

Spring Budget 2024: a last hurrah?

6 March 2024



A view from the market

At last year's Autumn Statement, we recalled a children's joke about an election elephant's footprints in the butter. In today's Budget that elephant seems to have covered its tracks. The overall package of measures was much smaller than had been thought possible and even those that were delivered left the OBR warning that the margin of safety was "only a tiny fraction of the risks around any forecast". Financial markets were again unmoved and the betting market eased back on the odds given for an early election.

Ahead of the event

Coming into today's Budget, the focal point of speculation seemed to centre around how much so-called 'headroom' the Chancellor would have with which to pull any tax-rabbits out of the hat.

That headroom is the difference between his self-imposed 'fiscal rule' which requires that national debt as a percentage of GDP is falling in the final year of the OBR's five-year forecast. The amount by which it is forecast to be below the prior year level is the headroom within which to frame any tax reductions.

A particular difficulty with that rule is that it rests effectively on the small difference between two very large numbers; and small differences can easily be swamped by tiny percentage changes in the big numbers, for example, the out-turn in growth forecasts or tax receipts.

In his 2023 Autumn Statement, the rule offered the Chancellor some £31bn of headroom, according to calculations by the Institute for Government, of which he used £18bn on the various measures announced then, including the reductions in National Insurance by two percentage points.

That left a notional but wafer-thin £13bn of headroom for today's Budget - again on IfG calculations - assuming no intervening changes to assumptions for growth and spending. On a later set of assumptions, notably including intervening falls in long-term interest rates, the Resolution Foundation estimated that the headroom available to the chancellor could be some £23bn - enough for 3+ % off the basic rate of income tax.

That didn't happen. Here's why.

On the day

In fact, the OBR's latest assessment showed the headroom to have fallen modestly to £12.2bn before the effect of any of today's announcements. Those were dominated by the heavily-trailed cuts to National Insurance by a further two percentage points for both employees and the self-employed, which measure alone is likely to have taken the majority of the £12.2bn headroom. Hence no cuts to income taxes.

Such additional tax cuts as were announced - eg extending the freeze on alcohol and fuel duties - were more than offset by an estimated £4.5bn of additional tax revenue through tougher HMRC enforcement measures, £2.7bn estimated from abolishing/ replacing the current 'non-dom' system and £1.9bn by extending for another year the windfall tax on energy companies; and an increase in debt.

In the end the OBR forecasts that the headroom left after all of today's measures falls only to £8.9bn thus meeting his self-imposed 'fiscal rule' but by a margin it describes as "a tiny fraction of the risks around any forecast".

Political implications

At the time of the Autumn Statement, we spoke of the election elephant in the room and recalled a popular children's joke: how do you know when an elephant's been in your fridge? There are footprints in the butter. The 2% cut to NICs at that time plus other measures seemed to keep open if not encourage the scenario of a Spring election this year.

If that was the intention, then the elephant seems to have been covering those tracks today. The overall package of cuts is much smaller than many had thought and will take time to feed through; the last round of NICs cuts did not do much to alter the opinion polls in favour of the ruling Conservative Party and the cuts to income tax - much hoped for in some quarters - were not delivered.

As we noted earlier, among the market indicators we track to assess broad reaction to any fiscal event, the only one to have moved in any degree was the implied probability of an election in Spring - which eased back several notches.

We'll know soon enough, or at least have a much better steer: if there is to be an early general election to coincide with the already scheduled local government elections on May 2nd, its announcement and the consequent decision to dissolve the current Parliament will have to be made no later than March 26th according to the parliamentary rulebook.



Company Taxation

Tax rates and allowances

Since April 2023, the headline rate of corporation tax has been 25%, applying to profits over £250,000. A small profits rate (SPR) of 19% applies for companies with profits of £50,000 or less. Companies with profits between £50,000 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.

Since April 2023, the bank surcharge has been an additional 3% rate on banks' profits above £100m. Also from April 2023, the rate of Diverted Profits Tax (DPT) increased to 31%, retaining a 6% differential above the main rate of corporation tax.

For a table of the main tax rates and allowances for 2024/2025, see page 22.

Capital allowances: full expensing

The 2023 Autumn Statement announced that full expensing and the 50% first-year allowance for special rate assets were to be made permanent. However, expenditure on plant or machinery for leasing is currently excluded from these allowances. The Chancellor's speech indicated that full expensing would be extended to such assets "when affordable" and Budget documents indicate that the government will shortly publish draft legislation for technical consultation to help it consider any such extension. However, they equally make it clear that no decision has been made on that issue as yet.

Investment Zones

Measures to enable Investment Zones to be designated and recognised in law as geographical areas where businesses can benefit from tax and NICs reliefs were announced in the 2023 Spring Budget. The intention is to incentivise investment in Investment Zones, in part, through tax reliefs and reducing the cost of hiring employees. These were made more attractive in the 2023 Autumn Statement when the Chancellor announced that the Investment Zones tax reliefs would be extended from five to ten years.

The Spring Budget 2024 announced further details of six Investment Zones: Greater Manchester, Liverpool City Region, North East of England, South Yorkshire, and West Midlands and Tees Valley.

