Tolley®CPD

Spring Budget 2024

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Introduction

Chancellor Jeremy Hunt delivered his Spring Budget on 6 March 2024, setting out further proposals to stimulate growth in the economy in advance of a General Election.

The key changes and announcements made are summarised in the document.

Personal tax (Lecture P1427 – 13.16 minutes)

Reduction in national insurance rates

The Government has decided to implement further reductions in national insurance contributions (NIC) rates.

With effect from 6 April 2024:

- the main Class 1 (employee) rate of NIC will reduce from 10% to 8%;
- the married woman's reduced NIC rate will similarly reduce by 2%, from 3.85% to 1.85%;
- the main Class 4 NIC rate for self-employed individuals will reduce from 9% to 6% (instead of the previously proposed 8%).

For both employed and self-employed workers, the new rates will apply on earnings between £12,570 and £50,270.

This additional reduction, to be introduced in one month's time, will no doubt present software providers with a further payroll update challenge.

For the self-employed it had also previously been confirmed in the Autumn Statement 2023 that Class 2 NIC would no longer be mandatory from 6 April 2024. Self-employed persons who would have otherwise paid Class 2 NIC will however still be given national insurance credit e.g., for state benefits purposes, as if they had paid the charge. In addition, certain individuals will continue to be permitted to make Class 2 contributions on a voluntary basis. The Government has stated it will consult on how to deliver the statutory methodology, to ensure these transitional matters are dealt with satisfactorily.

Tackling non-compliance in the Umbrella Company Market

Umbrella payroll providers are typically used, by a client or employment agency, to hire and pay temporary workers. However, concerns remain on the extent of their compliance with various tax obligations, including PAYE, NIC, and VAT.

Following the conclusion of a recent consultation on the matter, the Government will provide an update on Tax Administration and Maintenance Day in summer 2024, setting out its proposed next steps to tackle any such non-compliance.

Abolition of the furnished holiday lettings regime

The Government has announced the abolition of the furnished holiday lettings (FHL) tax regime from 6 April 2025. The FHL tax regime meant that the qualifying letting of a furnished let was treated as a trade which was advantageous for the purposes of claiming capital allowances, interest costs and pension contributions.

In addition, on disposal of a qualifying FHL property, the owner could claim business asset disposal relief which taxed the gain at 10%, replacement of business assets relief if they reinvested in qualifying assets and gift relief if they gave the property away.

To prevent using unconditional contracts to access the beneficial capital gains tax treatment the proposed legislation, which will be published in due course, will also include an anti-forestalling rule which will apply from 6 March 2024.

There will, presumably, be a deemed disposal on 5 April 2025 of all assets on which capital allowances were claimed, giving rise to balancing charges. It is also presumed that any accrued losses from the FHL will be carried forward to future property business profits, but there is no confirmation on this in the Budget documents.

Abolition of the remittance basis of taxation

UK resident individuals who are not domiciled and not deemed domiciled in the UK currently have the choice to pay tax on the remittance basis (meaning UK tax is only paid on foreign income and gains to the extent that these are brought to the UK in a particular tax year) or the arising basis (meaning UK tax is payable on worldwide income and gains arising in the tax year).

From 6 April 2025, the remittance basis of taxation is to be abolished.

This is to be replaced by a new system called the ‘foreign income and gains’ regime (also known as FIG).

Individuals will not be taxed in the UK on their foreign income and gains for the first four tax years of UK residency. They will:

- be free to bring the foreign income and gains arising in those tax years to the UK without suffering a UK tax liability;
- not pay tax on non-resident trust distributions;
- not be entitled to a UK personal allowance or annual exempt amount.

From the fifth year, the individual will be fully taxable on their worldwide income and gains.

Overseas workday relief (also known as OWR) is to be retained, but the rules will be modified. For those arriving in the UK from 2025/26 onwards, an individual will not be eligible for overseas workday relief if they qualify for the foreign income and gains regime. Presumably further changes will also need to be made to the overseas workday relief rules to deal with the associated special mixed fund rules.

