

BUDGET STATEMENT NEWSLETTER

March 2023



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March Statement 2024: Everything announced in the Chancellor's speech, from NI and CGT tax cuts to child benefit reform

The March 2024 United Kingdom budget was given on 6 March 2024 by Chancellor of the Exchequer Jeremy Hunt.

The headline policy announced by the Chancellor was a 2p cut to the rate of Class 1 National Insurance. The Chancellor claimed that this will save the average worker an estimated £450 a year, rising to £900 when combined with a similar reduction announced last autumn.

Elsewhere, other taxes have been frozen including fuel duty and alcohol duty, while the threshold at which parents are excluded from receiving child benefit has been raised.

In this newsletter we provide the key details of the measures announced in Wednesday's statement.

IN THIS EDITION

March Budget Edition

A break down of the main measures in The Chancellors March budget announced on 6th March 2024

A run down of the main measures affecting individuals, incl. National Insurance, Capital Gains Tax, and Child Benefit

Details of the main measures affecting businesses, incl. Vat registration threshold changes, and full expensing

Key aspects of the OBR forecast

Reaction to The Autumn Statement from the IFS and The TaxPayers' Alliance

Key Announcements

National Insurance tax cuts

National Insurance on employee wages will be cut by 2p in the pound from April 6, the Chancellor announced. An equivalent cut was also announced for the self-employed.

Mr. Hunt said this will hand an extra £450 a year to the average employee or £350 to someone who is self-employed.

Added to an NI cut last autumn, it amounts to a tax cut of £900 a year.

Child benefit

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Capital gains tax

The higher rate of capital gains tax on residential property is to be cut from 28pc to 24pc, in a boost to landlords.

Mr. Hunt said the Treasury and the OBR agreed that the move would actually increase tax revenues overall, as it would encourage more property sales.

The net extra tax take from the change is expected to be £690m, according to Budget papers.

Stamp duty Multiple Dwellings Relief axed

Stamp duty relief for people who purchase more than one dwelling in a single transaction, known as Multiple Dwellings Relief, has been axed.

Mr Hunt said the measure was originally meant to support investment in the private rented sector but had failed to do so and was “being regularly abused”. This measure is expected to raise an estimated £1.3bn.

Non-Dom tax raid

The ‘non-dom’ tax regime is to be scrapped and replaced in a measure to raise £2.7bn a year.

Non-domicile status currently allows foreign nationals who live in the UK but are officially domiciled overseas to avoid paying UK tax on any overseas income or capital gains for their first seven years in the country.

But from April 2025, Mr Hunt, new arrivals to the UK will not have to pay tax on foreign income and gains for the first four years of their UK residency. After that, they will pay the same tax as other UK residents. Transition arrangements will be allowed for current non-doms.

Business tax cuts

Mr Hunt noted that in his Autumn Statement he unveiled a £10bn tax cut for business that make capital investments in the UK, known as “full expensing”.

Now, following calls from business lobbying groups, he announced firms will be able to claim tax relief for leased assets as well.

In addition to business rates support, the Chancellor said a further £200m will be provided to the post-pandemic Recovery Loan Scheme which lends money to small businesses to boost growth.

The VAT registration threshold for businesses is to be increased from £85,000 to £90,000.

Other Measures

- NHS to get additional £2.5bn this year to tackle issues including waiting lists.
- A new British ISA will allow a £5,000 annual investment into in UK businesses. It includes all the tax advantages of other ISAs and will be on top of the existing allowances.
- The household support fund is extended for a further six months.
- The £90 charge to get a debt relief order is abolished.

INITIAL EXPERT REACTIONS

Immediate reactions from some of the UK's key financial research and economic forecasting bodies

Institute for Fiscal Studies

Paul Johnson, Director of IFS, said:

"This £10 billion tax cut will benefit millions of workers. Put it together with the 2p cut from November's Autumn Statement, and those on just above average earnings will gain around £1,000 a year. Focusing tax cuts on National Insurance, rather than income tax, is to be welcomed: doing so reduces the tax wedge between different sorts of income, benefits those of working age in work, and should have marginally more positive work incentive effects.

"Changing the basis of non-dom taxation to residency, rather than the out-of-date concept of domicile, is a big and welcome move."

The TaxPayers' Alliance

John O'Connell, chief executive of the TaxPayers' Alliance, said:

"Alongside some wins for motorists, pub-goers and workers it was encouraging to hear the chancellor talk about a simpler tax system, given much of the pressure on taxpayers comes from complexity.

"That said, taxes overall are still set to increase, placing even greater pressure on households and businesses.

"The government must prioritise cutting the tax burden, and to do that there must be a much firmer grip on the cost of government crisis.

Taxpayers will take some comfort from a second successive cut to national insurance and promises of more to come."

Office for Budget Responsibility Reaction


The latest update of the OBRs forecasts was published on 6 March 2024 in the March 2024 Economic and fiscal outlook. Within their latest outlook, the following key metrics were presented, in line with the Chancellor's March budget.

CPI inflation was 4.2 per cent in the final quarter of last year, 0.6 percentage points lower than we forecast in November. We now expect it to fall further to an average of 2.2 per cent this year and 1.5 per cent in 2025 before gradually returning to target at the end of the forecast period.

Alongside easing inflationary pressures, market participants now expect a sharper fall in interest rates than in the autumn. Bank Rate is expected to fall more steeply this year from its current peak of 5.25 per cent to 4.2 per cent in the final quarter of 2024.

GDP grew by only 0.1 per cent in 2023, undershooting our November forecast by 0.4 percentage points. But we expect output growth to pick up to 0.8 per cent in 2024 as interest rates fall and real household incomes recover.

Against this fiscal backdrop, the Government has announced a frontloaded package of measures, including significant net tax cuts, estimated to increase borrowing on average by £8.0 billion a year. Overall, the direct and indirect effects of the measures raise borrowing by £12.7 billion in 2024-25, tapering down to £5.2 billion in 2028-29.



For further detail on any of the updates contained in this newsletter, or to find out more about any of the services we offer, please contact us any time.

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