The Economic Crime Levy

The Economic Crime (Anti-Money Laundering) Levy was intended to raise approximately £100m per annum to tackle money laundering and deliver economic crime reforms. However, levy receipts for the first period between April 2022 and March 2023 show a shortfall against the levy's target.

The government intends to address this shortfall by increasing the charge paid by very large businesses with UK revenue greater than £1bn, and which are regulated for anti-money laundering purposes. The charge for these entities will rise from £250,000 to £500,000 per annum, from 2024/2025 onwards.

There will be no change to the charge for small entities (which remain exempt), medium entities (which will continue to pay £10,000), or large entities (which will continue to pay £36,000).

Energy Profits Levy

The 2022 Autumn Statement announced a substantial extension of the Energy Profits Levy) from 1 January 2023, including increasing the EPL rate to 35%. The Levy was due to end on 31 March 2028. However, the Spring Budget 2024 announced that the EPL will be extended until to 31 March 2029.

Audio-visual tax reliefs

As announced at the 2023 Autumn Statement, and following a call for evidence, the government will give additional tax relief to visual effects costs in films and high-end TV. Under the Audio-Visual Expenditure Credit, visual effects costs will receive tax credit at a rate of 39%. The 80% cap on qualifying expenditure will also be removed for visual effects costs. The changes will take effect from 1 April 2025. A consultation will be published shortly on the types of expenditure that will be within scope of the additional tax relief.

In addition, the government will introduce legislation in Spring Finance Bill 2024 to provide additional support for independent films via the Audio-Visual Expenditure Credit. The Independent Film Tax Credit is aimed at films that have budgets (or total core expenditure) of up to £15m and that receive a new accreditation from the British Film Institute. The credit rate will be 53% of qualifying expenditure. Qualifying expenditure is capped at a maximum of 80% of a film's total core expenditure; the most taxable credit a film can receive will be £6.36m. This change will take effect for films that commence principal photography from 1 April 2024 on expenditure incurred from 1 April 2024.

Other cultural tax reliefs

The Chancellor announced that legislation to be included in Spring Finance Bill 2024 to make permanent 40%/45% (for non-touring/touring and orchestral productions respectively) headline rates of relief for Theatre Tax Relief, Orchestra Relief, and Museums and Galleries Exhibition Tax Relief. These rates will take effect from 1 April 2025.

R&D tax reliefs: expert advisory panel

The Spring Budget 2024 announces that HMRC will establish an expert advisory panel to support the administration of the R&D tax reliefs. The panel will provide insights into the cutting-edge R&D occurring across key sectors such as tech and life sciences, and work with HMRC to review relevant guidance, ensuring it remains up to date and provides clarity to claimants.

Reserved investor fund

Following last year's consultation on the introduction of a Reserved Investor Fund (RIF) regime, the government has now decided to proceed with the introduction of a RIF regime. Legislation will be introduced in Spring Finance Bill 2024 to define what a RIF is and give HM Treasury power to make regulations in respect of RIFs. The detailed rules for the regime will be set out in regulations adopted at a later date.

The RIF is intended to complement and enhance the UK's existing funds regime by meeting industry demand for a UK-based unauthorised contractual scheme with lower costs and more flexibility than the existing authorised contractual scheme. The RIF will be open to professional and institutional investors. It is expected to be particularly attractive for investment in commercial real estate.

The government has published its summary of responses to last year's consultation which confirms the following tax features of the RIF regime:

Eligibility for regime

There will be three different types of restricted RIFs. The three types of restricted RIFs are RIFs: (i) where at least 75% of the value of the RIF's assets is derived from UK property, (ii) where all investors in the RIF are exempt from tax on gains, and (iii) where the RIF does not directly invest in UK property or in UK property rich companies.

A RIF will also have to meet other prescribed eligibility criteria.

Capital gains

From an investor's perspective, a RIF will be treated as opaque for capital gains purposes – an investor in a RIF should therefore only be subject to tax on capital gains when the investor disposes of its units in the RIF.

The units in a RIF will be treated as an investor's capital gains asset and any interest of the investor in the underlying property of the RIF will be disregarded for capital gains purposes. A RIF will be treated in the same way as a co-ownership authorised contractual scheme (CoACS) for the purposes of the regime for the taxation of disposals of UK real estate by non-residents. A RIF will therefore be able to make an exemption election for these purposes. In the long term, a RIF may become a more cost-efficient holding vehicle for UK real estate than a Jersey property unit trust (JPUT).

Stamp duty land tax

A RIF will be treated as a company for stamp duty land tax (SDLT) purposes – there should therefore be no SDLT payable on transfers of units in a RIF.

An unauthorised co-ownership contractual scheme which is not a RIF will remain transparent for SDLT purposes. An election by an unauthorised co-ownership contractual scheme to become a RIF will be treated as a land transaction for SDLT purposes, with SDLT charged on the market value of any English and Northern Irish property held by the scheme at the date of entry into the RIF regime.

There will be a seeding relief for RIFs similar to the seeding relief for CoACSs.

