SEDULO

SPRING BUDGET 2024

a guide

#SPRINGBUDGET2024

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HUNTING FOR VOTES: *The pre-election Budget*

SARAH RICHARDS
National Head of Tax
sarah.richards@sedulo.co.uk

Amidst the UK entering a technical recession at the end of 2023 and with this potentially being the Chancellor's last budget before the next General Election, there was immense pressure on him to deliver a Spring Budget that demonstrated fiscal responsibility as well as attention-grabbing tax cuts / increased incentives to boost the party's appeal to voters.

However, the Budget fell short of meeting those expectations, lacking any significant or surprising announcements. Dubbing the fiscal statement a "Budget for long-term growth", Mr Hunt focussed his speech on delivering tax breaks, boosting investment and tackling unfairness in the UK tax system.

One of the Chancellor's most significant announcements was a 2p cut to National Insurance contributions (NICs) in April, on top of the 2p he already cut in last year's Autumn Statement. Employees will therefore see their NIC rates fall by four percentage points in less than six months however many will be perplexed as to whether the combined effects of fiscal drag, being the freezing of tax thresholds at which taxpayers pay higher rates of tax and the two NI cuts actually mean they are better off! The cuts also do not address the impact of the employers' NIC charge, which remains at 13.8%.

Other personal measures included extending the freeze and 5p cut on fuel duty for a further 12 months to "support people with the cost of living" as well as the long-awaited reform of the high-income child benefit charge (HICBC) to increase the threshold and make the system fairer for single-earner households. The government estimates that nearly half a million families will gain an average of £1,260 in 2024-25 as a result – I look forward to seeing how these changes will be implemented in practice.

The property sector saw a mixture of measures, including the abolition of the Furnished Holiday Lettings (FHL) regime from 6 April 2025, the abolition of the SDLT multiple dwellings relief from 1 June 2024 and a reduction in the rate of CGT on residential property gains from 28% to 24%. The latter was encouraging and is hoped to increase housing supply by reducing the tax burden for individuals on the sale of properties previously held for investment.

For businesses, Hunt offered enhanced funding to 'high-growth industries' and focused support for the creative sector. Additionally, the VAT threshold will also rise (modestly) from £85,000 to £90,000 in April, reducing the administrative burden for tens of thousands of businesses. To pay for these changes, the Chancellor announced several revenue-generating initiatives, such as a new levy on vaping products and an extension of the windfall tax levy on oil and gas companies. Perhaps the most significant change was the abolition of the current tax regime for non-domiciled individuals, replacing it with a four year residency-based regime where full tax relief will be given for foreign income and gains.

The Budget also reiterated its commitment to Tackling the Tax Gap with a further announcement of consultations and measures in this area. This could mean an increased compliance burden to businesses in the foreseeable future. The Government has confirmed they will set out further tax administration and maintenance announcements on 18th April 2024.

Overall, the Budget offered few measures that would significantly impact the UK economy or taxpayers' cost of living, given the Chancellor's limited fiscal room. It remains to be seen whether another fiscal event will be delivered prior to the upcoming election although it seems inevitable that tax increases will be necessary in the future to fund some of the Budget's initiatives.

This document sets out the key changes in more detail. As ever, if you would like to discuss how these changes impact you or your business, please do get in contact with me.

Sarah Richards | National Head of Tax

A WORD FROM *Wealth*

SEDULO
Wealth

JOSE VILCHEZ
Chartered Financial Planner
jose@sedulowealth.co.uk

The Chancellor offered very little in the Budget targeted at savers as no major pension related announcements were made, but the catchily titled British ISA was announced as part of a package of measures designed to increase investment in UK companies.

The British ISA provides an additional £5,000 allowance on top of the existing £20,000 that can already be contributed to the existing ISA variants. Although the government is still to confirm the precise details of how the British ISA will operate, it is essentially an additional allowance available to those that have maxed-out the £20,000 regular ISA allowance, provided that investment goes directly into UK companies.

Whether existing UK equity-based investments that many people hold in ISAs, such as FTSE tracker funds, qualify under the additional allowance remains to be seen. Although the policy may encourage additional investment into the UK economy, it could also encourage savers to increase their exposure to a single market and reduce their level of investment diversification, which could in turn be seen as encouraging an overall exposure to risk. It is also expected that only a small number of savers will use the additional £5,000 allowance as many are unable to make full use of the existing £20,000 allowance.

