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Spring Budget 2024

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"A Budget for long-term growth"

Spring Budget 2024

On 6 March, Chancellor of the Exchequer Jeremy Hunt delivered his Spring Budget to the House of Commons declaring it was *“a Budget for long-term growth.”* The fiscal update included a number of new policy measures, such as a widely-anticipated reduction in National Insurance, abolition of the non-dom tax status and new savings products designed to encourage more people to invest in UK assets. The Chancellor said his policies would help build a *“high wage, high skill economy”* and deliver *“more investment, more jobs, better public services and lower taxes.”*

OBR forecasts

During his speech, the Chancellor declared that the economy had *“turned the corner on inflation”* and *“will soon turn the corner on growth”* as he unveiled the latest economic projections produced by the Office for Budget Responsibility (OBR). He started by saying that they showed the rate of inflation falling below the Bank of England’s 2% target level in *“a few months’ time.”* He noted that this was nearly a year earlier than the OBR had forecast in the autumn and said this had not happened *“by accident”* but was due to *“sound money”* policies.

The Chancellor also noted that the OBR forecast shows the government is on track to meet both its self-imposed fiscal rules which state that underlying debt must be falling as a percentage of gross domestic product (GDP) by the fifth year of the forecast and that public sector borrowing must be below 3% of GDP over the same time period. Indeed, in relation to the second rule, Mr Hunt pointed out that borrowing looks set to fall below 3% of GDP by 2025/26 and that by the end of the forecast period it represents the lowest level of annual borrowing since 2001.

In terms of growth, Mr Hunt revealed that the updated OBR projections suggest the UK economy will expand by 0.8% this year, marginally higher than the fiscal watchdog’s autumn forecast. Next year’s growth rate was also revised upwards to 1.9% compared to the 1.4% figure previously predicted.

Cost-of-living measures

The Chancellor also announced a series of measures designed to help families deal with cost-of-living pressures. These included: an extension to the Household Support Fund at current levels for a further six months; maintaining the ‘temporary’ 5p cut on fuel duty and freezing it for another 12 months; an extension of the freeze in alcohol duty until February 2025; an extension in the repayment period for new budgeting advance loans from 12 months to 24 months, and abolition of the £90 charge for a debt relief order.

Personal taxation, savings and pensions

Following previous changes to National Insurance Contributions (NICs) from January 2024, the government announced further changes to take effect this April:

- The main rate of employee NICs will be cut by 2p in the pound from 10% to 8%, which, when combined with the 2p cut that took effect in January, is estimated to save the average salaried worker around £900 a year



- There will be a further 2p cut from the main rate of self-employed NICs on top of the 1p cut announced at the Autumn Statement
- This means that from 6 April 2024 the main rate of Class 4 NICs for the self-employed will reduce from 9% to 6%. Combined with the abolition of the requirement to pay Class 2 NICs, this will save an average self-employed person around £650 a year.

To remove unfairness in the system, changes to Child Benefit were announced:

- The Child Benefit system will be based on household rather than individual incomes by April 2026
- From April 2024 the threshold for the High Income Child Benefit Charge will be raised to £60,000 from £50,000, taking 170,000 families out of paying this charge
- The rate of the charge will also be halved, so that Child Benefit is not lost in full until an individual earns £80,000 per annum
- The government estimates that nearly half a million families will gain an average of £1,260 in 2024/25 as a result.

The government announced two savings products to encourage UK savings – a new UK Individual Savings Account (ISA) and British Savings Bonds:

- The new ISA will have a £5,000 annual allowance in addition to the existing ISA allowance and will be a new tax-free product for people to invest in UK-focused assets
- British Savings Bonds will be delivered through National Savings & Investments (NS&I) in April 2024, offering a guaranteed interest rate, fixed for three years.

Expressing concern that, across the pensions industry, investment into UK equities is only around 6%, the Chancellor announced plans to bring forward requirements for Defined Contribution pension funds to publicly disclose the breakdown of their asset allocations, including UK equities, working closely with the Financial Conduct Authority (FCA) to achieve this.

The non-dom tax regime, available to some UK residents with permanent domicile overseas, is to be abolished. From April 2025, new arrivals to the UK will not have to pay tax on foreign income and gains for the first four years of their UK residency. After that, they will pay the same tax as other UK residents. Transition arrangements will be allowed for current non-doms.