Stamp duty and stamp duty reserve tax

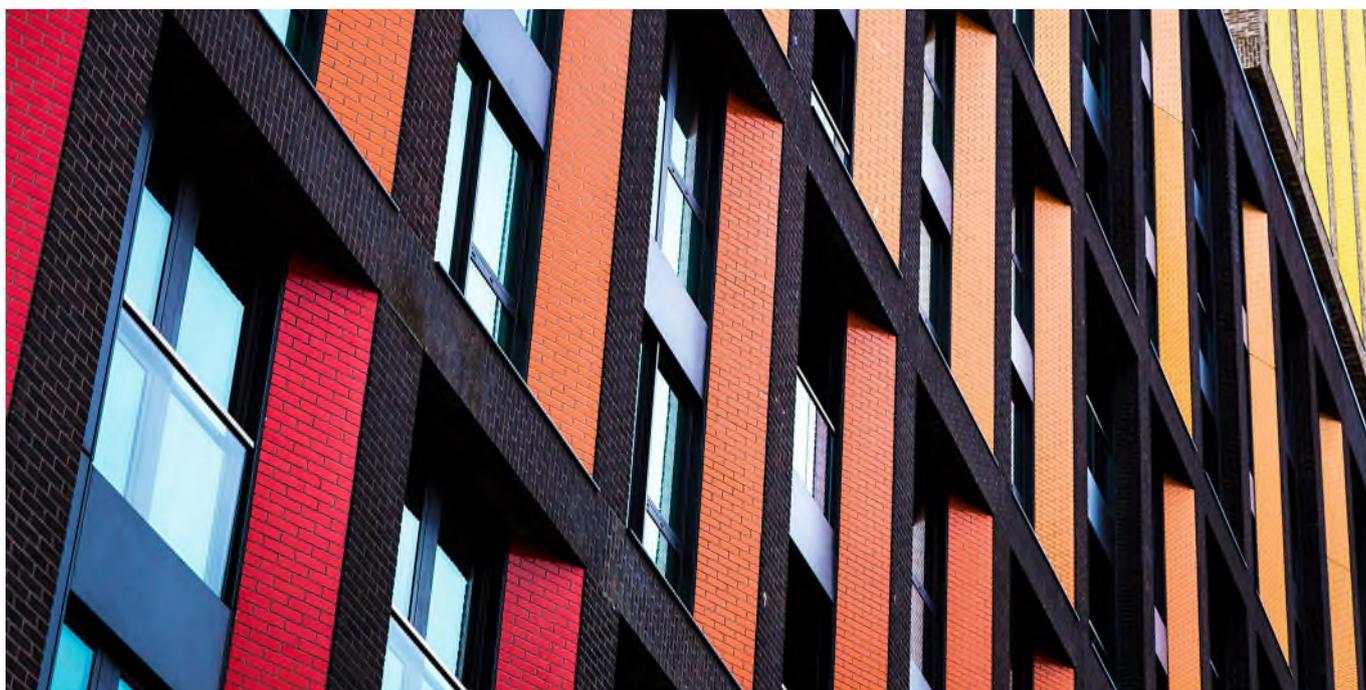
A RIF will be entitled to the same stamp duty and stamp duty reserve tax (SDRT) exemptions as a CoACS. These exemptions will apply to: (i) transfers of securities to a RIF in consideration solely for the issue of units in the RIF, (ii) transfers of securities between sub-schemes of an umbrella RIF, and (iii) transfers of units in a RIF.

Capital allowances

As for a CoACS, the operator of a RIF will be able to make an election enabling it to calculate and apportion any capital allowances in respect of a RIF's qualifying expenditure to investors in the RIF.

Unrestricted RIF

The government does not intend to proceed with an unrestricted RIF (i.e. a RIF which is not one of the three types of restricted RIFs above) at this stage, as stakeholders view an unrestricted RIF as operationally complex and likely to be unattractive to most investors.



Income Tax and NICs

Income tax rates and allowances

The basic rate of income tax will remain at 20%. Other rates will also remain unchanged. The personal allowance and higher rate threshold are fixed at their current levels until April 2028. The income tax additional rate threshold was lowered from £150,000 to £125,140 from 6 April 2023.

The government has previously announced that it would reduce the dividend allowance to £500 from April 2024. The 1.25% increase in rates of tax on dividends have been maintained (despite the scrapping of the Health and Social Care Levy which was its justification) so that the ordinary rate will continue to be 8.75%, the upper rate 33.75% and the additional rate 39.35%.

For a table of the main tax rates and allowances for 2024/2025, see page 22.

National insurance contributions

Few taxes have suffered as many rate changes as NICs in the last few years. From the heady highs (or lows depending on your perspective) of the increase to 13.25% in anticipation of the introduction of a Health and Social Care Levy to the scrapping of that increase by Kwasi Kwarteng and then a 2% reduction in employee NICs from 6 January 2024. Now the Chancellor has announced a further 2% cut to come into effect from 6 April 2024. The so-called "tax on jobs" has taken on the appearance of the Big Dipper!

As a result, the main rate of Employee National Insurance (Class 1 NICs) will be cut by a further 2% from 10% to 8% from 6 April 2024. The 2% rate of NICs for higher earners is expected to remain unaffected as will other rates, including employer Class 1 NICs.

The Chancellor announced at the 2023 Autumn Statement a reform and simplification of NICs on the self-employed, involving abolishing Class 2 NICs and cutting the main rate of Class 4 NICs by 1% from 9% to 8% from April 2024. The Spring Budget went further and announced a further cut of 2% in the rate to 6%, so that the rate will fall from 9% to 6%. The government will consult on how it will deliver Class 2 NICs abolition later this year.