Years of UK tax residency under the statutory residence test prior to 6 April 2025 will be counted when deciding whether the individual qualifies for the new regime. However, unlike under the existing remittance basis rules, split tax years and years of treaty residence will not be ignored for these purposes.

Any long-term UK resident individuals thinking of leaving the UK to reset the clock to qualify for the new regime will have to be non-UK resident for 10 tax years in order to re-qualify.

The following transitional rules are expected:

- individuals paying tax on the remittance basis who are not eligible for the new foreign income and gains regime will be taxed in the UK on 50% of their foreign income arising in the 2025/26 tax year. For 2026/27 onwards, UK tax will be due on all worldwide income in the normal way;

- individuals who have claimed the remittance basis and are not UK domiciled or deemed domiciled by 5 April 2025 who become taxable on their worldwide income and gains can choose to rebase any chargeable assets held on 5 April 2019. Rebasing the asset means that the market value of the asset as at that date becomes the cost figure for the capital gains tax calculation. Therefore, only the portion of the gain that has arisen since 6 April 2019 will be taxable. It is unclear whether the individual can choose to rebase assets on an asset-by-asset basis or whether it will be an election that covers all assets held at that date. Also note the use of 'claimed' in the Policy Paper, which may be imprecise wording or may mean that only those who have claimed the remittance basis under s.809B ITA 2007 rather than those who qualify automatically under ss.809D or 809E ITA 2007 will benefit from rebasing;

- individuals who have been taxed on the remittance basis will be able to elect to pay UK tax at a reduced rate of 12% on remittances of pre-6 April 2025 foreign income and gains under a 'temporary repatriation facility' (also known as the TRF) that will be available for the 2025/26 and 2026/27 tax years only. The policy paper states that there will be a relaxation of the existing mixed fund rules, but no details are given. The temporary repatriation facility will not apply to pre-6 April 2025 foreign income and gains generated within trusts and trust structures.

To the extent that previously unremitted income and gains are not brought to the UK under the temporary repatriation facility and are instead remitted later, these will be continued to be taxed on the remittance basis. This is the same treatment as under the current rules for any UK resident individual who remits previously unremitted foreign income and gains to the UK after they have become UK domiciled or deemed domiciled. Therefore, advisers will need to know and be able to apply the current remittance rules for a long time into the future.

Note that business investment relief will be available for qualifying investments of pre-6 April 2025 foreign income and gains made on or after 6 April 2025 and will continue to be available for qualifying investments made prior to 6 April 2025.

From 6 April 2025 any income or gains arising in a trust, whenever established, will be subject to tax in the normal way unless the individual qualifies for the new FIG regime. Foreign income and gains arising in non-resident trusts from 6 April 2025 will be taxed on the settlor on the arising basis if they do not qualify for the FIG regime in the same way as for UK domiciled settlors under the current regime. Foreign income and gains which arose in

the trust before 6 April 2025 will be taxed on settlors or beneficiaries if they are matched to worldwide trust distributions.

From 6 April 2025 the matching of pre-6 April 2025 foreign income and gains to trust distributions will continue, but UK resident non-domiciled individuals will no longer be entitled to the remittance basis in respect of worldwide trust distributions. Beneficiaries and settlors who are within the FIG regime will also be able to receive benefits from 6 April 2025 free from any UK tax charges whether or not the benefits are received in the UK. However, such benefits are not matched to trust income and gains and will be subject to a modified onwards gift rule.

These changes are to be legislated in a future Finance Bill and will not be included in Spring Finance Bill 2024.

The High Income Child Benefit Charge threshold

From 6 April 2024 the adjusted net income threshold for the High Income Child Benefit Charge (HICBC) will increase from £50,000 to £60,000.

For individuals with income between £60,000 and £80,000, the rate at which HICBC is charged will be halved to 1% for every £200 of income that exceeds £60,000.

For individuals with income above £80,000, the amount of the tax charge will equal the amount of the Child Benefit payment.

For new child benefit claims made after 6 April 2024, any backdated payment will be treated for HICBC purposes as if the entitlement fell in 2024/25 if backdating would otherwise create a HICBC liability in 2023/24.

