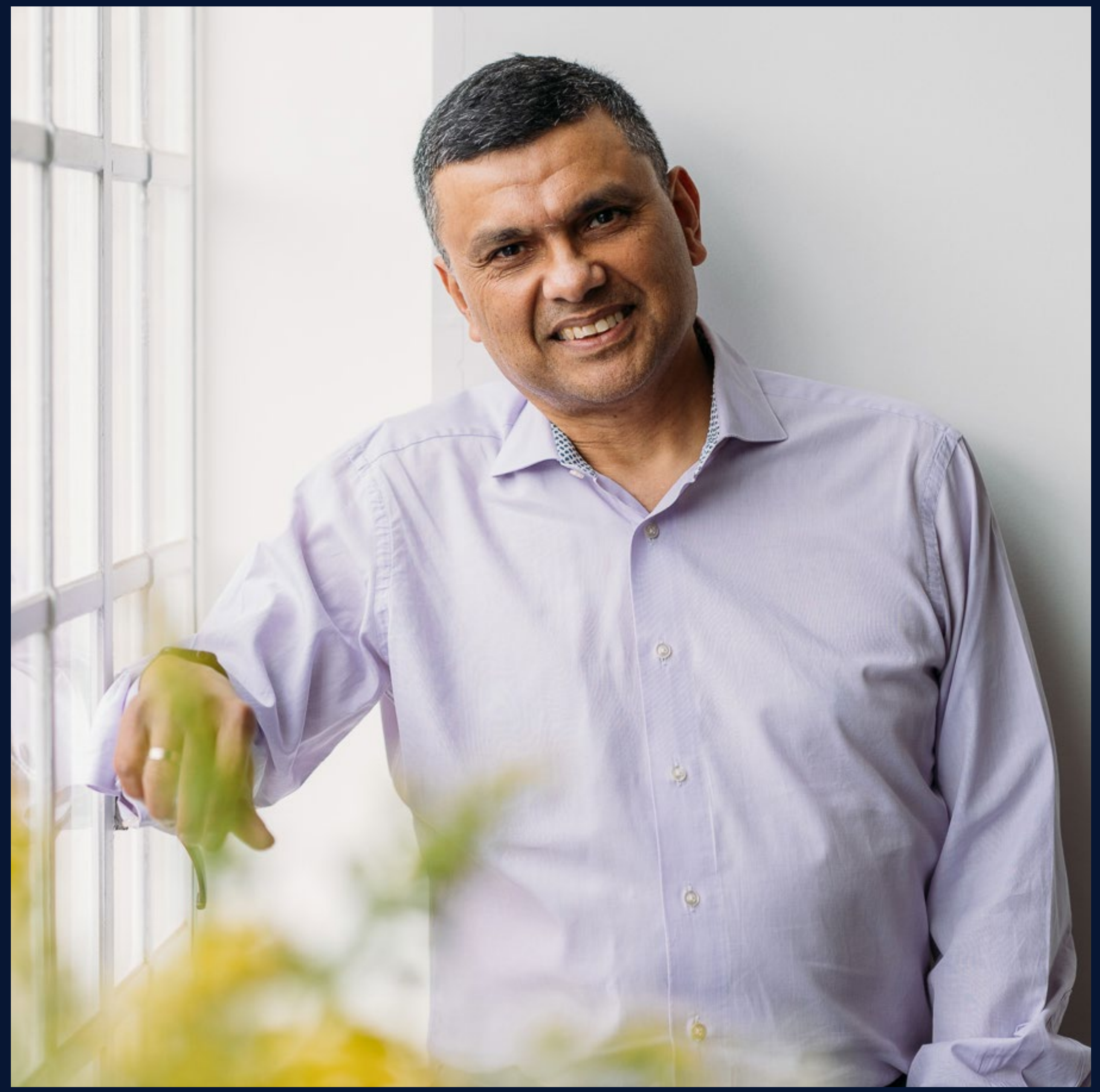


STEVE WREN I PARTNER

TAX EXPERTISE

Business & Corporate Tax I International Tax
Private Client Tax I Family Office & Trusts