At the 2023 Autumn Statement, the government announced the removal of the requirement to pay Class 2 National Insurance contributions from 6 April 2024 and committed to abolishing Class 2 entirely.

The NICs Primary Threshold (PT) and Lower Profits Limit (LPL) are aligned with the personal allowance at £12,570 and the government has previously announced that they will be maintained at this level until April 2028. The Class 2 Lower Profits Threshold (LPT) will also be fixed until April 2028 to align with the LPL. The NICs Upper Earnings Limit (UEL) will remain at £50,270. The government has also previously announced that it will fix the level at which employers start to pay Class 1 Secondary NICs for their employees at £9,100 from April 2023 until April 2028.

Taxation of non-doms

The Spring Budget 2024 announced that a new four-year foreign income and gains regime (FIG regime) will be introduced for individuals who become UK tax resident after a period of 10 tax years of non-UK residence on 6 April 2025.

Current non-dom regime

Individuals who are resident but not domiciled or “deemed domiciled” in the UK may elect to be taxed on the remittance basis, where foreign income or gains are only taxable in the UK if they are remitted to the UK.

Individuals who have been resident in the UK for at least seven of the nine fiscal years before the relevant tax year will be taxed in the UK on their worldwide income and gains, unless they pay a minimum flat-rate charge of £30,000 annually to be taxed on the remittance basis.

Individuals resident in the UK in at least 12 of the last 14 fiscal years before the relevant tax year must pay a higher remittance basis charge of £60,000 annually in order to access the remittance basis.

Broadly, non-domiciled individuals would be treated as “deemed domiciled” and lose the remittance basis once the individual has been UK tax resident for at least 15 of the immediately preceding 20 tax years (unless certain conditions are met).

New FIG regime

Under the new FIG regime, qualifying individuals will not pay tax on foreign income and gains arising in the first four tax years after becoming UK tax resident and will be able to remit them to the UK free from any additional charges. The UK Statutory Residence Test will be used to determine tax residence for any one tax year. Treaty residence/non-residence and split years will be ignored.

If an individual elects to be taxed under the FIG regime, they will lose entitlement to personal allowances and the capital gains tax annual exempt amount.

If an individual leaves the UK temporarily during the four-year period they will be able to make a claim under the FIG regime for any of the qualifying tax years remaining on their return to the UK. For example, a UK resident in year 1 who is non-UK resident in years 2 and 3 but is UK resident again for year 4 will be able to use the FIG regime for year 4.

Existing UK tax residents, who have been UK resident for fewer than four tax years and are eligible for the scheme, will also benefit from the relief until the end of their fourth year of UK residence.

Any individual who has been tax resident in the UK for more than four years will pay UK tax on any foreign income and gains, effectively falling out of the FIG regime and being taxed on their worldwide income and gains on an arising basis (in line with other UK residents), with the complexities of claiming double tax relief for any overseas tax paid.

Overseas Workday Relief (OWR) is being updated and will continue to be available for employees under the FIG regime, providing relief on earnings for employment duties performed outside the UK. The new OWR will be available for the first three tax years of UK residence. Employees who are eligible for OWR in 2023/24 for their first year since returning to the UK should still be able to claim OWR for the full three years. However, those re-entering from 2025/26 will not be able to claim OWR if they are not eligible for the FIG regime.

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 FIG regime. Foreign income and gains arising in non-resident trust structures will be taxed on the settlor or transferor (if they have been UK resident for more than four tax years) on the arising basis.

Unlike the non-dom regime, the FIG regime does not look to the domicile status, but instead focuses on the more rigid tax residence of an individual to determine their eligibility. The FIG regime is also significantly shorter than the non-dom regime, reducing the duration of potential tax savings on foreign income and gains from 14 tax years to 4 tax years.

The new regime will take effect on 6 April 2025.

Transitional arrangements

Certain transitional arrangements will be put in place on 6 April 2025.

Individuals who move from the remittance basis to the arising basis on 6 April 2025 and are not eligible for the FIG regime will pay tax on 50% of their foreign income for 2025/26. Such reduction does not apply to foreign chargeable gains. From 2026/27 onwards, tax will be due on all worldwide income in the normal way.

Individuals who have claimed the remittance basis will, on a disposal of an asset held personally at 5 April 2019, be able to elect to rebase that asset to its value as at that date. This rebasing will be subject to conditions which are still to be determined.

Individuals who have been taxed on the remittance basis will be able to elect to pay tax at a reduced rate of 12% on remittances of pre-6 April 2025 foreign income and gains under a new Temporary Repatriation Facility (TRF) that will be available for tax years 2025/26 and 2026/27. TRF will not apply to pre-6 April 2025 foreign income and gains generated within trusts and trust structures.

While protections on non-resident trusts for all new foreign income and gains that arise within them after 6 April 2025 are being removed, foreign income and gains that arose in protected non-resident trusts before 6 April 2025 will not be taxed unless distributions or benefits are paid to UK residents who have been UK resident for more than four years.

The last year for which a remittance basis claim can be made will be the 2024/25 tax year. Foreign income and gains that arise to a remittance basis user prior to 6 April 2025 will be taxed if they are remitted on or after 6 April 2025, subject to the TRF above.

