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Businesses

Capital Allowances

The Government has announced that, in line with plans originally announced at the Autumn Statement, they will be publishing for consultation draft legislation for the potential expansion of full expensing to include plant and machinery for leasing. This extension will, however, only take effect 'when fiscal conditions allow'.

Oil and Gas

There will be an extension of the Energy Profits Levy (the 35 percent levy on profits arising from the upstream production of oil and gas) for an additional year to 31 March 2029.

As announced in Autumn Statement 2023, legislation will be introduced to provide for the Energy Security Investment Mechanism (ESIM). This mechanism will operate to end the levy if the six-month average price for both oil and gas is at or below the ESIM threshold prices. This will take effect following Royal Assent to Spring Finance Bill 2024.

VAT registration threshold

The Government has announced an increase in the VAT registration threshold from £85,000 to £90,000. There will also be an increase in the deregistration threshold from £83,000 to £88,000. These threshold changes are effective from 1 April 2024.

The threshold has been at £85,000 since 1 April 2017 and it was previously announced in the Autumn Statement in 2022 that this freeze would be extended for an additional 2 years until 2026.

Creative industries

A number of changes to the reliefs enjoyed by the creative industries were announced.

An Independent Film Tax Credit for UK independent films with a production budget of less than £15 million is to be introduced. This will provide an enhanced Audio-Visual Expenditure Credit of 53 percent (compared to the basic rate of 34 percent), on qualifying expenditure (capped at 80 percent of total core expenditure) incurred on or after 1 April 2024 – although claims may only be submitted from 1 April 2025.

The Government announced permanent rates of relief for Theatre Tax Relief, Orchestra Relief, and Museums and Galleries Exhibition Tax Relief (MGETR) at 45 percent for touring productions and 40 percent for non-touring productions and all orchestral productions, to take effect from 1 April 2025. The removal of the sunset clause for MGETR was also confirmed, making this relief permanent.

There will be an additional tax relief credit of 5 percent available for visual effects costs in film and high-end TV, and the current 80 percent cap on qualifying expenditure will be removed. Both measures will take effect from 1 April 2025. A consultation is to be published on the types of expenditure that will be within scope of this additional tax relief. It is not expected to be possible to claim both this relief and the new independent film tax credit in respect of the same film.

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A 40 percent relief on gross business rates for eligible film studios until 2034 was also announced.

Common Reporting Standard (CRS2)

The Government has published a consultation to seek views on the implementation of the OECD amendments to the Common Reporting Standard (CRS2), the international tax transparency regime for the automatic exchange of information on financial accounts, and OECD proposals for reporting in relation to crypto assets. The consultation also seeks views on a potential extension of the CRS to include reporting on UK resident taxpayers by UK financial institutions, creating greater consistency in the information provided to HMRC about UK and non-UK residents and the mechanisms for doing this. The consultation will close on 29 May 2024.

'UK ISA'

A new UK ISA with an allowance of £5,000 per annum to be introduced to encourage investment in UK incorporated businesses listed or admitted to trading on a UK recognised stock exchange. A consultation on this has been published and will run to 6 June 2024.

Reserved Investor Funds

The Government published its response to the consultation on the scope and design of a tax regime for a Reserved Investor Fund (RIF), a new type of investment fund for professional and institutional investors. Legislation is expected to be introduced in the Spring Finance Bill 2024, with detailed rules and commencement date being set out in a statutory instrument to be laid at a later date.

Stamp Duty Land Tax – Multiple Dwellings Relief

The Government has abolished Multiple Dwellings Relief effective from 1 June 2024, following an external evaluation which concluded there was no strong evidence the relief met its policy objectives of promoting investment in the private rented sector. Contracts that complete before this date will benefit from the relief as will transactions where contracts were exchanged on or before 6 March 2024 (subject to various exclusions) whenever they complete. The Government announced their intention to engage with the agricultural sector on the impacts of this measure.

Employers

National Insurance Contributions (NIC)

As was widely trailed, from 6 April 2024 the Employee's Class 1 NIC main rate will reduce from 10 percent to 8 percent. Additionally, for the self-employed, from 6 April 2024 the Class 4 NIC rate will be cut from 8 percent to 6 percent. At the Autumn Statement the Government announced that the requirement to pay Class 2 NIC would end from 6 April 2024 (though voluntary contributions may still be made), and that Class 2 NIC would subsequently be abolished. The Government will consult later this year on how to deliver the abolition of Class 2 NIC.

Globally Mobile Employees – a new residence-based regime

The current tax regime for non-domiciled individuals will be abolished from 6 April 2025 and, subject to several transitional arrangements, replaced with a new residence-based system, known as the Foreign Income and Gains (FIG) regime. Broadly, this will tax all individuals who are resident in the UK for more than four tax years on foreign income and gains on the same basis – regardless of their domicile status.

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Individuals who are UK resident for four tax years or fewer, and who have not been UK resident for a period of ten years prior to becoming UK resident, may opt to be taxed only on UK income and gains, and will be able to remit overseas income and gains tax free. These reforms, and their potential impact on overseas secondments and tax equalisation policies, will be of interest to organisations with internationally mobile employees. In particular, Overseas Workday Relief (OWR) will be reformed, with eligible employees continuing to be able to claim OWR for the first three years of UK tax residence, but with no restriction on whether or not those earnings may be remitted to the UK. The Government will consult on the eligibility criteria for reformed OWR in due course, though it is understood that individuals not eligible for the new FIG regime will in turn not be eligible for OWR. Please see our commentary in the 'Individuals' section for further details on these announcements.