E steve.wren@srlv.co.uk
T +44 (0) 20 7079 8888



LUTFY OSSMAN I PARTNER

TAX EXPERTISE

Business & Corporate Tax I International Tax
Private Client Tax I Family Office & Trusts

E lutfy.ossman@srlv.co.uk
T +44 (0) 20 7079 8888

BRIAN WILLIAMS I PARTNER

TAX EXPERTISE

Business & Corporate Tax I Payroll & HR
International Tax I Private Client Tax
Non-Domiciles I Family Office & Trusts I Probate

E brian.williams@srlv.co.uk
T +44 (0) 20 7079 8888

GAVIN LENTHALL I PARTNER

TAX EXPERTISE

Business & Corporate Tax I Payroll & HR
International Tax I Private Client Tax
Non-Domiciles I Family Office & Trusts I Probate

E gavin.lenthall@srlv.co.uk
T +44 (0) 20 7079 8888

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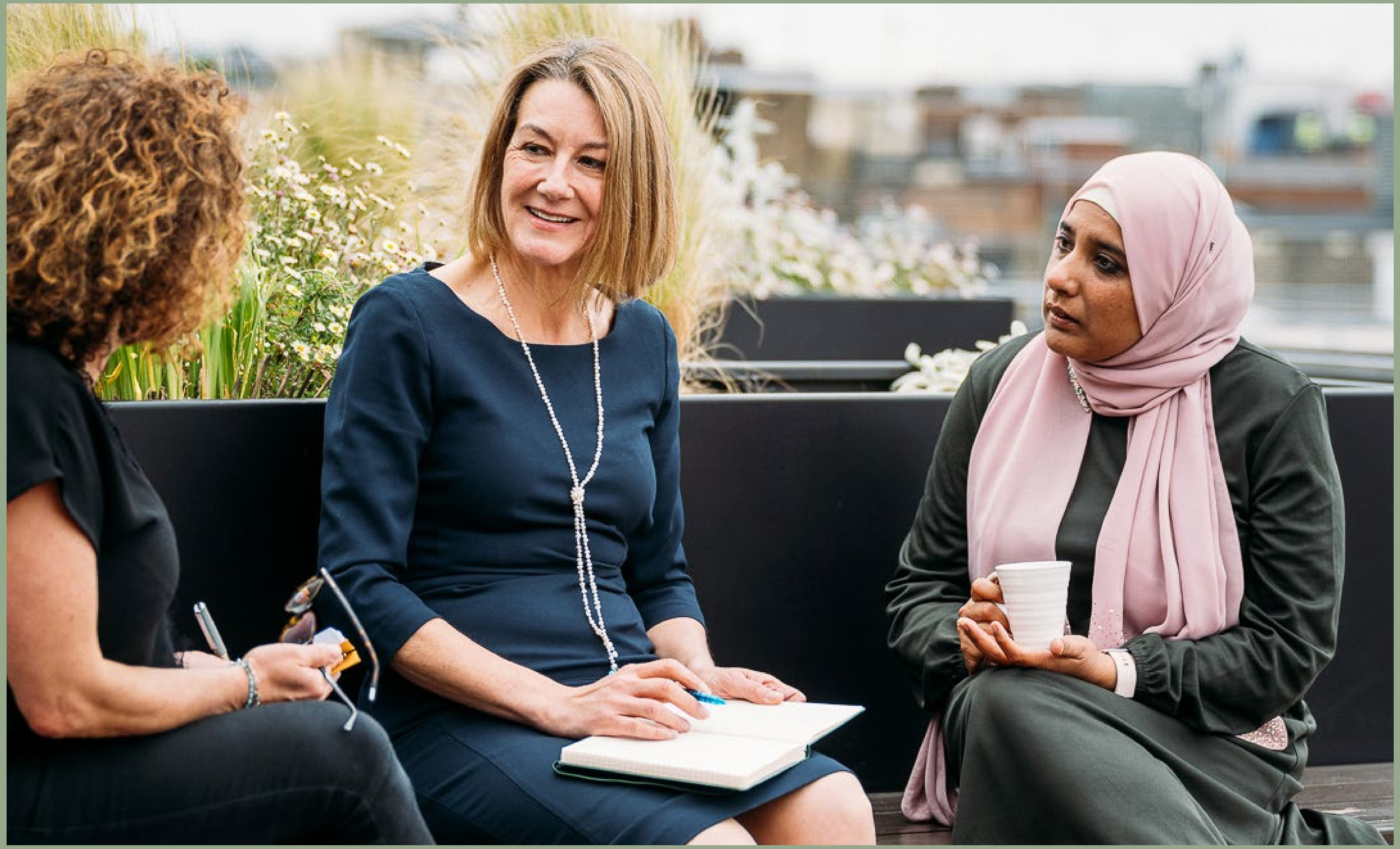
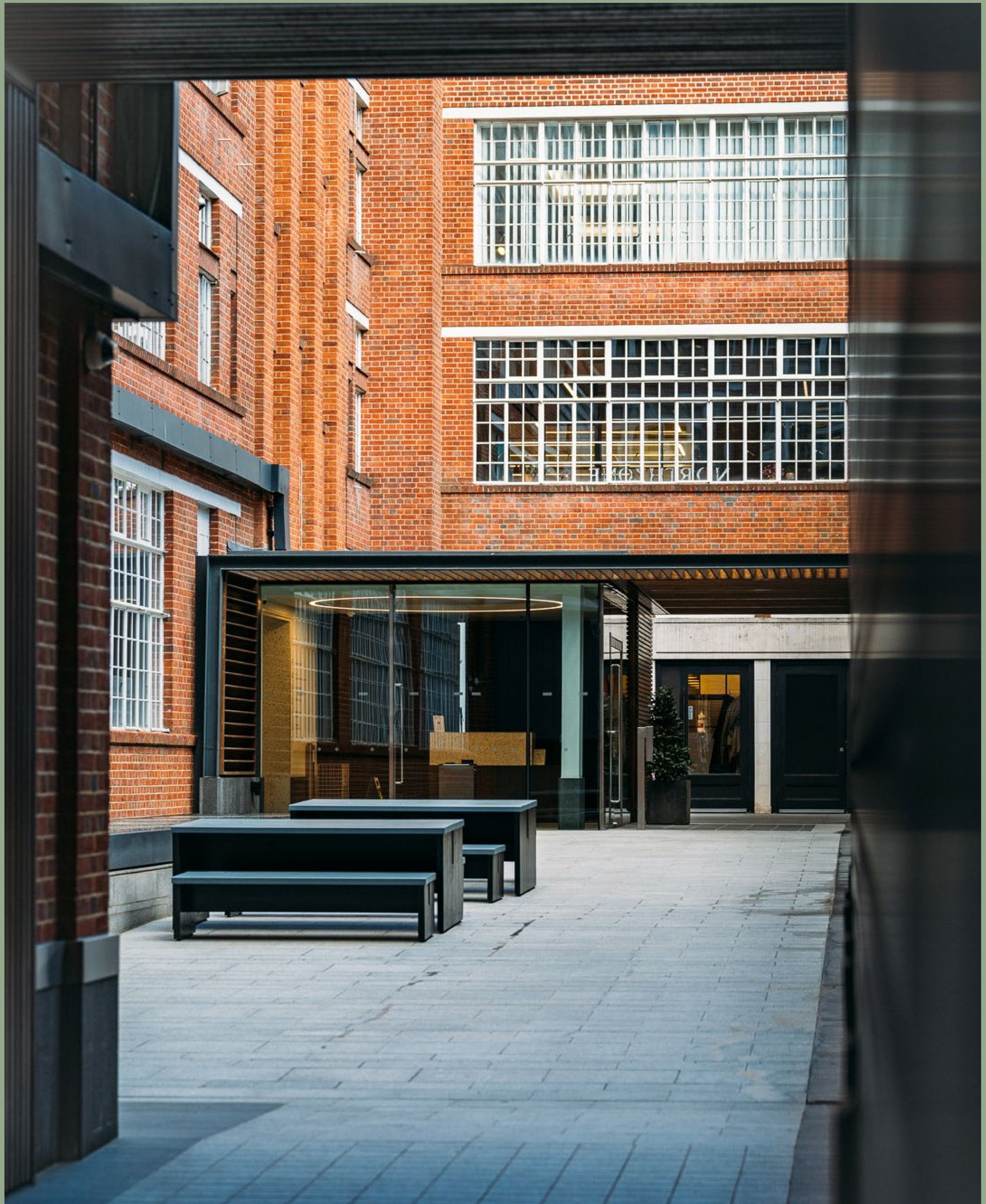
OTHER TAX MATTERS