A relaxation of the restrictions placed on the use of Lifetime ISAs and a reform of the penal rules on Lifetime ISA withdrawals would have been welcomed by savers as the current rules are widely seen as unfair, especially for those looking at purchasing properties where average prices exceed the threshold beyond which a Lifetime ISA can be used as deposit.

The government did announce that National Savings & Investments will launch a new range of savings bonds under the banner of British Savings Bonds. These bonds will offer a guaranteed return, fixed for 3 years and like Premium Bonds, will be backed by HM Treasury. It is expected that the bonds will be launched in April, so we await further announcements on the permitted deposit amounts and rates payable.

Will there be another budget statement before a predicted November election and will the hope of improving economic date and forecasts between now and then allow for more significant policy announcements on tax, pensions, savings and investment? This remains to be seen, but given the lack of significant announcements across these areas, as well as Income Tax, Inheritance Tax and others, it may be that the government is waiting until closer to an election to unveil something big in the hope it can confound the polls and bookies.

Looking ahead, whilst there are still some signs of weakness in the UK and many other economic areas as inflationary pressures continue to weigh heavily on households, the market recovery during the last quarter of 2023, which has continued into 2024 gives cause for optimism. The OBR now predicts that inflation will fall below its 2% target in Q2 2024, coupled with a small rise in real wages over the course of 2024. Whether this translates to increased confidence and household spending remains to be seen, but many businesses will be hoping so after an extraordinarily difficult last couple of years.

Jose Vilchez | Chartered Financial Planner

CONTRIBUTORS

David Evans
Head of Private Clients

david.evans@sedulo.co.uk

Andy Nixon
Innovation Tax Partner

andy.nixon@sedulo.co.uk

Adam Jones
Senior Tax Manager

adam.jones@sedulo.co.uk

Omar Majeed
Corporation Tax Manager

omar.majeed@sedulo.co.uk

Adam Corr
Corporation Tax Manager

adam.corr@sedulo.co.uk

Josh Donohoe
Personal Tax Manager

josh.donohoe@sedulo.co.uk

THE SPRING BUDGET *break down*

PERSONAL TAX

Tax bands and rates

The basic rate band remains unchanged in 2024/25. The tax on non-savings income continues to be at 20% and ensures that those entitled to a personal allowance will not pay higher rates of tax until total income exceeds £50,270.

The basic rate band is frozen at £37,700 until April 2028. The National Insurance contributions upper earnings limit and upper profits limit will remain aligned to the higher rate threshold at £50,270 for these tax years as well.

For 2024/25, the point at which individuals pay the additional rate of 45% is £125,140.

The additional rate for non-savings and non-dividend income will apply to taxpayers in England, Wales, and Northern Ireland. The additional rate for savings and dividend income will apply to the whole of the UK.

comment

Freezing the thresholds at which each tax rate applies results in more people paying higher rates of tax as their income rises with inflation. This is known as Fiscal Drag and has been a consistent feature over the last few years. The Office for Budget Responsibility has estimated as a result of the policy, 3.7 million more people will be paying income tax and 2.7 million will move into the higher bracket by 2028. The effect of the combined 4p cut in National Insurance and the threshold freezes from 2021 would mean that only those on £26,000 to £60,000 a year are better off in the next year, according to the Institute for Fiscal Studies.

David Evans | **Head of Private Clients**

Scottish residents

Please be aware that the Scottish Parliament has had the power for a number of years to vary the tax rates and thresholds of Non-Savings, Non-Dividend income for Scottish taxpayers. The Income Tax Personal Allowance and all other elements of the Income Tax system remain part of the Chancellor's responsibility. The differential between Scotland and the rest of the UK in this respect has now grown quite significantly. This makes things even more complicated for Scottish taxpayers when looking at carrying out any legitimate form of tax planning.

In 2024/25 a new 45% rate will be introduced, making six income tax rates which range between 19% and 48%. Scottish taxpayers are entitled to the same personal allowance as individuals in the rest of the UK.

