Spring Budget webinar

7 March 2024

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Running order

12:00 Introduction & presentation
12:45 Q&A
13:00 Close

Sally Farrow - Private Client, Trusts & Probate Partner

Sally re-joined Larking Gowen in August 2018, having previously been with a national firm of accountants. Sally is the lead partner in our dedicated Private Client and Trusts team.

Sally oversees tax compliance services and has particular focus on tax planning and advisory services.

Sally has over 20 years’ experience and is a Chartered Tax Advisor and a member of the Society of Trust and Estate Practitioners.

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Dominic Carter

Business Tax Partner

Company and business tax update

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Corporation tax rates

Corporation tax rates for 2024/25 and 2025/26 – maintained at 2023/24 levels

- Main rate – 25% (taxable profits above £250k)
- Small profits rate – 19% (taxable profits below £50k)
- Marginal rate applicable between the profits thresholds

Other points to consider

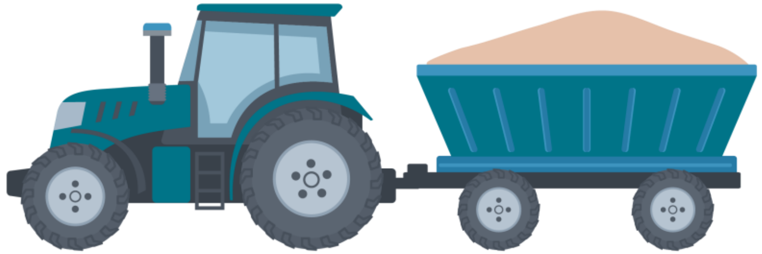
- Change from '51% group companies' to 'associated companies' under common control w.e.f. 1 April 2023 for
  - The division of the profit thresholds
  - Payment dates
  - Quarterly instalment payments (QIPs) regime (thresholds at £1.5m and £10m)
  - Very large 'SuperQIPs' regime (threshold of £20m)
- The impact on the change from 51% group companies to associated companies for payment dates purposes is now really starting to be felt
- More companies likely to pay their tax earlier

Capital allowances

'Full Expensing' of capital expenditure

Applicable for companies only from 1 April 2023 onwards on qualifying capital purchases

- 100% upfront capital allowances for companies investing in new qualifying plant and machinery (ordinarily 18%)
- 50% first-year allowance for qualifying special rate assets (ordinarily 6%)
- Only applied to new and unused assets
- Does not apply to cars
- Does not currently apply to equipment acquired to lease to someone else



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Capital allowances

‘Full Expensing’ of leased assets

- Government announced that the Full Expensing allowance, which grants a 100% first year allowance on eligible assets with no upper limit, may be extended to leased assets.
- This is subject to a technical consultation on draft legislation and would apply 'when conditions allow'.
- This would set it apart from its predecessor the Super-Deduction (and full expensing treatment to date) which did not extend to assets used for leasing.
- As with the Full Expensing, this will be most useful for companies with plant and machinery expenditure purchases over £1 million.
- The annual investment allowance (AIA) is still beneficial due to the balancing charge which arises on the sale of 'fully-expensed' assets, regardless of the size of the main pool.
- AIA also provides 100% relief in year 1 for special rate pool expenditure.
- Lastly, AIA applies to sole traders and partnerships.

Creative industry tax reliefs

In line with the Autumn Statement, the Chancellor announced further changes to the tax credits available to those operating in the creative industry

- Visual Effects costs for high-end TV productions will receive a tax credit of 39%, with the 80% cap on qualifying expenditure being removed from 1 April 2025
- Subject to technical consultation on the draft legislation
- The increased tax relief rates for performing arts, museums and galleries are made permanent. The rates from 1 April 2025 are to be 40% for non-touring theatres, museums and galleries and 45% for touring theatres, orchestras, museums and galleries. This is a 5% reduction from current rates
- Independent films with budgets of £15 million or below will receive a tax credit of 53% on qualifying expenditure, up to 80% of the film’s total core expenditure from 1 April 2025
- These latter measures are being legislated in the Finance Bill

Stamp duty land tax (SDLT)

Multiple dwellings relief abolished

- MDR provides a bulk purchasing relief for an acquisition of multiple dwellings
- SDLT charged based on the average purchase price per dwelling
- Abolished for transactions completing on or after 1 June 2024
- Transitional provisions where contracts exchanged on or before 6 March 2024
- Government has chosen to abolish the relief in full as a result of abuse and it not meeting the original policy intention of increasing new housing supply
- Purchases of six or more dwellings continue to be taxed at non-residential SDLT rates

Stamp duty land tax (SDLT)

Mixed use acquisitions

- Acquisitions of mixed-use property is currently taxed entirely at non-residential rates
- No apportionment / de minimis
- Application of non-residential rates means a maximum rate of 5% rather than 15+%
- Scope for significant savings has led to many tax cases being litigated
- Government has decided against making any change such as the introduction of some form of apportionment