In the longer term, the Government is committed to moving to a system based on household rather than individual incomes by April 2026, and will consult in due course.

Individual Savings Account

The Government will introduce a new UK ISA with its own allowance of £5,000 a year where the funds are invested in UK listed companies. This would be in addition to the £20,000 that can be subscribed into an ISA. The Government will consult on the details at a later date.

It was announced at Autumn Statement 2023 that the Government would engage with the finance industry on allowing certain fractional shares contracts to become permitted ISA investments. They confirm that they are working as quickly as possible to bring forward legislation on this by the end of the Summer following detailed engagement with industry and the Financial Conduct Authority (FCA).

Collective money purchase pension schemes

Collective money purchase arrangements (also known as CMP), which were introduced in April 2021, are a sub-category of money purchase arrangements that are intended to bridge the gap between defined benefits arrangements and money purchase arrangements. Members' collective money purchase funds are pooled, meaning that the amount available in the fund to provide benefits is for all the members collectively. The only pension that a

collective money purchase arrangement can pay to a member is a scheme pension and the only pension death benefit that can be paid is a dependants' scheme pension. See PTM023450 for more details.

Since 2021 the Government has been gradually making the necessary changes to the tax legislation to accommodate collective money purchase arrangements. Further amendments will be made in Spring Finance Bill 2024 and in subsequent regulations to deal with the treatment of funds transferred from a collective money purchase scheme in the process of winding up.

Transfer of assets abroad

With effect from 6 April 2024, the transfer of assets abroad rules (ss.714-751 ITA 2007) will be amended.

Individuals who are participators in a close company, or a non-resident company that would be close, if it were UK resident, will be deemed to be individuals making a relevant transfer, where the transfer is made by the close company.

The more punitive provisions for transferors will therefore apply. Transferors are charged to tax on income arising where they have a power to receive income, whereas non-transferors are charged on the benefits actually received.

The exemption for non-tax avoidance motivated transfers will still apply. The change could be seen as a government response to the Supreme Court decision in *HMRC v Fisher* [2023] UKSC 44. In *Fisher*, while commercial and tax motivation were found to be inextricably linked, the court held that the company was the transferor, not the controlling directors.

Capital taxes (Lecture P1428 – 13.43 minutes)

Capital gains on residential property

CGT applies to residential property gains only to the extent that they do not qualify for private residence relief, and the Government has indicated that the intention is to incentivise earlier disposals of second homes, buy-to-let property and other residential property not wholly exempt.

For disposals on or after 6 April 2024, the higher rate of CGT for residential property gains will be reduced from 28% to 24%.

The lower rate will remain at 18% for any gains that fall within an individual's basic rate band.

The change in rates for residential property does not apply to gains on carried interest, which will continue to be taxed at 28%, or 18% where the gain falls within the individual's basic rate band.

Inheritance tax and non-domiciled individuals

The Government intends to move to a residence-based regime from the current domicile-based regime.

The technical rules will be consulted on before the new regime takes effect, which will not be before 6 April 2025.

One proposal will be a 10–year exemption period for new arrivals and a 10–year tail for those leaving the UK. It is envisaged that the new rules will charge IHT on worldwide assets once resident in the UK for 10 years and will remain in scope until the taxpayer has been absent from the UK for 10 years. The treatment of UK situs assets will remain unchanged.

Details that will be consulted on will include any transitional provisions, the length of the residence criteria, other connecting factors, gifts with reservation, domicile elections, formerly domiciled residents and calculation of trust charges. In short, there is a lot of detail which has yet to be considered to make the new proposed rules work.

The Government have confirmed that the treatment of non-UK assets settled by a non-domiciled individual into a trust before 6 April 2025 will not change. Therefore, excluded property trusts settled before the change will remain excluded property and outside the scope of UK IHT and the gift with reservation provisions will not apply. Non-UK property which is comprised in a settlement that currently comes back into the UK IHT net where the settlor is a formerly domiciled resident will be consulted on and so this may change. New trusts and additions to trusts settled on or after 6 April 2025 will be subject to the new rules.