OTHER TAX MATTERS

CREATIVE INDUSTRIES

The government has announced additional support for UK independent films already eligible for the Audio-Visual Expenditure Credit (AVEC). The AVEC is currently set as a basic credit of 34% of qualifying expenditure. Companies with qualifying UK independent films with a budget of £15 million or less will be able to claim a new UK Independent Film Tax Credit (IFTC) of 53%. Qualifying expenditure will be capped at 80% of the film's total core expenditure. Qualifying films will need to commence principal photography on or after 1 April 2024 and claims can be made from 1 April 2025.

> "THANKFULLY, THE CHANCELLOR, THE GOVERNMENT AND HMRC HAVE LISTENED TO THE CREATIVE INDUSTRIES SECTOR WITH THESE LATEST BUDGET CHANGES, WHICH WILL HELP BRITISH INDEPENDENT FILMS WITH THEIR OWN EXPENDITURE RELIEF, AS WELL AS THEATRES AND ORCHESTRAS WITH HIGHER TAX RELIEFS ON A PERMANENT BASIS. THIS IS VERY WELCOME NEWS FOR THE INDUSTRY AND OUR CLIENTS."
>
> Jai Vora I Tax Partner

Separately, from 1 April 2025, companies with qualifying visual effects costs will be able to claim an increased AVEC of 39%, a 5% increase on the basic credit. The 80% cap will also be removed for qualifying visual effects costs.

For Theatre Tax Relief, Orchestra Tax Relief and Museums and Galleries Tax Relief, the temporary rates of 40%/45% for non-touring/touring and orchestral productions will be made permanent from 1 April 2025.

We will be publishing a more detailed update regarding these changes on our website.

STAMP DUTY LAND TAX CHANGES

A number of changes are made to the Stamp Duty Land Tax (SDLT) regime. These include the following:

- The abolition of Multiple Dwellings Relief, broadly from 1 June 2024 but subject to transitional rules, for purchasers of residential property in England and Northern Ireland.
- Changes to First-Time Buyer Relief to extend it to individuals buying a new residential lease via a nominee or bare trust for transactions with an effective date (usually the date of completion) on or after 6 March 2024, but subject to transitional rules.
- Public bodies in England and Northern Ireland will be removed from the scope of the 15% SDLT higher rate charge where the effective date of transaction (usually the date of completion) is on or after 6 March 2024.

SIMPLIFICATION MEASURES

The government has announced a package of measures that supports its ambition to simplify and modernise the tax system, which includes the following:

- To simplify the process for employees claiming tax relief on their expenses, and for HMRC to automatically process claims, the government is designing a new, online service for employees to claim tax relief on all of their expenses in one place.
- The government will mandate the reporting and paying of income tax and Class 1A NICs on benefits in kind via payroll software from April 2026.
- The government will legislate to introduce a route for people to apply for National Insurance Credits for parents and carers for tax years where they have not claimed Child Benefit, to ensure that people do not miss out on their State Pension entitlement.

WE WERE LEFT DISAPPOINTED BY THE NOVEMBER STATEMENT, BUT THE SAME CANNOT BE SAID FOR YESTERDAY. WITH SUBSTANTIAL CHANGES ANNOUNCED AND MUCH TO PONDER PLUS AN ELECTION DUE BEFORE 5 APRIL 2025, WILL IT ALL COME TO PASS OR IS THERE MORE TO COME?"

Steve Wren
Tax Partner

SRLV

SRLV LLP

4th Floor Elsley Court
20-22 Great Titchfield Street
London, W1W 8BE

T +44 (0) 207 079 8888 I E hello@srlv.co.uk