Proposed inheritance tax changes

Inheritance tax (IHT) is currently a domicile-based system, relying on domicile status and location of assets. Under the current regime, no inheritance tax is due on non-UK assets of non-doms until they have been UK resident for 15 out of the past 20 tax years. In line with the FIG regime, the government intends to move IHT to a residence-based system from 6 April 2025, subject to consultation.

Transfers of assets abroad

The government intends to amend the Transfer of Assets Abroad (ToAA) legislation to ensure that individuals cannot use a company to bypass the legislation. The changes follow the judgment of the Supreme Court in *Fisher v HMRC* [2023] UKSC 44, which held that liability under the ToAA legislation was restricted to the transferor of assets and that the ToAA charge therefore did not apply to an individual in relation to a transfer made by a company in which they are a shareholder.

The amendments will deem 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. In other words, the 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 confirms 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 Income Tax Act 2007 s736 to s742.

Abolition of Furnished Holiday Lettings tax regime

The Spring Budget 2024 announced that the government will abolish the Furnished Holiday Lettings tax regime, eliminating the tax advantage for landlords who let out short-term furnished holiday properties over those who let out residential properties to longer-term tenants. This will take effect from April 2025.

Draft legislation will be published in due course and include an anti-forestalling rule. This 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.

High Income Child Benefit Charge

The Spring Budget 2024 announced that the government will introduce legislation in the Spring Finance Bill 2024 to increase the High Income Child Benefit Charge (HICBC) adjusted net income starting threshold to £60,000, from 2024/2025 onwards.

The charge will apply at a rate of one per cent of the full Child Benefit award for each £200 of adjusted net income between £60,000 and £80,000, halving the rate at which HICBC is charged. The charge on taxpayers with income above £80,000 will be equal to the full amount of Child Benefit paid.

For new Child Benefit claims made after 6 April 2024, any backdated payment will be treated for HICBC purposes as if the entitlement fell in the 2024 to 2025 tax year if backdating would otherwise create a HICBC liability in the 2023 to 2024 tax year.

However, the Chancellor also announced plans for a wider reform of the charge to end the significant unfairness in the way it operates. However, since those changes will require significant reform to the tax system including allowing HMRC to collect household level information, the government plans to carry out a consultation on moving the High-Income Child Benefit Charge to a household-based system first. The proposal is that this change would be introduced by April 2026.



Capital Gains Tax

Tax rates and allowances

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

However, the Spring Budget announced that the higher rate of CGT on UK residential property disposals will be reduced from 28% to 24% with effect from 6 April 2024.

For a table of the main tax rates and allowances for 2024/2025, see page 22.

Higher rate CGT on UK residential properties

The government has announced that the higher rate of capital gains tax on gains from residential property will be reduced from 28% to 24% for gains accruing on or after 6 April 2024.

This measure does not change the lower 18% rate of capital gains tax which applies to the part (if any) of the gain that falls within an individual's unused basic rate band. It also does not impact the application of private residence relief to effectively relieve some or all of the gain where the property has been the main residence of the individual for some or all of the period for which they have owned the property. Finally, this measure does not change the rate of tax applicable to residential property gains accruing to trusts and personal representatives, which remains at 28%.

The government's stated rationale for this change is to encourage disposals of second homes, buy-to-let properties and other residential properties which do not fully benefit from private residence relief, thereby increasing the volume of transactions in the residential property market. It remains to be seen whether this policy objective will be achieved.

Stamp Duty and SDLT

Rates

On 23 September 2022, the government increased the nil-rate threshold of SDLT from £125,000 to £250,000 for all purchasers of residential property in England and Northern Ireland and increased the nil-rate threshold paid by first-time buyers from £300,000 to £425,000. The maximum purchase price for which First Time Buyers' Relief can be claimed was increased from £500,000 to £625,000. The Chancellor subsequently announced that this would be a temporary SDLT reduction. The SDLT cut will remain in place until 31 March 2025 to support the housing market. The government then intends to repeal these changes.

No further changes were announced to stamp duty rates and thresholds. For a table of the main tax rates and allowances for 2024/2025, see page 22.

SDLT: mixed property purchases and multiple dwellings relief

After a wait of two years, HMRC has finally published its summary of responses to the consultation which closed in February 2022 on potential reform of the SDLT rules for mixed property transactions (i.e. purchases which consist of both residential and non-residential property) and the SDLT relief for purchases of two or more dwellings known as multiple dwellings relief or "MDR".

The outcome of the consultation for reform of these two areas could not be more different.

Whilst the government has confirmed that it will not be making any changes to the SDLT rules for mixed property purchases, somewhat surprisingly, the government has announced that, rather than taking forward any of the potential options for reform of MDR, the Finance Bill 2024 will abolish MDR entirely.

The abolition of MDR will take effect for transactions with an effective date of 1 June 2024, unless the purchase is pursuant to a contract which was exchanged on or before 6 March 2024 and which has not been varied after 6 March 2024.

Mixed property purchases

Under current SDLT legislation, in most cases, the whole of the chargeable consideration for a mixed property transaction is subject to SDLT at non-residential/mixed property rates (absent a claim to MDR), rather than any part being subject to SDLT at residential rates.