Welsh residents

Since April 2019, the Welsh Government has had the right to vary the rates of income tax payable by Welsh taxpayers (other than tax on savings and dividend income). The UK government has reduced each of the three rates of income tax paid by Welsh taxpayers by 10 pence. For 2024/25 the Welsh Government has set the Welsh rate of income tax at 10 pence which has been added to the reduced rates. This means the tax payable by Welsh taxpayers is the same as that payable by English and Northern Irish taxpayers.

The personal allowance

The income tax personal allowance is fixed at the current level until April 2028 at £12,570.

There is a reduction in the personal allowance for those with 'adjusted net income' over £100,000. The reduction is £1 for every £2 of income above £100,000. This means that there is no personal allowance where adjusted net income exceeds £125,140.

The government will uprate the married couple's allowance and blind person's allowance for 2024/25.

The marriage allowance

The marriage allowance permits certain couples to transfer £1,260 of their personal allowance to their spouse or civil partner.

comment

The marriage allowance reduces the recipient's tax bill by up to approximately £250 a year. To benefit from the marriage allowance one spouse or civil partner must normally have no income or income below the personal allowance for the year. Since the marriage allowance was first introduced there are couples who are entitled to claim but have not yet done so. It is possible to claim for all years back to 2019/20 where the entitlement conditions are met. The total tax saving for all years up until 2022/23 could be over £1,000. A claim for 2019/20 will need to be made by 5 April 2024.

David Evans | **Head of Private Clients**

Pension tax limits

A number of changes were made to the tax regime for pensions for 2023/24:

- The Annual Allowance (AA) is £60,000.
- The money purchase annual allowance will remain at £10,000.
- Individuals who have 'threshold income' for a tax year of greater than £200,000 have their AA for that tax year restricted. It is reduced by £1 for every £2 of 'adjusted income' over £260,000, to a minimum AA of £10,000.
- No Lifetime Allowance (LA) charge.

The AA 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.

From 6th April 2024, in the event of a pension member dying under the age of 75, any lump sum tax free limit not utilised by the deceased will remain tax free in the hands of qualifying beneficiaries. Any excess above that limit will be taxed at the beneficiaries marginal rate of tax.

The pension tax free lump sum percentage will remain at 25% of the pension value up to a maximum of £268,275. However those individuals who have protected rights already in place can take a higher tax free amount.

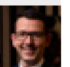
There are some individuals who save into an occupational pension under the net pay arrangements, but whose taxable income is below the personal allowance, thereby missing out on tax relief relating to those pension contributions. With effect from the 2024/25 tax year onwards the intention is to remove this unfairness.

comment

If you are a member of a UK registered pension scheme who is thinking of leaving the UK, you may want to consider topping up your pension scheme in the tax year in which you leave the UK in order to maximise your UK tax relief and enhance your pension provision. Please contact us if this is of interest.

One option to consider when wanting to help your children/grandchildren for the future is to contribute up to £2,880 into a stakeholder pension scheme each year. The government will top that up to £3,600. It could help with your inheritance tax position as well.

David Evans | **Head of Private Clients**



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.

The reduction in the dividend allowance in 2024/25, increase in corporation tax rates and further reductions to employee's National Insurance Contributions to 8% has significantly reduced the tax advantages of remuneration in the form of dividends.

The following table illustrates the additional tax savings to businesses paying minimal salaries with the remaining remuneration paid as dividends. The low salary / high dividend model remains more tax efficient up to roughly £350,000. Above this, it becomes more tax efficient to pay a salary only.

Salary (equivalent salary and dividends)	Additional tax saving of paying dividends
£50,000 (£12,570 salary, £31,947 dividends)	**£2,245**
£100,000 (£12,570 salary, £74,621 dividends)	**£2,918**
£125,140 (£12,570 salary, £96,078 dividends)	**£5,634**
£150,000 (£12,570 salary, £117,296 dividends)	**£2,540**
£200,000 (£12,570 salary, £159,971 dividends)	**£1,922**
£350,000 (£12,570 salary, £287,996 dividends)	**£70**

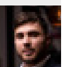
These calculations assume that the company pays corporation tax at 25%.

comment

With the dividend zero rate threshold falling to £500 from April, is it worthwhile transferring some shares to a spouse/civil partner to maximise it. Do you have control over when a dividend can be paid out? If so have you made use of the £1,000 zero rate threshold for this tax year?