Geographical scope of agricultural property relief and woodlands relief

Since 1975, APR has been available on agricultural property in the Channel Islands and Isle of Man. APR and Woodlands relief has been available on property in the EEA since 2009. Now that the UK has left the EU, the reliefs are being restricted solely to property in the UK and

the historic anomaly of the Channel Islands and Isle of Man are also removed for APR purposes.

The amendments have effect for any transfers of value made on or after 6 April 2024. Therefore, any estates where the death was before 6 April 2024 and where the deceased held agricultural property in the EEA, Channel Islands or Isle of Man will qualify for APR. Similarly, woodlands relief would be available to these estates to defer the IHT on the value of the trees. Any deaths after that date where these assets are held will not qualify for APR or woodlands relief.

Where the transfer of value before that date was a lifetime transfer then the position is more complicated. If the transferor fails to survive seven years, the position will be retested on death under the APR 'clawback' provisions. For a death on or after 6 April 2024, property in the EEA, Channel Islands or Isle of Man is no longer agricultural property and therefore no longer qualifies for APR. IHT may arise on a failed potentially exempt transfer or additional IHT may be due on a chargeable lifetime transfer as the benefit of the APR would be lost.

Where lifetime gifts of agricultural property in the EEA, Channel Islands or Isle of Man are being contemplated then these should be made before 6 April 2024 to capture the relevant relief. Warnings should be given to clients in respect of the total loss of the relief in the case of a death within seven years of the gift after 6 April 2024.

Where trustees have had the benefit of APR on these assets at a previous ten-year charge then thought should be given to whether these assets should be distributed to take advantage of the reduction in the rate before the next ten-year charge when the benefit of APR will be lost.

All trustees holding these assets should urgently consider whether they should be distributed before 6 April 2024 when the benefit of APR will be lost.

Environmental land management schemes and ecosystem service markets

Agricultural Property Relief (APR) will be extended from 6 April 2025 to land managed under an environmental agreement with, or on behalf of, the UK Government, Devolved Administrations, public bodies, local authorities, or approved responsible bodies.

The relief will apply for agreements entered into before 6 March 2024. The relief will only apply if the land was agricultural land for at least two years before the change of use of the land but not that it would have qualified for APR at that time.

HMRC will provide further guidance in due course.

The period of use will not restart from the date of the change. Buildings used in connection with the land including farmhouses will qualify for relief where the building is occupied with and is ancillary to the land.

No changes will be made to deem environmental land management a qualifying activity for business property relief (BPR) purposes.

This does not change the treatment of land registered and validated to the Woodland Carbon and Peatland Codes to generate units which qualify in principle for BPR in their own right.

Easing the payment of inheritance tax before probate or confirmation

A ‘grant on credit’ is generally only made in ‘the most exceptional of circumstances’ (IHTM05120 et seq) and is a grant given before all of the IHT is paid.

Presumably recognising the delays currently being experienced by the probate office, from 1 April 2024, personal representatives of estates will no longer need to have sought commercial loans to pay inheritance tax before applying to obtain a “grant on credit” from HMRC. This applies to both probate and (in Scotland) confirmation.

Reforms to stamp duty land tax

The Government has announced that it will make various reforms to the stamp duty land tax regime.

The measures, which will be introduced in Spring Finance Bill 2024, are as follows:

- multiple dwellings relief (MDR) will be abolished for transactions with an effective date on or after 1 June 2024. Transitional rules which will allow MDR to be claimed on contracts that have been exchanged by 6 March 2024, even where the date of completion is on or after 1 June 2024, provided there has been no variation of the contract since 6 March 2024. For linked transactions which include transactions both before and after the change, the transactions will be treated as unlinked for the purposes of MDR. The change follows a previous consultation on MDR, which closed on 22 February 2022, and a HMRC commissioned external evaluation of MDR in February 2023;

- amendments to the operation of the exemption which applies to purchases of social housing by registered providers where the purchase has been at least partly funded by public subsidy. The amendments include the removal of out-of-date legislative references, a change to the list of public subsidies to include public grants which have been permitted to be retained and recycled and an update to the definition of a relevant housing provider to include local authorities. Legislation will also be introduced to remove public bodies from the scope of the 15% SDLT higher rate charge. The changes will apply to transactions in England and Northern Ireland with an effective date on or after 6 March 2024;

- individuals who purchase new residential leases using nominee or bare trust arrangements will be able to claim first-time buyers’ relief. The change applies to transactions with an effective date on or after 6 March 2024, with transitional rules applying for contracts which are exchanged before 6 March 2024 but complete on or after that date.