With the highest non-residential/mixed property SDLT rate band being 5% but the highest residential SDLT rate band being as high as 17% (depending on the value of the property and the nature of purchaser), the status quo has led to an SDLT outcome for mixed property which in many cases is highly misaligned with the underlying use of the land, especially where the non-residential element is small. It has also provided an opportunity for purchasers to reduce their SDLT liability through structuring purchases to include a small amount of non-residential property.

The consultation had proposed alternative methods of apportioning between non-residential and residential elements to arrive at an outcome which was objectively fairer, and which reduced the scope for incorrect claims or abuse.

In reaching its decision not to proceed with any changes to the SDLT rules for mixed property purchases the government appears to have been swayed by concerns to avoid increasing the administrative burden of the SDLT rules for a broad population of (mostly “good”) taxpayers, as well as HMRC’s successes in challenging unmeritorious claims to mixed property treatment.

Multiple dwellings relief

MDR was introduced in 2011 to promote the supply of private rented housing through reducing the rate of SDLT payable on purchases of multiple residential property so that it is broadly in line with the SDLT which would have been charged when purchasing properties separately.

Alongside the summary of responses, the government has published the outcome of an external evaluation commissioned in February 2023 into the use and effects of MDR. With the benefit of that evaluation, the government has concluded that MDR is not cost effective in achieving its policy aims and is frequently subject to abuse. The evaluation identified a large proportion of claims to MDR being by private individuals purchasing property for personal use, clearly falling outside of the policy objective of supporting investment in the private rented sector. At the same time, the government has interpreted the evaluation as indicating that removing MDR from business purchasers would be unlikely to have any substantial effect on investment in residential property. Rather than take forward any of the potential reforms put forward in the consultation document, the government has decided to abolish MDR entirely.

For business purchasers, whether abolition of MDR could materially increase SDLT liabilities will depend on the circumstances. For transactions involving the purchase of interests in six or more separate dwellings, the increase in SDLT liability should be relatively limited because such transactions would typically qualify for non-residential/mixed property SDLT rates absent a claim to MDR (so an effective rate approaching 5%). However, transactions involving the purchase of two to five separate dwellings and no non-residential property cannot qualify for non-residential/mixed property SDLT rates. For those transactions, the increase in SDLT could be very much higher, given that residential SDLT rate bands can be as high as 17% in certain cases.

First time buyers’ relief

The Spring Budget announced that changes will be introduced to enable individuals who purchase new leases using nominee or bare trust arrangements to be able to claim First-time Buyers’ Relief from Stamp Duty Land Tax and ensure that individuals who have used such arrangements in the past are unable to claim the relief on future purchases made in their own name.

The changes will take effect from 6 March 2024. Where contracts are exchanged on or before 6 March 2024, transitional rules may apply subject to conditions.

Value Added Tax and Indirect Taxes

Thresholds

The standard rate of VAT remains at 20%. For a table of the main tax rates and allowances for 2024/2025, see page 22.

The VAT registration threshold, which had previously been frozen on the basis of recommendations of the Office of Tax Simplification (OTS) concerning the distortions created by the high registration threshold in the UK, will be increased to £90,000 from April 2024. The deregistration threshold will also increase to £88,000.

VAT treatment of private hire vehicles

The 2023 Autumn Statement contained the announcement that the government will consult on the VAT treatment of private hire vehicles in early 2024. The decision follows the High Court ruling in *Uber Britannia Ltd v Sefton MBC*, where Uber successfully sought a declaration that all private hire operators in the UK should be subject to the same rules as Uber on classification of workers and status as principal. This has resulted in a requirement to charge VAT on such services not only for Uber but other operators in the same position.

The Spring Budget 2024 provided an update that the consultation will be published in April 2024.

Trades in Carbon Credits and the Terminal Markets Order

In July 2023, the government published a consultation on reforming the application of the Terminal Markets Order 1973 (TMO) so that it operates more flexibly in future. It did not involve significant changes to the scope of the TMO but rather updating the existing legislation to better reflect current practice and ensure that it can be kept up-to-date more easily in future.

The government has now announced that it will introduce legislation in Spring Finance Bill 2024 to take forward these changes to the TMO which will take effect from the date of Royal Assent to Spring Finance Bill 2024. This will allow for further reform, including bringing trades in carbon credits within the scope of the TMO in due course. A summary of responses to the consultation on reforming the TMO legislation will be published in due course.

VAT retail export scheme

The government has come under a lot of pressure to reconsider its decision not to introduce a form of VAT retail export scheme following Brexit. Whilst it has not yet bowed to that pressure, the Spring Budget 2024 notes that the OBR has now reviewed the original costing of the removal of tax-free shopping and says that the government will consider these findings alongside industry representations and broader data and welcomes any further submissions in response to the OBR's findings.

Vaping products duty

The Chancellor announced that the government will introduce legislation in a future Finance Bill to introduce a new duty on vaping products. A consultation on the detailed design and implementation of the duty has been published, which will close on 29 May 2024.

Registration for the duty will open on 1 April 2026 with the duty taking effect from 1 October 2026 alongside a proportionate increase in tobacco duties.