If you are a director/shareholder resident in Scotland, as the tax rates on Non-Savings and Non Dividend income are noticeably higher than in the rest of the UK you may find it tax efficient to pay out more in dividend than in salary.

Josh Donohoe | **Personal Tax Manager**



Tax on savings income

Savings income is income such as bank and building society interest.

The Savings Allowance applies to savings income and the available allowance in a tax year depends on the individual's marginal rate of income tax. 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.

Savings income within the allowance still counts towards an individual's basic or higher rate band and so may affect the rate of tax paid on savings above the Savings Allowance.

Some individuals qualify for a 0% starting rate of tax on savings income up to £5,000. However, the rate is not available if taxable non-savings income (broadly earnings, pensions, trading profits and property income, less allocated allowances and reliefs) exceeds £5,000.

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.

comment

The government estimates 485,000 families will gain an average of £1,260 towards the cost of raising their children in 2024/25. 170,000 families will be taken out of paying the tax charge.

Despite the announced changes, it is still important to consider the HICBC when preparing your self-assessment tax return. HMRC continue to identify cases (often many years later) where the HICBC should have been included on a tax return and are quick to charge penalties for non-disclosure.

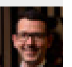
If you have a child under the age of 12 and register for child benefit you will automatically receive a parent's state pension credit for each year. If you have a family member who helps you with childcare support whilst you are at work and has a gap in their own national insurance records, you may be able to elect to transfer your state pension credit to them. You can claim from 2011/12 tax year onwards.

If you have separated from your spouse or partner, with the intention for it to be a permanent separation, or if you divorce, then it is important to revisit the child benefit claim. Failure to do so could result in you being hit for the HICBC even though the child may not be living with you.

If you are a single parent or divorced or widowed and a new partner subsequently moves in with you, depending upon their level of income, you may find that they may get hit for HICBC. You may want to forewarn them about that.

Did you claim child benefit (CB) before May 2000? The Government have recently admitted that CB claimants before May 2000 may have lost out on some of their state pension entitlement. This could affect those already in receipt of state pension, deceased estates and those yet to reach state pension age. Each year of error could cost the individual up to £325 per annum in lost state pension entitlement. You may want to check to see if it affects you or your loved ones.

David Evans | **Head of Private Clients**



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%.

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.

comment

This is a move to a simpler and, some would say, fairer system which has been called for by many for some time. The move will be welcomed by those who see the current system as unfair, and the transitional rules coupled with the four-year initial period in the new rules will help to somewhat assuage those non-doms who will be affected.

Whilst the transitional rules, for current UK resident non-doms, look as though they will need some careful navigation, they can't be as complex and confusing as the remittance basis rules we have now which most people will be glad to see the back of.

The four-year period, during which new arrivals will not be taxable on their overseas income, will be sufficient to cover many situations where people come to the UK for only a few years, maybe in connection with their jobs. Those coming for longer periods will now need to plan more carefully and I foresee the wealthier non-doms making more use of offshore structures. It will be interesting to see the details of the new rules and in particular what new anti-avoidance legislation springs from this change.

Any changes to IHT are more difficult to achieve as the entire current system is domicile-based. Moving to a residence-based system is going to involve significant and far-reaching changes so it is no surprise that there is to be a consultation period before any changes are made. There is also the small matter of an imminent General Election to consider – so, watch this space!

Adam Jones | **Senior Tax Manager**

Furnished Holiday Lettings

The Furnished Holiday Lettings (FHL) tax regime will be abolished from April 2025. The current regime provides various tax advantages for landlords who let out short term furnished holiday properties.

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 FHLs 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.