Tackling non-compliance in the umbrella company market

In Summer 2023, the Government consulted on policy options for regulating umbrella companies to strengthen the enforcement of employment rights, and address tax non-compliance in the contingent labour market. HMRC subsequently published guidance on how they expect organisations to exclude non-compliant umbrella companies from their labour supply chains. The Government will provide an update on this consultation on Tax Administration and Maintenance Day on 18 April 2024. New guidance for workers and organisations who engage with umbrella companies will also be published in Summer 2024.

Pensions

The Government has announced that it will continue to 'explore' a lifetime provider model for Defined Contribution (DC) pension schemes over the long-term (i.e., the previously announced 'pension pot for life').

Individuals

Non-domiciled status

The current 'remittance basis' tax regime for non-UK domiciled individuals will be abolished in favour of a new system, based on residency, from 6 April 2025. Under the new regime, there will be no UK tax on foreign income and gains for the first four years of UK tax residency, where individuals have not been UK resident in the previous 10 consecutive tax years. This will allow qualifying individuals to bring their foreign income and gains to the UK without a tax charge. Overseas workday relief will remain available to those individuals on a simplified basis.

After four years, individuals will be subject to UK tax on their worldwide income and gains.

Transitional arrangements will be introduced for existing non-UK domiciled individuals. These will include, for those who have claimed the remittance basis, a rebasing of capital assets to 5 April 2019 (for assets held at that date) for disposals from 6 April 2025. There will also be a temporary 50 percent exemption for the taxation of foreign income for the first year of the new regime (2025-26) and existing non-doms will be able to remit foreign income and gains that arose before 6 April 2025 to the UK at a rate of 12 percent during the 2025/26 and 2026/27 tax years.

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The Treasury has also confirmed that it is removing current protections on non-resident trusts for all new foreign income and gains that arise within them from 6 April 2025. Those within the four-year foreign income and gains regime will be able to receive benefits from overseas trusts free of UK tax. Settlors and beneficiaries outside this regime will be taxed on the same basis as UK domiciled individuals on new income and gains.

This represents a significant change for those medium and long-term residents who will be affected.

Inheritance Tax (IHT)

As part of the changes to the tax regime for non-UK domiciled individuals, there will be a consultation on moving IHT to a system based on residence, removing the relevance of domicile. The Government has suggested that from 6 April 2025 UK assets will be within the scope of IHT regardless of the residence of the owner (as is currently the case), with non-UK assets coming within scope after 10 years of residence. For individuals leaving the UK, it is suggested that non-UK assets would remain in scope for at least 10 years after residence ceases and possibly longer depending on 'other connecting factors'.

Where non-UK assets have been settled into an 'excluded property trust' by a non-UK domiciled individual prior to 6 April 2025, it is proposed that these will remain outside the scope of IHT.

Capital Gains Tax (CGT) on residential property

The higher rate of CGT for residential property disposals by individuals, trustees and personal representatives, where Private Residence Relief is not available, will be cut from 28 percent to 24 percent from 6 April 2024. The lower rate will remain at 18 percent for any gains that fall within the basic rate band.

This rate reduction will be beneficial to non-residents with homes in the UK, investment property owners as well as those with second homes.

Individual Savings Accounts (ISAs)

The introduction of a new UK ISA has been announced, giving individuals an additional £5,000 annual ISA allowance for investment in the UK. The Government is consulting on how to design and implement the new UK ISA and the timeframe for introduction has not been clarified.

Furnished Holiday Lettings (FHL) tax regime

In line with previous recommendation of the Office of Tax Simplification (OTS), the FHL regime is to be abolished from April 2025. Draft legislation is awaited which will include anti-forestalling rules, to apply from 6 March 2024, to prevent tax advantages being obtained in relation to CGT reliefs.

Currently FHL are treated as a trade for tax purposes and abolishing this regime is expected to mean that FHL properties and the associated income will have the same treatment as other residential property for income tax, CGT and IHT. This is expected to include the restriction which applies to the deduction of finance costs for other residential property rental income, which does not currently apply to FHL. FHL currently qualify for some special treatment for both CGT and IHT and this is expected to no longer be available.

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The change in treatment of FHLs will ease income tax reporting requirements as there will no longer be a need to report income from FHL and other rental income separately.

Extension of Agricultural Property Relief (APR) to environmental land management

Following consultation, the extension of inheritance tax APR to non-agricultural environmental land management will go ahead from 6 April 2025. The extended relief will apply to land which, having been agricultural land for at least two years immediately prior to the change of use, is managed under an environmental agreement with, or on behalf of, the UK Government, Devolved Administrations, public bodies, local authorities or approved responsible bodies. Certain buildings used in connection with the land may also qualify. The relief will be available where there is an agreement in place for the environmental land management scheme on or after 6 March 2024, including an agreement entered into before 6 March 2024 if it remains in place on or after that date. The relief will continue to be available after the end of the agreement if the land continues to be managed in a way that is consistent with the agreement.

Child Benefit

The High Income Child Benefit Charge (HICBC) threshold will be increased from £50,000 to £60,000 from April 2024. The rate at which HICBC is charged will also be halved so that Child Benefit is not fully withdrawn until individuals earn £80,000 or higher.

The Government will consult on plans to administer the HICBC on a household rather than an individual basis by April 2026, to remove perceived unfairness in the current system.

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