

Spring Budget 2024 overview

We've summarised the key points relating to pensions and investments announced by the Chancellor in the Spring Budget Statement on 6 March 2024.

Pensions

Autumn Statement 2023 pension reform updates

The government has committed to pressing forward with the reforms announced in November's Autumn Statement, specifically:

- The FCA's spring Value for Money (VFM) consultation will bring forward proposals for contract-based Defined Contribution (DC) schemes to publish historic net investment returns and a breakdown of their UK investments.
- The VFM framework will highlight schemes focusing on short-term cost savings at the expense of long-term investment outcomes. The FCA and TPR will have full regulatory powers including closing schemes to new entrants and, where necessary, winding a scheme up.
- The government remains committed to exploring a lifetime provider model for DC pension schemes in the long-term to ensure it will improve outcomes for pension savers and build on the foundations of the reforms already underway.

Investments and tax

National Insurance

Class 1 employee national insurance contributions will decrease from 10% to 8% from 6 April 2024.

From 6 April 2024, for the self-employed class 4 national insurance contributions will fall from 9% to 6%.

Capital gains tax rates on disposals of residential property

From 6 April 2024, the higher rate of capital gains tax applying to disposals of residential property will reduce from 28% to 24% and the basic rate will remain at 18%.

UK ISA

The government would like to introduce a new UK ISA to provide investors with the opportunity to invest in the UK whilst benefitting from the tax advantages of an ISA. The UK ISA will have an annual allowance of £5,000 which will be in addition to the current £20,000 ISA allowance. A consultation has been published today seeking views on the design and implementation of the UK ISA.

High Income Child Benefit Tax Charge

The adjusted net income threshold for the High Income Child Benefit Charge will rise from £50,000 to £60,000 with effect from 6 April 2024. Individuals with income between £60,000 and £80,000 will lose 1% of their child benefit for every £200 of income they earn in excess of £60,000. Those with income over £80,000 will face a tax charge that equates to their child benefit payment. Personal pension contributions can continue to help to reduce an individual's adjusted net income.

Changes to the tax treatment of non-domiciled individuals

From 6 April 2025, a new residence-based tax system applying to foreign income and gains will be introduced to replace the current remittance basis.

New arrivals to the UK, who have been resident outside the UK for a full continuous 10-year period, will benefit from full tax relief on their foreign income and gains arising in the first four-year period of their UK residency, where this foreign income and these foreign gains are brought into the UK. Transitional arrangements will be introduced for existing non-domiciled individuals who are currently benefitting from the remittance basis.

Currently non-UK assets belonging to a non-UK domiciled individual are not subject to UK IHT, until such times as the individual becomes UK deemed domiciled (after being resident in the UK for 15 out of the previous 20 tax years). The government also intends to consult on the best way to move to a residence-based regime for IHT for non-UK domiciled individuals.

2024/25 allowances and rates

	Tax year 2024/25	Tax year 2023/24
Income tax – allowances		
Personal Allowance*	£12,570	£12,570
Income limit for personal allowance	£100,000	£100,000
Marriage allowance	£1,260	£1,260
Dividend allowance	£500	£1,000
Personal savings allowance- basic rate taxpayer	£1,000	£1,000
Personal savings allowance – higher rate taxpayer	£500	£500
Personal savings allowance – additional rate taxpayer	Nil	Nil
* Reduced by £1 for every £2 of income over £100,000		
	Tax year 2024/25	Tax year 2023/24

Rest of UK income tax – rates		
Basic	20%	20%
Higher	40%	40%
Additional	45%	45%
Scottish income tax – rates***		
Starter	19%	19%
Basic	20%	20%
Intermediate	21%	21%
Higher	42%	42%
Advanced (new from 6 April 2024)	45%	N/A
Top	48%	47%
Welsh income tax – rates		
Basic	Rest of UK rates apply	Rest of UK rates apply
Higher	Rest of UK rates apply	Rest of UK rates apply
Additional	Rest of UK rates apply	Rest of UK rates apply
Savings rates		
Starting rate – limit first £5,000 of savings income	0%	0%
Savings rate – basic rate	20%	20%
Savings rate – higher rate	40%	40%
Savings rate – additional rate	45%	45%
Dividend rates		
Ordinary rate	8.75%	8.75%
Upper rate	33.75%	33.75%
Additional rate	39.35%	39.35%

	Tax year 2024/25	Tax year 2023/24
Rest of UK (including Wales) income tax - bands		
Basic rate	£1 - £37,700	£1 - £37,700

Higher rate	£37,701 - £125,140	£37,701 - £125,140
Additional rate	Over £125,140	Over £125,140
Scottish income tax – bands***		
Personal allowance	£12,570	£12,570
Starter rate	£12,571 - £14,876	£12,571 - £14,732
Basic rate	£14,877 - £26,561	£14,733 - £25,688
Intermediate rate	£26,562 - £43,662	£25,689 - £43,662
Higher rate	£43,663 - £75,000	£43,663 - £125,140
Advanced	£75,001 - £125,140	N/A
Top rate	Over £125,140	Over £125,140
Rate applicable to discretionary trusts		
First £1,000 of income	£500 de minimis	First £1,000 of income - 8.75% for dividend income or 20% for other income
Rate applicable to trusts	45%	45%
Dividend rate	39.35%	39.35%

	Tax year 2024/25	Tax year 2023/24
Pensions tax		
Standard lifetime allowance	Not applicable	£1,073,100
Lump Sum Allowance	£268,275	N/A
Lump Sum Death Benefit Allowance	£1,073,100	N/A
Overseas Transfer Allowance	£1,073,100	N/A
Annual allowance****	£60,000	£60,000
Money purchase annual allowance	£10,000	£10,000
**** Reduced by £1 for every £2 of adjusted income above £260,000, to a minimum of £10,000.		
Capital gains tax		

Annual exemption (individuals and personal representatives)	£3,000	£6,000
Annual exemption (trustees)	£1,500	£3,000
Basic rate (other than residential property)	10%	10%
Basic rate (residential property)	18%	18%
Higher rate (other than residential property)	20%	20%
Higher rate (residential property)	24%	28%
Trust rate (other than residential property)	20%	20%
Trust rate (residential property)	24%	28%
Inheritance tax		
Rate	40%	40%
Nil rate band	£325,000	£325,000
Residence nil rate band	£175,000	£175,000
ISA thresholds		
Maximum investment	£20,000	£20,000
Junior ISAs	£9,000	£9,000
	Tax year 2024/25	Tax year 2023/24
Class 1 National insurance thresholds		
Weekly Lower earnings limit (LEL)	£123	£123
Weekly Primary threshold (PT)	£242	£242
Weekly Secondary threshold (ST)	£175	£175
Class 1 National insurance rates		
Employee contribution rates		
Below LEL	0%	0%
Between LEL and PT	0%	0%
Between PT and UEL	8%	12% between 6/4/23 and 5/1/24 10% between 6/1/24 and 5/4/24

Above UEL	2%	2%
Employer contribution rates		
Below ST	0%	0%
Above ST****	13.8%	13.8%
**** Special rules for under 21 years old and apprentices under 25 years old		