The abolishment of the FHL will help increase long-term rental options for locals whilst impacting landlords and those who operate FHL businesses. The abolishment of the regime is expected to raise £300m in tax revenues and means landlords will no longer have access to:

1. plant and machinery allowances on items of fixtures, furniture, furnishings and equipment;
2. CGT reliefs on the disposal of property such as rollover relief and BADR; and
3. Interest deductions on loans and mortgages on FHL properties

Adam Jones | **Senior Tax Manager**

EMPLOYMENT

National Insurance contributions

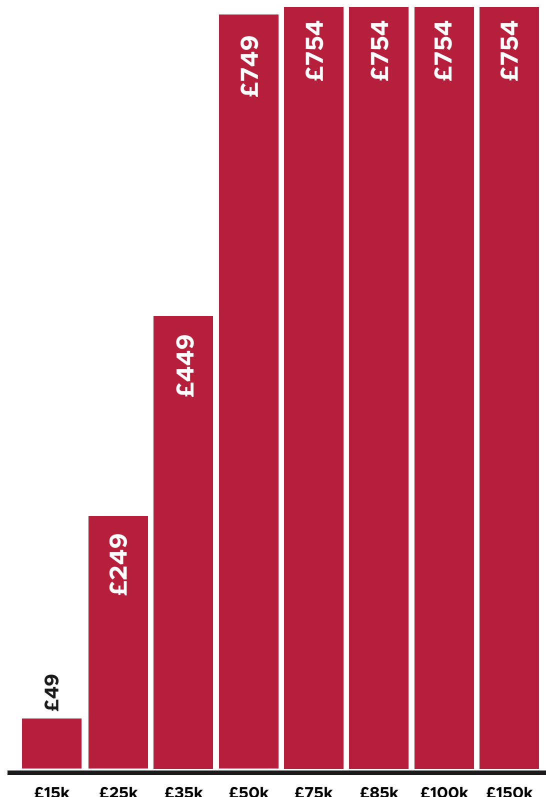
The Chancellor has previously announced major changes to the National Insurance contributions (NICs) system.

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 chart below illustrates the annual saving for selected salaries by cutting the rate to 8%:

National Insurance changes

Annual savings for selected salaries by cutting starter rate to 8%.



comment

If you have more than one employment you may pay too much employees' national insurance. HM Revenue & Customs can request the second employer to operate a lower rate to ensure the correct amount is paid. Refunds may be possible if national insurance has been overpaid in earlier years.

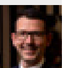
With the cut in national insurance rates from April 2024, consider whether it is advantageous delaying paying a bonus until after 5th April 2024. However, if you are a Scottish resident taxpayer, despite the national insurance cut, you may want consider, if going down the bonus route, paying it prior to 6th April 2024 as the Scottish income tax rates and rate bands as regards earned income are changing from that date.

Why cut National Insurance rather than Income Tax? Cutting Income Tax would be more expensive, as Income Tax is paid on all income whereas National Insurance only applies to employment and self-employment (i.e. it excludes rental income, dividend income etc.). It's been estimated that a similar cut to income tax would cost the Treasury roughly 50% more.

The National Insurance cut does not impact pensioners which is interesting given the prospect of a general election this year. Clearly the Conservative Party are trying to influence the working population.

There were no changes to National Insurance for employers, so from an employer's perspective there are no new incentives to employ staff.

David Evans | **Head of Private Clients**



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.

comment

This will benefit around two million individuals, recognising the contribution of the self-employed to the economy and ensuring that work pays for all.

According to the government, combined with the removal of the requirement to pay Class 2 NICs, this will save an average self-employed person making £28,000 profit, roughly £650 a year.

David Evans | **Head of Private Clients**

Extension of NICs relief for hiring veterans

The government is extending the employer NICs relief for businesses hiring qualifying veterans for a further year from April 2024 until April 2025. This means that employers will continue to pay no employer NICs up to annual earnings of £50,270 for the first year of a qualifying veteran's employment in a civilian role.