In addition:

- As previously announced in the Autumn Statement, the government is working to bring forward legislation by the end of the summer to allow people to invest in a diverse range of investment types through their ISAs

- The existing ISA allowance remains at £20,000 and the JISA (Junior ISA) allowance and Child Trust Fund annual subscription limits remain at £9,000
- The Dividend Allowance reduces to £500 from April 2024
- The annual Capital Gains Tax (CGT) exemption reduces to £3,000 from April 2024
- The standard nil rate Stamp Duty Land Tax threshold for England and Northern Ireland is £250,000 and £425,000 for first-time buyers, remaining in place until 31 March 2025
- The Income Tax Personal Allowance and higher rate threshold remain at £12,570 and £50,270 respectively until April 2028 (rates and thresholds may differ for taxpayers in parts of the UK where Income Tax is devolved)
- There will be a consultation on moving to a residence-based regime for Inheritance Tax (IHT). No changes to IHT will take effect before 6 April 2025 – £325,000 nil-rate band, £175,000 main residence nil-rate band, with taper starting at £2m estate value
- From 1 April 2024, personal representatives of estates will no longer need to take out commercial loans to pay IHT before applying to obtain a grant on credit from HMRC
- The State Pension, as previously announced, will go up by 8.5% in April, which means £221.20 a week for the full, new flat-rate State Pension (for those who reached State Pension age after April 2016) and £169.50 a week for the full, old basic State Pension (for those who reached State Pension age before April 2016)
- The removal of the Lifetime Allowance (LTA) from pensions tax legislation from April
- As previously announced, the National Living Wage for over-23s – paid by employers – will rise from £10.42 an hour to £11.44 an hour in April.

Business measures

Various business measures announced included the raising of the threshold at which small businesses must register to pay VAT from £85,000 to £90,000 from April 2024. In addition, the Recovery Loan Scheme for small businesses will be extended until March 2026.

Property taxation

The Chancellor also announced the government's plans to make the property tax system fairer, by:

- Abolishing the Furnished Holiday Lettings tax regime
- Abolishing Stamp Duty Land Tax Multiple Dwellings Relief from 1 June 2024
- Reducing the higher rate of CGT on residential properties from 28% to 24%.

Public services

"Good public services need a strong economy to pay for them, but a strong economy also needs good public services." This is how the Chancellor introduced the government's *"landmark"* Public Sector Productivity Plan which, it says, will restart public sector reform and change the Treasury's traditional approach to public spending.

Our National Health Service is, said Mr Hunt, *"rightly the biggest reason most of us are proud to be British."* He announced £3.4bn

to modernise NHS IT systems, which is forecast to unlock £35bn of savings by 2030 and boost NHS productivity by almost 2% per year between 2025/26 and 2029/30.

This includes:

- Modernising NHS IT systems
- Improvements to the NHS app to allow patients to confirm and modify appointments
- Piloting the use of AI to automate back-office functions
- Moving all NHS Trusts to electronic patient records
- Over 100 upgraded AI-fitted MRI scanners to speed up results for potentially 130,000 patients per year.

The Chancellor announced a £2.5bn funding boost for the NHS in 2024/25, allowing the service to continue its focus on reducing waiting times for patients.

Mr Hunt also announced £800m of additional investment to boost productivity across other public services, including:

- £230m for drones and new technology to free up police officers' time for frontline work
- £75m to roll out the Violence Reduction Unit model across England and Wales
- £170m for the justice system, including £55m for family courts, £100m for prisons and £15m to reduce administrative burdens in the courts
- £165m to fund additional children's social care placements
- An initial commitment of £105m to build new special free schools.

Other key points

- New duty on vaping products to be introduced from October 2026
- Tobacco duty will be increased from October 2026
- Air Passenger Duty adjustments to non-economy class rates from 2025/26
- Energy Profits Levy one year extension from 1 April 2028 to 2029
- Boosting local growth through a continuation of the Investment Zones programme
- £1bn in additional tax relief over the next five years for creative industries
- Housing investment including £124m at Barking Riverside and £118m to accelerate delivery of the Canary Wharf scheme (including up to 750 homes)
- £120m for the Green Industries Growth Accelerator (GIGA)
- £7.4m upskilling fund pilot to help SMEs develop AI skills of the future
- Extension to Freeport tax reliefs to September 2031
- Extension to and deepening of devolution in England, including the North East Trailblazer Devolution Deal
- HMRC to establish an advisory panel to support the administration of the R&D tax reliefs.

Closing comments

Jeremy Hunt signed off his Budget saying he was delivering, *"A plan to grow the economy, a plan for better public services, a plan to make work pay... Growth up, jobs up and taxes down. I commend this Statement to the House."*

Be proactive this tax year end

Have you taken full advantage of all your annual allowances for maximum tax efficiency?



Get in touch

to discuss any aspect of your end of tax year planning and make some tax-smart moves before it's too late

With the end of the 2023/24 tax year fast approaching, don't wait until the last minute to **get your plans in order**

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding of taxation and HMRC rules and can be subject to change in future. It does not provide individual tailored investment advice and is for guidance only. **Some rules may vary in different parts of the UK;** please ask for details. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor.

All details are believed to be correct at the time of writing (6 March 2024)