Landfill tax rates (LFT)

The Spring Budget 2024 announced that the government will increase the standard and lower rates of Landfill Tax in line with Retail Price Index (RPI), adjusted to take account for high inflation in the period 2022 to 2024 and rounded up to the nearest 5 pence.

The standard and lower rates of LFT will increase for taxable disposals that take place or which are treated as taking place on or after 1 April 2024 in line with RPI as follows:

- Standard rate: £103.70 per tonne (£126.15 from April 2025)
- Lower rate: £3.30 per tonne (£4.05 from April 2025).

Aggregates levy

The government will increase the Aggregates Levy in line with RPI. The rates from 1 April 2024 will be: £2.03 per tonne from April 2024 and £2.08 per tonne from April 2025.



Pensions and investments

Pensions

On pensions, the Spring Budget 2024 builds on previous policies contained in the Mansion House reforms and the 2023 Autumn Statement. These policies had included measures to encourage more investment by pension schemes and others into UK equities. To measure whether these policies are having the desired impact, the government plans to require defined contribution funds to publicly disclose their asset allocations, including UK equities. There will be equivalent requirements imposed on Local Government Pension Schemes. If the published data does not show UK equity allocations are increasing, the government will review what further action might be required.

A separate public disclosure requirement is planned for contract-based Defined Contribution default funds. The requirement would be for the publication of net investment returns. Under the proposed changes, schemes would also be required to compare their performance and costs against two schemes managing over £10bn. These measures are all part of the continuing drive to consolidate underperforming smaller schemes into larger better performing funds and will be included in the FCA's spring 'Value for Money' consultation.

Finally, the government has confirmed in the Spring Budget 2024 that it remains committed to exploring a Lifetime Provider Model for defined contribution pension schemes. This model was mooted in the 2023 Autumn Statement and would allow employees to select a pension scheme where their employer would pay pension contributions. The aim of the model is to make it more likely that an employee would have one pension pot for life avoiding the inefficiencies linked to having multiple small pots from multiple different employments. The Spring Budget statement indicates that the government is undertaking continued analysis and engagement on the proposed model.

ISAs

The Spring Budget 2024 announced that the adult ISA annual subscription limit for 2024/2025 will remain unchanged at £20,000 and the annual subscription limits for Child Trust Funds and for Junior ISAs for 2024/2025 will remain unchanged at £9,000.

However, the Chancellor also announced a proposal to introduce a new UK ISA with its own additional allowance of £5,000 a year. A consultation was published alongside the Budget and responses to this consultation should be sent to HM Treasury by 6 June 2024.

As previously announced at the 2023 Autumn Statement, the government is looking to include certain fractional share contracts within the scope of ISA investments. The Spring Budget 2024 provided an update that the government is working to bring forward legislation by the end of the summer following detailed engagement with industry and the Financial Conduct Authority (FCA).

Inheritance Tax

Tax rates and allowances

The government has previously announced that the inheritance tax (IHT) threshold will remain frozen at £325,000 until 2027/2028. In addition, the residence nil-rate band will also be frozen at £175,000. When added to the IHT threshold of £325,000, it allows each individual to pass on £500,000 with no IHT payable - or £1m per couple. There is a tapered withdrawal of the additional nil-rate band for estates with a net value of more than £2m. This is at a withdrawal rate of £1 for every £2 over this threshold.

The rate of IHT remains at 40%.

For a table of the main tax rates and allowances for 2024/2025, see page 22.



Tax Administration

Tax Administration and Maintenance Day

The government has announced that it will bring forward a further set of tax administration and maintenance announcements on 18 April 2024 at a Tax Administration and Maintenance Day.

HMRC's debt management capability

The government is investing a further £140m to improve HMRC's ability to manage tax debts. This will expand HMRC's debt management capacity to support both individual and business taxpayers out of debt faster and collect tax that is due.

Crypto-Asset Reporting Framework (CARF) and Common Reporting Standard

The Government has published a consultation on the UK implementation of the OECD's global tax transparency framework to provide for the reporting and exchange of information with respect to cryptoassets (known as the Cryptoasset Reporting Framework (CARF)) and amendments to the Common Reporting Standard for the automatic exchange of financial account information between countries (CRS). The consultation closes on 29 May 2024.

On CARF, the government explains that it intends to add the CARF to the list of international arrangements for exchanging information at Finance (No. 2) Act 2023 s349 meaning that HM Treasury will have the power to make regulations to implement reporting obligations for the CARF. The consultation seeks views on such matters, including the scope and definitions used in the OECD CARF, reporting requirements, due diligence and compliance and enforcement.

On the amendments to the CRS, the government explains that it intends to implement the amendments to the CRS that have been proposed by the OECD. The consultation seeks views on optional elements in the UK's implementation of the amended CRS rules as well as views on two potential amendments to the regulations: introducing a mandatory registration requirement for reporting Financial Institutions and reforming the penalty provisions.

Perhaps most significantly, the consultation also seeks views on extending the reporting obligations of CARF and the CRS to include reporting on UK resident taxpayers by UK institutions. On domestic reporting, the consultation seeks views on the potential benefits and drawbacks of introducing domestic CRS and CARF reporting by including the UK as a reportable jurisdiction.