National Living Wage and National Minimum Wage

The government has accepted in full the recommendations of the Low Pay Commission and announced increased rates of the National Living Wage (NLW) and National Minimum Wage (NMW) which will come into force from 1 April 2024. In addition, from 1 April 2024 the NLW will be extended to 21 and 22 year olds. The rates which will apply from 1 April 2024 are as follows:

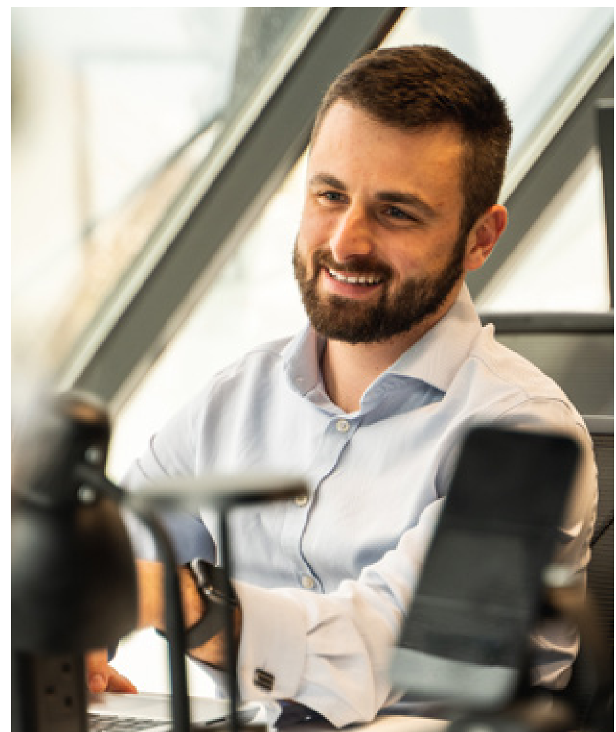
	NLW Apprentices	18-20	16-17	Apprentices
From 1 April 2024	£11.44	£8.60	£6.40	£6.40

The apprenticeship rate applies to apprentices under 19 or 19 and over in the first year of apprenticeship. The NLW applies to those aged 21 and over.

comment

The Department for Business and Trade estimates 2.7 million workers will directly benefit from the 2024 National Living Wage increase.

David Evans | **Head of Private Clients**



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.

Company vans

For 2024/25 the benefit remains £3,960 per van and the van fuel benefit charge where fuel is provided for private use remains £757. If a van cannot in any circumstances emit CO2 by being driven, the cash equivalent is nil.

BUSINESS TAXES

After the more comprehensive business support and tax cuts announced in the 2023 Autumn Statement, such as making the full expensing policy permanent, the 2024 Spring Budget was lighter on headline-grabbing business announcements.

However, it still contained targeted support for SMEs, high-growth companies and key industries (manufacturing, creative sectors and the life sciences).

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 where the lessor is treated as the owner of the asset for capital allowances purposes. Plant and machinery provided for leasing is currently specifically excluded from qualifying for first year allowances, and therefore full expensing. The start date is unclear – the Chancellor advised that this would be introduced “when fiscal conditions allow”.

comment

This amendment is welcome and would support the leasing sector to access the benefits of full expensing however there was a lack of detail on these policies so businesses are unable to plan accordingly. It will be interesting to see the draft legislation and whether any types of leasing will be excluded from the full expensing rules.

Remember, the Annual Investment Allowance (AIA) is also 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.

Sarah Richards | **National Head of Tax**

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

comment

This is possibly linked to the non-dom changes mentioned on page 13.

Adam Jones | **Senior Tax Manager**

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. Additionally, eligible film studios in England will receive a 40% reduction on gross business rates bills until 2034. The relief will be implemented as soon as possible, and bills will be backdated to 1 April 2024. This is a tax cut worth around £470 million over the next 10 years.

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

comment

For an industry set to expand to become "Second only to Hollywood" in Jeremy Hunt's words, this additional support will be a huge boost to an already burgeoning industry in the UK. The British Film Institute (BFI) commented that the landmark moves were "The most significant policy intervention since the 1990s" for the industry.

The Independent Film Tax Credit will allow for a tax credit of up to approximately 42% of qualifying expenditure (Currently approximately 27%) with credits as high as £6.36m potentially being claimed.

The 40%/45% rates for TTR, OTR and MGTR provided much needed support to industries that were hit hard by COVID and the permanent extension of these rates is a positive step as companies that can claim these seek to recover from the hardship of the pandemic.

Adam Corr | **Corporation Tax Manager**

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%.

