

A graphic for the Spring Budget 2024. It features a white desk with a black pen, a small potted plant, and paper clips. The text "Spring Budget 2024." is written in a red, cursive font across the top. The background has a purple gradient on the right side.

# Spring Budget 2024.

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## Spring Budget 2024: Key Points

Last Wednesday, Jeremy Hunt claimed he would help “build a brighter future” for Britain with his “Budget for Long Term Growth”.

Given that this is an election year, there were actually no real surprises (everything seems to be leaked these days) and the limited scope he had to try to win over voters was pretty obvious to all.

Workers rather than retirees seemed to get the best of the limited measures announced, and further cuts to National Insurance were the headline giveaway this time around as well as some freezing of duties and the introduction of a new ISA (we now make that 6 different types!)

Having said that, even those who look to be gainers from these measures will only be marginally better off, especially as the continuing freeze of income tax bands serves to take some of the National Insurance savings straight back with the other hand.

The main areas likely to be of interest to our clients are covered in brief below. As always, if you want to talk in more detail about how this year’s Budget may affect you or want to discuss ways your adviser can help you to keep more of your hard-earned cash in your own pocket instead of the Treasury’s coffers, please pick up the phone or drop him or her an e-mail.

### Tax and National Insurance

- In addition to the January 2024 2p cut to National Insurance that was revealed in last November’s Autumn Statement, The Chancellor announced another 2p cut bringing the rate for employees down to 8%.
- For the self-employed, Class 4 NI contributions will now reduce to 6% following

the previous 1p cut.

- The personal allowance for income tax remains frozen at £12,570 and the higher & additional rate thresholds are also unchanged at £37,700 and £125,140 respectively.
- The lower rate of Capital gains tax will remain at 18% (for any gains that fall within an individual’s basic rate band), but the higher rate on residential property will reduce from 28% to 24% from 6 April 2024. Remember – the annual exemption for Capital Gains Tax (which is currently at £6,000) was already due to reduce further to £3,000 from April.
- The current tax regime for non-UK domiciled individuals (‘non-doms’) will be abolished and replaced with a residence-based regime that will allow overseas individuals to come to the UK and not pay tax on their overseas income and gains for four years. After that they will be taxed in the same way as other UK residents.

### Savings

- The current Personal Savings Allowance (the total amount of interest you can earn each year across all of your bank accounts (except ISAs) without paying tax) remains unchanged at £1,000 (£500 for higher rate taxpayers).
- However, the tax-free dividend allowance will reduce from £1,000 (2023/24) to £500 in tax year 2024/25.
- The main annual ISA allowance remains at £20,000 but a new ‘UK ISA’ will be introduced allowing a further £5,000 allowance for people to invest in UK-focused assets. The Government is to consult further on details for this.
- Under previously announced measures, the current ISA restrictions will be

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relaxed from April meaning you will now be free to pay into as many of the same type of ISA (cash, stocks and shares and innovative finance ISAs which invests in peer-to-peer lending) as you want, as long as you don't exceed the £20,000 allowance.

- One further change to ISAs is also happening in April, allowing you to make partial transfers of current tax year ISAs into a different ISA if you want to. At the moment you must fully transfer your whole balance across.

- A new British Savings Bond from NS&I will be introduced, offering a guaranteed fixed savings rate over three years. It is not yet known what this rate will be.

## Pensions

- Last year's big (and unexpected) announcement that the Lifetime Allowance will be abolished will come into force officially from 6 April (the tax rate was reduced to 0% as an interim measure last year). Whilst this is great news for anyone fortunate to have total pension pots of more than £1.073m, there were some additional safeguards announced that will still use the previous limit to restrict the amount of tax-free cash, death benefits and overseas transfers.

- The 'triple-lock guarantee' that ensures the basic state pensions are increased by the higher of 2.5%, the annual rate of inflation and the average earnings growth, will apply the latter of these (earnings growth) and award an 8.5% increase from April 2024.

- Pension Credit will also be uprated by the same 8.5% rate.

## Benefits

- The government will raise the threshold for the High Income Child Benefit Charge from £50,000 to £60,000 from 6 April 2024, and there will be a tapered charge between

£60,000 and £80,000. The government will also consult on moving to a household based system rather than one based on individual incomes from April 2026.

- Most means-tested benefits, including Universal Credit, will rise in line with September's inflation figure of 6.7% from April. The monthly standard allowance for Universal Credit claimants over 25 therefore will rise from £368.74 to £393.45.

- The Universal Credit taper rate, which was cut from 63p to 55p in December 2021, will continue to apply at this rate. The taper rate withdraws support from Universal Credit gradually as people work more hours. This means that for every £1 earned, sometimes above a certain threshold, known as the work allowance, their Universal Credit payment is reduced by 55p – meaning workers only take home 45p of each extra pound they earn.

## Cost of Living

- Whilst The Chancellor stated that we have now "turned the corner" with regard to inflation, and the Office for Budget Responsibility predicting that inflation will fall to below the Bank of England 2% target in two months' time, he also acknowledged that many households continue to struggle with household bills and said that more than a million people have taken out budgeting advance loans to help them cover costs. The repayment period on these loans will be extended from 12 months to 24 months to help alleviate financial pressure. The £90 fee to obtain a debt relief order will also be scrapped.

- The Household Support fund, which enables local authorities to provide support such as food vouchers to struggling families, will continue for a further six months from the original finishing date of 31 March 2024.



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## Duty

- The temporary 5p fuel duty cut that was introduced in 2022 was due to finish this month, with fuel duty due to increase by RPI inflation, but The Chancellor announced that he will extend the cut and also cancel the increase, saving the average driver an estimated £50 next year. The RPI increase has been cancelled by every Chancellor for the past 13 years.
- Air passenger duty, the tax paid on flights, is set to increase for business class passengers.
- Alcohol duty has been frozen until February 2025. This freeze was previously due to finish in August this year.
- The price of a typical packet of cigarettes will increase to over £16, up from an average cost of £14.39 for a packet of 20. Following a consultation period, a new tax on vaping products will begin in October 2026.

## Other Announcements

- The Chancellor announced plans to abolish the preferential tax regime for furnished holiday lets in a move designed to level the playing field between rental landlords and holiday let owners.

- The VAT threshold will increase from £85,000 to £90,000 – this is the level of turnover at which small traders and businesses need to formally register for VAT. It is the first time that this threshold has changed in seven years.
- The National Living Wage will increase from £10.42 to £11.44 an hour in April 2024, the largest increase seen in over a decade. According to The Treasury this will boost the pay packets of full-time workers by more than £1,800 a year.
- Council tax bills are set to rise by up to 5% from April. Councils can raise tax by 5% without holding a referendum, but if they want to increase them by more than this, they must seek permission from the government.

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