Spring Budget 2024 – Points of Note for Businesses

(Published: Mar-24)

On Wednesday 6 March 2024, Jeremy Hunt, the Chancellor of the Exchequer, delivered his Spring Budget Statement. This was likely to be his last budget statement before the next General Election. Usually, at this stage in the parliamentary cycle, that would mean headline-grabbing tax cuts, but what does his statement mean for hard-working businesses and entrepreneurs up and down the UK.

National Insurance (NI) for Employees

In his Autumn Statement, the Chancellor reduced Employees' NI from 12% to 10% from 6 April 2024. In his statement yesterday, he reduced it by a further 2% meaning the headline rate of Employees' NI has been reduced by one-third, from 12% to 8%. For someone earning £35,400, which is the average UK wage, this additional 2% cut will result in further tax savings of £456 per year.

The NI rate which applies to wages above the upper limit (£50,270) has not been changed, this remains at 2%.

Whilst this change does not impact business owners directly it does directly impact workers. This change represents an effective pay increase for all employees and the benefit should indirectly benefit businesses because a 'happier workforce' is a more productive workforce. Another indirect benefit is that if people have more money in their pocket, they are more likely to spend it, which is good for the economy and good for business.

National Insurance (NI) for the Self-Employed

In his Autumn Statement, the Chancellor reduced Class 4 NI, the headline rate of NI for the self-employed from 9% to 8% with effect from 6 April 2024. Yesterday, he went further and reduced it by another 2%; from 8% to 6%. This new 6% rate of NI applies to taxable profits between £12,570 and £50,270. This additional 2% saving is worth up to an additional £754 per year, more welcome news for small businesses.

Property Tax

Jeremy Hunt announced the top rate of Capital Gains Tax (CGT) of 28%, which applies when a higher rate taxpayer makes a gain on the sale of a residential property, will be reduced by 4%. From 6 April 2024, the top rate of CGT will fall from 28% to 24%. Mr. Hunt's theory is that with a reduced tax rate, more people will be incentivized to sell properties, meaning more taxable transactions. He has been assured that the overall tax take will increase; but for the individual property owner, is this a good opportunity to dispose of an investment property?

Another property related tax which the Chancellor targeted was the Furnished Holiday Letting Regime (FHL). For many years, furnished holiday lets have been subject to a favorable tax regime when compared with regular residential investment properties. However, he now believes that this regime has distorted the local property market, particularly in tourist locations, and as such, he is abolishing it to level up the playing field between short-term and long-term lets. No details have yet been announced, but this change means that all residential lets will be treated the same for tax purposes; effective from 6 April 2025. Does this represent an opportune moment to dispose of a furnished holiday let?

Jeremy Hunt also announced the abolition of stamp duty relief for those buying more than one dwelling. The stamp duty relief applied where more than one investment property was being acquired as a single or a linked transaction. From 1 June 2024, the Chancellor has abolished this relief.

Other Changes

Other welcome changes for small businesses and entrepreneurs include:

From 1 April 2024, the VAT Registration threshold will increase from £85,000 to £90,0000. All businesses making taxable supplies must register and begin charging VAT on their sales once their rolling twelve-month turnover exceeds £85,000 – this will now increase to £90,000.

The high-income child benefit tax charge is a system which means that child benefit is clawed back when an individual taxpayer begins to earn more than £50,000. Once an individual reaches an income of £60,000, they are effectively charged a tax equivalent to the child benefit that they received if they opted to receive it. The level at which this will be clawed back has been increased to £60,000 and other changes mean that an individual must now earn £80,000 before the full child benefit is clawed back. This change is effective from 6 April 2024.

Non-domicile tax status is to be abolished. This means that foreign nationals who live in the UK, but are officially domiciled overseas, will no longer be able to avoid paying UK tax on their overseas income or capital gains. A ‘simplified’ residency-based system will be announced in 2025.

CONTACT US

If you have any queries or need any advice, please do not hesitate to contact us; our contact details can be found at www.monetta.co.uk/contact-us.

Monetta publishes articles to assist our clients and contacts keep up to date with issues that we think will most affect them. If you have any subjects which you would like us to cover, please email your ideas to info@monetta.co.uk. In addition, please feel free to pass these articles on to friends, family and colleagues and don’t forget, you can subscribe here.