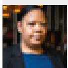
The changes also provide additional relief for loss-making Research and Development (R&D) intensive SMEs through a higher rate of payable tax credit from April 2023, as a feature of the existing SME scheme. Those entitled to this higher rate would, from April 2024, continue to claim under rules similar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

comment

HMRC will establish an expert advisory panel to support the administration of the R&D tax reliefs. The panel will provide insights into the R&D occurring in sectors such as life sciences and technology and work with HMRC to ensure guidance remains up to date and provides clarity.

Further action may be needed to reduce the unacceptably high levels of non-compliance with the R&D rules and HMRC will be publishing a compliance action plan.



Sarah Richards | **National Head of Tax**

comment

In a notable departure from recent trends, today marked a rare moment of continuity in the R&D Tax Regime, with no budgetary amendments being introduced. This occurred amidst speculation of postponements in a unified scheme, yet the statutory instrument was officially released on March 4th, solidifying the April 1st, 2024, commencement date.

This consistency is a positive development, though the detailed budgetary documentation did reveal plans to form an expert advisory panel aimed at facilitating the management of tax reliefs. You can't help but think this move likely stems from an overwhelming influx of inquiries, disputes, and alternative dispute resolutions (ADRs), which have soared to unparalleled heights with little sign of abatement.

Additionally, the realm of creative industry reliefs witnessed substantial enhancements, most notably a 5% increase in the credit rate alongside the abolition of the 80% limitation for video effects under the Audio-Visual Expenditure Credit. This reform comes hand in hand with the indefinite extension of tax reliefs for theatres, museums, galleries, orchestras, and a significant 40% rates relief for English film studios over the forthcoming decade.

These changes herald a robust support mechanism for the cultural sectors, underpinning the government's commitment to fostering growth and investment within these pivotal industries.

Andy Nixon | **Innovation Tax Partner**

Freeports and Investment Zones

Both regimes allow businesses in specific locations to benefit from a number of reliefs including Stamp Duty Land Tax relief, enhanced capital allowances, structures and buildings allowances and secondary Class 1 NIC relief for eligible employers.

As announced in the Autumn Statement 2023, the government will extend the window to claim the tax reliefs available in Freeport special tax sites from five to ten years. The extension to the sunset dates will be enacted by secondary legislation and have been confirmed as:

- 30 September 2031 for special tax sites in respect of English Freeports
- 30 September 2034 for special tax sites in respect of Scottish Green Freeports and Welsh Freeports.

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.

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.

The government has published a summary of responses to its Business Rates Avoidance and Evasion Consulation, and has committed to extending the Empty Property Relief "reset period" from six weeks to thirteen weeks from 1 April 2024 in England.

CAPITAL TAXES

Capital Gains Tax rates

The Chancellor announced a reduction in the higher rate of Capital Gains Tax (CGT) on the disposal of residential property, going from 28% to 24% with effect from 6 April 2024. Basic rate tax payers will continue to pay 18% up to the basic rate band threshold.

CGT on other assets remains unchanged at 10%, to the extent that any income tax basic rate band is available, and 20% thereafter.

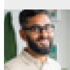
There is still potential to qualify for a 10% rate on gains up to £1 million under Business Asset Disposal Relief and £10 million under Investors' Relief.

	Residential Property	Other Assets
Individuals	18% / 24%	10% / 20%
Personal Representatives	24%	20%
Certain trusts	24%	20%
Companies*	19% - 25%	19% - 25%

comment

Private Residence Relief will remain in place for the sale on personal homes and so the vast majority of residential property disposals will pay no CGT. The reduction in CGT rates to 24% is a welcomed tax saving for landlords with more than one property and will encourage them to sell property, creating more supply in the housing market and helping with the current housing crisis currently faced in the UK. However, with the reduction of the annual exemption from £6,000 to £3,000 still going ahead as planned, the 4% decrease in CGT rates will be somewhat diluted.

CGT is chargeable on the exchange of contracts and so if you are in the process of selling UK residential property, it may be worth delaying exchange until 6 April 2024 to potentially save an additional 4% in tax. Alternatively, it may make more sense to bring the exchange forward to take advantage of the higher annual exemption in the current tax year (reducing from £6,000 in 23/24 to £3,000 in 24/25). Your individual circumstances will dictate the right option for you.



Omar Majeed | **Corporation Tax Manager**

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.

