Spring Budget: A Pre-Election Balancing Act

May 2024

Introduction

What was the last Budget before the election was a serving of the widely expected, sprinkled with a handful of small surprises.

The Chancellor of the Exchequer, Jeremy Hunt, delivered the Spring Budget 2024 on 6 March. As anticipated, it was a typical pre-election event focused on tax relief measures – including further national insurance contributions (NICs) cuts – and the promise of a new savings bond from National Savings. With little fiscal wriggle room, Mr Hunt was unable to give away as much as some of his backbenchers may have wanted, yet managed to hit some political targets, including co-opting Labour’s flagship scrapping of non-domicile rules.

Key announcements:

The main headlines and changes to grapple with are:

- High income child benefit charge (HICBC): This unpopular tax charge will undergo a two-stage reform. Firstly, the income threshold rises in 2024/25 with a £10,000 increase from £50,000 to £60,000 with a halving of the rate of charge. As a result, the full 100% HICBC charge will apply once individual income exceeds £80,000. Secondly, by April 2026, the income threshold will be switched from an individual basis to a household basis.

- National insurance contributions (NICs): From 6 April 2024, the main rates of employee (class 1) and self-employed (class 4) NICs will be cut by two percentage points to 8% and 6% respectively, doubling down on the cuts announced in last November’s Autumn Statement. The maximum annual saving is £754.

- Residential property: In 2024/25, the maximum capital gains tax rate on residential property gains will fall to 24%. The lowered rate may encourage more buy-to-let investors to sell up rather than pay higher mortgage rates at the end of their fixed-rate deals. It may have a similar impact on holiday cottage owners, as the favourable tax rules for furnished holiday lets will be scrapped from April 2025.

- UK ISA: The Chancellor issued a consultation paper on a new ‘UK ISA’. This will have a contribution limit of £5,000 – in addition to the existing overall £20,000 ISA limit (unchanged since 2017/18). However, investments will have to be primarily in the UK, probably both shares and bonds. There was no specific timeline on the proposal.

These Budget changes may affect you personally or your business. For more information on any aspect of the implications of the Budget, please contact us.

The value of tax relief depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate tax advice.

The value of your investment can go down as well as up and you may not get back the full amount you invested.

Wake Up Your Wealth

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