

Budget 2024- Business taxes (including VAT)

(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 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.