Business taxes (Lecture B1427 – 13.27 minutes)

Full expensing for leased assets

The Government has announced that it is considering whether to extend the availability of 'full expensing' plant and machinery first-year allowances (FYAs) to leased assets.

The allowances, which are only available to companies, provide either a 100% FYA, or, in the case of special rate expenditure, a 50% FYA.

Currently, these FYAs are not available for expenditure on plant and machinery for leasing, subject to an exception where the leasing is under an excluded lease of background plant or machinery for a building.

The Government will issue draft legislation for technical consultation but has indicated that the extension remains subject to a future decision.

Freeport tax reliefs sunset date

As originally announced at the Autumn Statement 2023, the Government has confirmed the extension of Freeport tax reliefs to September 2031 for English Freeport tax sites and to September 2034 for tax sites in Scottish Green Freeports and Welsh Freeports.

Additional tax relief for independent films

The Government had established a new tax relief regime for film production companies called the Audio-Visual Expenditure Credit (AVEC) which is a taxable credit which can be used to set off against the company's corporation tax liability, other tax liabilities or possibly repaid to the company.

The Government is introducing a new tax credit for independent films called the Independent Film Tax Credit (IFTC) with a rate of credit of 53% as compared to the rates of 34% or 39% for AVEC depending on the type of production.

Qualifying films will have to be certified by the British Film Institute and the relief is aimed at films which have core expenditure of £15 million or less. Core expenditure is pre-production, principal photography and post-production costs.

The qualifying conditions are also likely to include that the key talent on the film, e.g. the director, is from the UK or that it is an international co-production.

The amount of credit will be capped at the maximum amount that would be available for a production with core expenditure of £15 million.

Companies will not be able to claim both the IFTC and the additional relief for visual effects expenditure (see below), which was also announced, in respect of the same film.

IFTC will be available on expenditure incurred from 1 April 2024, for films which commence principal photography on or after 1 April 2024.

Higher rate of AVEC for visual effects

The Audio-Visual Expenditure Credit (AVEC) is available from 1 January 2024 for qualifying films or TV productions and provides a taxable credit which can be used to set off against the company's corporation tax liability, other tax liabilities or possibly repaid to the company.

The taxable credit is calculated at a basic rate of 34% or extended to 39% for qualifying animated films and qualifying TV programmes.

The Government has announced that this top rate of 39% will also be extended to visual effects costs in films and high-end TV programmes.

In addition, the 80% cap on qualifying expenditure will be removed for visual effect costs.

The changes will take effect from 1 April 2025 and a consultation will be published to establish the types of visual effect costs that are included.

Extension of relief for theatres, orchestras and museums and galleries

Theatres, orchestras and museums and galleries currently benefit from enhanced tax relief by way of an additional deduction for qualifying expenditure.

The rates of additional deduction for each of these sectors had increased in recent years and they were due to taper down from April 2025 and return to their original levels from 1 April 2026 with museum and galleries exhibitions tax relief (MGETR) expiring at that date.

At the Spring Budget 2024 it was announced that the rates will be permanently set at 40% for non-touring productions and 45% for touring productions and all orchestra productions and that MGETR will not expire.

The permanent rates will take effect from 1 April 2025.

Reserved Investor Fund

A new investment fund, the Reserved Investor Fund (RIF), will be legislated for in the Spring Finance Bill 2024, with detailed rules being set out in a statutory instrument to be laid at a later date (which will also bring the new regime into effect).

The Government consulted previously on the scope and design of a tax regime for a RIF, and a summary of responses was published at Spring Budget 2024.