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.

At 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.

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.

OTHER

Annual Tax on Enveloped Dwellings (ATED)

In line with the September 2023 CPI, the ATED charge for property companies liable to pay will increase by 6.7% as outlined in the last autumn budget. The new rates and how they compare to the previous rates have been outlined in the table below.

Property Value	2023/24	2024/25
£500,001 - £1,000,000	£4,150	£4,400
£1,000,001 - £2,000,000	£8,450	£9,000
£2,000,001 - £5,000,000	£28,650	£30,550
£5,000,001 – £10,000,000	£67,050	£71,500
£10,000,001 – 20,000,000	£134,550	£143,550
£20,000,000 +	£269,450	£287,500

comment

As landlords begin to move their property rental businesses into a corporate structure following the disallowance of interest charges, they will need to consider how the ATED regime impacts them and whether they can apply any of the reliefs available. Relief must be claimed and so an ATED return is required to be submitted even if no tax is payable. Penalties may apply for non or late submission, inaccurate returns and late payment.

Omar Majeed | Corporation Tax Manager

The VAT registration threshold

After seven years of having been 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.

The Chancellor said this would "reduce the administrative and financial impact" for SMEs, estimating that over 28,000 businesses will benefit from no longer being VAT registered in 2024-25.

comment

Whist this news may be welcome for businesses trading just below the edge of the current threshold, the increase is rather modest given how long the threshold was frozen coupled with the ongoing elevated inflation in the UK.

TIP - If you own or control more than one business, you may want to consider creating a VAT group to save administrative costs and time as the VAT group would only need to submit one VAT return between all the members within the group. It may also help with cash flow as the supplies, in most cases, between members of the same group can be disregarded for VAT purposes.

Sarah Richards | National Head of Tax

Stamp Duty Land Tax changes (SDLT)

Chancellor Jeremy Hunt announced the abolishment of Multiple Dwellings Relief (MDR) from 1 June 2024. Currently, purchasers who buy 2 or more dwellings in a single or linked transaction in England and Northern Ireland can calculate the tax payable based on the average value of the dwellings purchased rather than the aggregate value.

The abolishment of the regime will not impact those who have exchanged contracts before 6 March 2024 who can still benefit from MDR irrespective of when the transaction completes (subject to no variations of the contract after that date).

For linked transactions on the purchase of dwellings before and after the change, these will no longer be considered linked, and purchasers will not be able to benefit from MDR.

Other changes made to the SDLT regime include the following:

- 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.
- From 6 March 2024, registered providers of social housing in England and Northern Ireland will not be liable for SDLT when purchasing a property with a public subsidy.

The 3% SDLT surcharge on premiums over £40,000 in second residential properties remains at 3%.

Property / Lease Premium / Transfer Value	SDLT Rate
Up to £250,000	0
£250,001 to £925,000	5%
£925,001 to £1,500,000	10%
£1,500,000 +	12%

Simplification measures

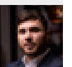
The government has announced a package of measures that supports its ambition to simplify and modernise the tax system, which includes the following:

- 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.

comment

The introduction of mandatory payrolling of taxable benefits for businesses from April 2026 is a significant change to a system that has been in place for over 20 years. The measures have been introduced to help digitise and simplify the reporting process and should reduce the administrative burden on businesses. Employers can prepare for these changes by reviewing the current benefits provided to staff and their systems, and training staff ahead of the change. Employers may also want to provide staff with an overview of the changes and details of how it will affect their net pay going forward.

Josh Donohoe | **Personal Tax Manager**



- 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.

Other changes

- The alcohol duty freeze will be extended until February 2025.
- The temporary 5p cut in fuel duty rates will be extended until March 2025 and the planned inflation increase for 2024/25 will not take place.
- A new duty on vaping products will be introduced from 1 October 2026. The government will also introduce a one-off tobacco duty increase from the same date.
- The government will increase the Economic Crime Levy paid by very large businesses with UK revenue greater than £1 billion, and which are regulated for anti-money laundering purposes, under the Economic Crime (Anti-Money Laundering) Levy. The charge for these entities will rise from £250,000 to £500,000 per annum from the 2024-25 tax year 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.

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