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Emily Wall

Senior Manager

Private client changes

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National Insurance rate reductions

Main rate of class 1 national insurance payable by employees reduced from 10% to 8% from 6 April 2024

(payable on employed income from £12,570 to £50,270)

Main rate of class 4 national insurance payable by self-employed reduced from 9% to 6% from 6 April 2024

(payable on self-employed profits from £12,570 to £50,270)

Class 2 national insurance no longer payable by majority of self-employed from 6 April 2024

High Income Child Benefit Charge

Adjusted net income starting threshold increased to £60,000 from April 2024

Charge applied at a rate of 1% for every £200 of adjusted net income between £60,000 and £80,000

Full clawback on taxpayers with income above £80,000 equal to full amount of Child Benefit paid

Consultation on administering the high income child benefit charge on a household rather than individual basis by April 2026

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High Income Child Benefit Charge – illustration

An individual earns £65,000 per year of employment income and receives child benefit for one child. What is the impact of the new rule?

	2023/24	2024/25
Rate of Child Benefit	£24.00	£25.60
Annual Child Benefit	£1,248.00	£1,331.20
Clawback:		
2023/24: 1% for every £100 over £50,000	100%	
2024/25: 1% for every £200 over £60,000		25%
CHARGE	**£1,248.00**	**£332.80**

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Other personal tax changes…

- Reduction in residential property capital gains tax rate for higher rate and additional rate tax payers from 28% to 24% from April 2024

- Clarification on deductible training costs for the self employed

- Changes to scope of Agricultural Property Relief (APR) from April 2024 to UK property only

- Administrative change to ease the payment of Inheritance Tax before probate or confirmation from April 2024

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Non Domicile Tax Changes – from 6 April 2025

Income Tax and Capital Gains Tax

- New arrivals will benefit from 100% relief on foreign income and gains (including distributions from non resident trusts) for first four years of being UK tax resident if they have 10 consecutive years of non residence (per the Statutory Residency Tests)

- Must be claimed and if claimed, individual will lose entitlement to personal allowance and capital gains tax annual exempt amount. There is the option to pick and choose for which of the four years a claim is made

- Individuals who have been UK resident for fewer than four years at 6 April 2025 are eligible for the scheme for their remaining time

- Transitional arrangements will apply for current non domiciled individuals

Inheritance Tax

Government will consult on best way to move to a residence based regime from 6 April 2025

Abolition of the Furnished Holiday Let (FHL) property regime

- Current regime for Furnished Holiday Let rental accommodation to be abolished with effect from 6 April 2025

- Rules currently apply to furnished accommodation within the UK or EEA which has been rented out on short term lets for 105 days and available for 210 days.

- The income tax advantages that will be lost are:
  - mortgage interest relief can be deducted as an expense
  - capital allowances are available on furnishings
  - profit shares for property owned by spouses can be varied annually

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Abolition of the Furnished Holiday Let property regime

Similarly, CGT benefits which will no longer apply:

- Business Asset Disposal Relief at a reduced rate of 10%, rather than 18% or 28% (reducing to 24%)
- Holdover relief on the transfer of FHLs
- Rollover relief on qualifying gains invested in the purchase of FHLs

Profits/losses from FHLs will be assessed as rental property profits/losses

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Tourism Business Survey

Larking-gowen.co.uk/tourism-insights

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Gillian McGill

VAT Director

VAT update

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VAT Thresholds

Prior Thresholds

- £85,000 registration
- £83,000 deregistration

Thresholds from 1 April 2024

- £90,000 registration
- £88,000 de-registration

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Property related changes

Furnished Holiday Lets (FHLs)

- Generate taxable income
- Change in use from FHLs
  Taxable to Exempt could have VAT implications

Sale of second homes

- Capital Goods Scheme impact

Additional £5million for village halls

- Construction of new village halls can benefit from zero rate relief for VAT purposes
- Renovations will be standard rated

1 February 2024 extension of energy saving installations relief

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Cultural organisations

VAT cultural exemption applies to right of admission to:

- Museum
- Gallery
- Art exhibition
- Zoo
- Theatrical performances
- Musical performances
- Choreographic performances

That means that VAT recovery on costs is restricted unless the organisation is structured such that it breaks exemption.

Particularly complicated for touring companies where box office agreements can vary as to who has the right to income.

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Schools

Government has announced the addition of 35 new free schools

Free schools have a favourable VAT treatment

- Not required to register
- Whether registered or not they are able to recover the VAT on non-business costs

Contrast that with…

- Further education colleges
- Labour’s proposed changes for independent schools

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Thank you for joining us

For further information contact

budget@larking-gowen.co.uk

0330 024 0888

Larking-gowen.co.uk/tourism-insights

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