The RIF will be a UK-based unauthorised contractual scheme, with 'lower costs and more flexibility' than the existing authorised contractual scheme.

It will be open to professional and institutional investors and the Government expects it to be particularly attractive for investment in commercial real estate.

Energy Profits Levy

As previously announced on Legislation Day 2023 and at the Autumn Statement 2023, an Energy Security Investment Mechanism (ESIM) will apply to the Energy Profits Levy (EPL).

This will ensure that the EPL will be permanently disapplied if average oil and gas prices are both at or below a price threshold for two consecutive quarters.

The Chancellor confirmed that legislation for this will be included in the Spring Finance Bill 2024.

However, the Government announced that the end date for the EPL itself will be extended to 31 March 2029. This is an extension of one year, although the ESIM will ensure that it will not be extended if oil and gas prices return to historic levels quicker than currently expected.

Other direct tax measures

A range of other measures were also announced, which include the following:

- the Digital Markets, Competition, and Consumers Bill is introducing new protections for consumers who take out subscription contracts. The Government will amend existing gift aid legislation by statutory instrument so that charities can continue to claim gift aid while complying with these new protections. These amendments should be in place by the time the relevant provisions of the Bill come into force;

- the Government will establish a joint HM Treasury and HMRC working group with industry representatives to identify solutions that provide clarity on the taxation of environmental land management and ecosystem service markets;

- it was announced at Autumn Statement 2023, that HMRC will clarify guidance to businesses on what training costs can be deductible for tax purposes. Spring Budget 2023 reaffirms that updating existing skills, maintaining pace with technological advancements, or changes in industry practices, are deductible.

VAT and other indirect taxes (Lecture B1427 – 13.27 minutes)

VAT registration and deregistration thresholds

The Government has announced that from 1 April 2024:

- the VAT registration threshold will increase from £85,000 to £90,000;
- the threshold that affects when an application can be submitted for an existing VAT registration to be cancelled will increase from £83,000 to £88,000.

VAT refund scheme for DIY builders and converters

The Government has announced that, from the date of Royal Assent of Spring Finance Bill 2024, HMRC will have statutory power to request additional documentation to check the validity of claims for VAT refunds under the scheme for DIY builders and converters.

A DIY builder or a DIY converter is an individual or charity that arranges for a dwelling or a relevant charitable purpose building to be created by construction or conversion. The measure will provide HMRC with statutory power to request additional information, including invoices, if a claimant does not provide sufficient information to support the claim at the time it is submitted.

VAT retail export scheme

The Government intends to review the findings of the Office for Budget Responsibility alongside industry representations and broader data and welcomes any further submissions.

Before 1 January 2021, the retail export scheme provided for the zero-rating of supplies of goods sold by VAT-registered retailers to entitled persons for personal use and exported as accompanied baggage. The scheme was abolished in Great Britain but is still available in Northern Ireland.

VAT treatment of private hire vehicles

The Government intends to launch a consultation in April 2024 on the impacts of the High Court ruling in *Uber Britannia Ltd v Sefton Metropolitan Borough Council and others* [2023] EWHC 1975 (KB).

The High Court ruling concerned whether, in order to operate lawfully under the Local Government (Miscellaneous Provisions) Act 1976, Pt II, a licensed operator who accepts a booking from a passenger is required to enter as principal into a contractual obligation with the passenger to provide the journey.

Landfill tax rates

The Government has announced that from 1 April 2025:

- the standard rate of landfill tax will increase from £103.70 to £126.15 per tonne;
- the lower rate of landfill tax will increase to from £3.30 to £4.05 per tonne.

The above rates relate to landfill tax in England and Northern Ireland. Landfill tax was devolved to the Scottish Parliament in April 2015 and to the Welsh Parliament in April 2018.

Vaping products duty

The Government has announced that a new duty on vaping products will be introduced from 1 October 2026.

The Government has published a consultation on the detailed design and implementation of the duty, which will close on 29 May 2024.