The government says that the rules will come into force in 2026 at the earliest for exchanges in 2027, and the government will ensure that businesses are given certainty on the scope of the UK's implementation in sufficient time to prepare.

Non-compliance in the umbrella company market

In June 2023, the government published a consultation on measures to address non-compliance in the umbrella company market. As well as setting out options for regulating umbrella companies, the consultation also considers a number of proposals in relation to tax non-compliance, including potentially transferring any unpaid tax liabilities to other parties in the supply chain.

The Spring Budget 2024 re-enforces the government's commitment to protecting workers employed by umbrella companies, ensuring fair, genuine competition in the market and preventing significant Exchequer losses caused by tax non-compliance. The government will provide an update on the recent consultation on tackling non-compliance in the umbrella company market at Tax Administration and Maintenance Day. In summer 2024 the government will also publish new guidance to support workers and other businesses who use umbrella companies.

Tax simplification

Despite the abolition of the Office of Tax Simplification, the 2023 Autumn Statement confirmed the government's commitment to tax simplification to support growth and fairness with four main objectives:

- Tax rules should have a clear consistent rationale and be easy to understand.
- The burden of compliance and administration should be proportionate for taxpayers and HMRC and it should be easy for taxpayers to get their tax right.
- Taxpayers should be able to understand their obligations and options particularly at key lifecycle points, such as when they do something for the first time or infrequently.
- Tax policy should not unnecessarily distort the decisions of taxpayers and result in poorly informed choices.

The government also announced that it would measure annual progress against these objectives, focusing on taxpayers' experience and prioritising the impact of complexity on individuals and small businesses. The Spring Budget 2023 provides further details, confirming that the government is announcing metrics to measure progress against tax simplification. These will be drawn from HMRC's annual customer survey, a survey offered after using HMRC's telephony or digital services and will include HMRC's estimate of the net change in cost to businesses of meeting tax obligations from tax measures.

HM REVENUE & CUSTOMS TAX RATES AND ALLOWANCES FOR 2024/25

Income tax allowances	2023/24 (£)	2024/25 (£)
Personal allowance	12,570	12,570
Higher rate threshold	50,270	50,270
Income limit for personal allowance ¹	100,000	100,000
Transferrable marriage allowance	1,260	1,260
Blind person's allowance	2,870	3,070

¹ The individual's personal allowance is reduced where their income is above this limit. The allowance is reduced by £1 for every £2 above the limit.

Other allowances/thresholds	2023/24 (£)	2024/25 (£)
Capital gains tax annual exempt amount for individuals etc.	6,000	3,000
Inheritance tax threshold	325,000	325,000

Income tax bands	2023/24 (£)	2024/25 (£)
Starting savings rate 0% ³	5,000	5,000
Basic rate 20%	1 – 37,700	1 – 37,700
Higher rate 40%	37,701 – 125,140	37,701 – 125,140
Additional rate 45%	Over 125,140	Over 125,140

² If non-savings taxable income exceeds the starting rate limit, the starting savings rate will not apply to savings income.

Corporation tax profits ³			
Main rate	2023/24 (£)	Main rate	2024/25 (£)
25%	Whole of profits	25%	Whole of profits

³ The main rate of corporation tax remains at 25% for profits in excess of £250,000. A 'small profits rate' of 19% applies to profits up to £50,000. For businesses with profits between £50,000 and £250,000, tax is charged at the main rate, subject to marginal relief provisions which will provide a gradual increase in the effective corporation tax rate. The bank corporation tax surcharge remains at 3%, so the overall corporation tax rate payable by banks will be 28%.

Stamp duty land tax				
Rate	Residential ^{4 5 7}		Non-residential or mixed-use property	
	2023/24 (£)	2024/25 (£)	2023/24 (£)	2024/25 (£)
Total value of consideration				
0%	0 – 250,000 ⁸	0 – 250,000	0 – 150,000	0 – 150,000
2%			150,001 – 250,000	150,001 – 250,000
5%	250,001 – 925,000	250,001 – 925,000	Over 250,000	Over 250,000
10%	925,001 – 1,500,000	925,001 – 1,500,000	N/A	N/A
12%	Over 1,500,000	Over 1,500,000	N/A	N/A
15% ⁶	Over 500,000		N/A	N/A

⁴ Stamp duty land tax is charged at a rate of 3% above the current stamp duty land tax residential rates from 01 April 2016 on purchases by individuals of additional residential properties (such as second homes and buy-to-let properties), and by non-natural persons (companies, partnerships including companies or collective investment schemes) of a residential property, even if they do not own another residential property.

⁵ For purchases by first-time buyers of property worth £625,000 or less from 23 September 2022, the stamp duty land tax rate for a property valued £0 – 425,000 is 0% and for a property valued £425,001 – 625,000 is 0% on the consideration up to £425,000 and 5% on the remainder.

⁶ The 15% rate applies to certain acquisitions of residential property by “non-natural persons” (a company, a partnership including a company or a collective investment scheme).

⁷ A 2% surcharge applies from 01 April 2021 on non-UK residents purchasing residential property in England and Northern Ireland (when combined with the additional 3% rate (see note 5 above), a 5% surcharge applies on non-UK residents purchasing additional residential properties).

⁸ The nil rate band for residential property increased from £125,000 to £250,000 from 23 September 2022.