It is proposed that the duty will apply to liquids for use in vaping devices and e-cigarettes at the following rates:

- £1 per 10ml for nicotine free liquids;
- £2 per 10ml for liquid containing nicotine at concentrations between 0.1 to 10.9mg per ml;
- £3 per 10ml for liquids containing nicotine at concentrations above 10.9mg.

Other indirect tax measures

A range of other measures were also announced, which include the following:

- the Government will amend the interest regime for VAT with a view to ensuring it operates as intended. The interest regime for VAT affects VAT return periods beginning after 31 December 2022 and the amendment is to take effect retrospectively from 1 January 2023. The amendment is intended to correct the unintentionally narrow scope of the common period rules.
- the Government intends to update the legislation relating to the Terminal Markets Order. The Terminal Markets Order (SI 1973/173) is a simplification measure for certain wholesale commodity transactions made by members on named commodity exchanges or market associations.
- the Government has announced that the rate of tobacco duty will be increased by £2 per 100 cigarettes or 50 grams of tobacco from 1 October 2026 to ensure that vapes continue to play a role in helping smokers give up cigarettes.
- the rates of alcohol duty that have been in force since 1 August 2023 are to remain in force until 1 February 2025. Draft legislation is to be published later in 2024 to

end the Alcohol Duty Stamp Scheme that applies to many retail containers for spirits, wine and other fermented products.

- the Government will introduce legislation by Statutory Instrument to extend the cut in the rates of Fuel Duty introduced at Spring Statement in March 2022, and extended at Spring Budget in March 2023, for a further 12 months.

- the Government intends to maintain the difference between road fuel gas and diesel duty rates until 2032.

Administration

Regulating the tax advice market

The Government has begun a consultation, which will be open until 29 May 2024 on standards in the tax advice market and proposals to introduce a strengthened regulatory framework. The consultation covers three possible approaches to strengthen the regulatory framework: mandatory membership of a recognised professional body, joint HMRC-industry enforcement, and regulation by a statutory government body. The aim is to establish minimum standards, improve monitoring and effective enforcement action and provide routes for clients to access support when they suffer as a result of their practitioner falling below the minimum standard.

The Government recommends that regulation should apply only to practitioners who interact with HMRC rather than to the whole market. The proposal is that it will apply at the level of the firm rather than the individual, so that, for example the principal or directors will have to be members of a professional body and to be accountable for ensuring that their staff comply with professional standards.

As a first step, the Government intends to mandate registration with HMRC for all tax practitioners who interact with HMRC. HMRC will improve its registration services by introducing a single agent registration service to enable a practitioner to register once for all relevant services. Implementation is not expected to be possible before 2028.

Economic crime levy

The economic crime levy (also known as the ECL) is an annual charge on entities who are supervised under the money laundering regulations and whose UK revenue is greater than £10.2m per year. There is a banding structure, meaning that businesses with different levels of UK revenue are charged different levies. For an overview of the levy, see ECL11000.

When the levy was introduced in April 2022, it was expected to raise £100m per year, but this target was not met in the year to 31 March 2023. Therefore, the levy for very large businesses with UK revenue in excess of £1bn is to be doubled from £250,000 per annum to £500,000 per annum. It will apply for entities who fall in the very large band by reference to their UK revenues for an accounting period ending on or after 1 April 2024. This change is expected to raise an extra £25m per year.

No changes will be made to the thresholds or the amount of the levy charged in the other bands.

Cryptoasset Reporting Framework and Common Reporting Standard

The Government announced at Spring Budget 2024 that it is consulting on the implementation of the OECD’s Cryptoasset Reporting Framework (CARF), including the approach that should be taken to its optional elements. The CARF is the new international tax transparency regime for the automatic exchange of information on cryptoassets. The Government previously announced, on 10 November 2023, that the UK will implement this.

In addition to this, the consultation also covers the possible extension of CARF to domestic reporting (i.e. UK service providers reporting on UK resident taxpayers).

Amendments to the Common Reporting Standard (CRS 2.0) have also been agreed at the international level. The consultation also covers the implementation in the UK of these changes, which update the CRS to include new types of assets and improve its operation.

The consultation closes on 29 May 2024.