Spice Taxation Pte Ltd
Company Registration No. 202133724G

Our Thoughts on the Spring Budget – 6th March 2024

The Most Important Budget for Expatriates since 2010

Over the years I have discovered that I am just not very good at predicting Budgets. Speculation is always rife about what a Chancellor *might* do in face of this and that economic and political situation, but mostly the actual announcements just tend to underwhelm and disappoint. Maybe I just crave excitement!

However, all that changed with Jeremy Hunt's Budget on 6th March. It is likely to be the last Conservative Party Budget before the next General Election - an election which the Labour Party is widely expected to win. So, it remains to be seen how many of the announcements will find their way onto the Statute books if Labour does win. That aside, it really *was* an exciting Budget which promises a lot of change, much of it positive.

For much of the speech, it felt like a 'normal budget' with a plethora of announcements about regional incentives, funding initiatives, levelling up grants, subsidies and tax breaks for the arts etc. However, there was also a number of genuinely eye-catching and important announcements which are also relevant to expatriates.

First of all, Jeremy Hunt announced a further reduction in National Insurance paid by employees and the self-employed of 2%, from 6th April 2024. For employees, this will reduce from 10% to 8% and for the Self-Employed from 8% to 6%. For those returning to the UK, this will be welcome news.

Secondly, he announced the intention to introduce a new Individual Savings Account – the UK ISA, with an annual subscription allowance of GBP 5,000, in addition to the existing threshold of GBP 20,000. This new ISA would hold British-only assets – equities listed on the four recognised UK stock exchanges, UK corporate bonds and gilts and collectives. This will be good for UK resident savers.

Third, there were a few property tax announcements which came as a surprise:

- The marginal rate of Capital Gains Tax on the sale of residential property will reduce from 28% to 24% from 6th April 2024. This is intended to help stimulate the property market. The basic rate will remain at 18%. This is good for anyone selling, gifting or assigning an interest in UK residential property from that date.
- Multiple Dwellings Relief for Stamp Duty Land Tax is being abolished from 1st June 2024 – this was a relief that allowed you to take the average purchase price for SDLT purposes where at least two properties were being purchased in a single transaction

- Furnished Holiday Letting status is to be abolished from 6th April 2025, with some anti-forestalling provisions which came into effect on 6th March 2024.
- The geographical scope of Agricultural Property Relief and Woodlands Relief (two Inheritance Tax incentives) will be limited to assets situated in the UK only from 6th April 2024 – those situated in the Crown Dependencies and the EEA will lose their IHT protected status

Fourth, the VAT registration threshold will rise to GBP 90,000 from 6th April 2024, an increase of GBP 5,000, which will be welcome news for small businesses.

However, perhaps the biggest and most barnstorming announcement was the abolition of 'non-dom' status from 6th April 2025. The Conservative Party has been a staunch defender of the 'non-domiciled regime' over many years, so it was something of a surprise to see them adopt an avowed Labour Party policy. Stealing their thunder no doubt. It is a very major announcement that will impact many people.

In a nutshell, the Government plans to delink a person's 'domicile status' from their UK tax outcomes, and move to a residence-based set of incentives. Consultation documents are yet to be published, but the main features of the new system will be to:

- **Abolish** the 'remittance basis of taxation' for UK resident 'non-doms'.
- **Replace** it with an opt-in system that will allow, seemingly anyone – including, presumably, British nationals – to exempt their non-UK incomes and gains from UK tax for the first four years of UK residence, provided that they have been continuously non-resident for at least the 10 previous years.
- **Exempt** from tax the remittance of these non-UK income and gains to the UK, which will be hugely simplifying in the long run.
- **Retain** Overseas Workday Relief for qualifying individuals for the first 3 tax years of residence
- **Apply** world-wide taxation for all individuals from the 5th year of residence in the UK
- **Introduce** a thoughtful set of transitional reliefs for certain 'non-doms' who are already resident in the UK
- **Switch** away from a 'domicile based' system of Inheritance Tax to a residence-based system, whereby qualifying individuals switch to IHT on world-wide assets only after 10 years of residence
- **Keep** anyone who leaves the UK within IHT for 10 further years, which presumably also will apply to British Expatriates too. UK assets remain within Inheritance Tax at all times, regardless of residence.

We are missing a lot of technical detail here which should be answered by the Consultation Documents that the Government will be publishing shortly. So watch this space! However, whilst I have many more questions than answers at the moment, at first sight the main impacts appear to be the following.

a) Tax planning for relocation to the UK is likely to change quite a bit and these proposals could amount to a generous tax break for returning British expatriates.
b) They will also make Inheritance Tax planning potentially a lot simpler and not so reliant on subjective judgments about where a person is domiciled.
c) It *might possibly* result in an exemption from Inheritance Tax for a swathe of non-resident British expatriates who have already been non-resident for at least 10 years, which would be quite a result!

I am going out on a limb a little by saying that it appears the proposals will also apply to those we currently regard as 'domiciled' in the UK. However, surely *that* is the point – it is switch away from a tax system where a person's domicile was the deciding factor, to a tax system where the deciding factor is driven by residence. This potentially bodes extremely well for British expatriates.

If this Budget does turn out to be the Conservative Party's fiscal swansong, it is perhaps fitting that its period of Government will be bookended by a commitment to enshrine in law a statutory test for residence in 2010 at the start, and a set of announcements that displace domicile with a new regime based on that very residence test at the end. Mastering the Statutory Residence Test is clearly going to be more and more important.

Beyond this, all tax rates, thresholds and allowances for Personal Tax remain frozen, as do the rates for Corporation Tax. The dividend allowance will fall to GBP 500 from 6th April 2024 and the Capital Gains Tax Annual Exemption will fall to GBP 3,000 from the same date. Class 2 and Class 3 voluntary National Insurance Contribution rates will remain unchanged at GBP 3.45 per week and GBP 17.45 per week respectively, and the New State Pension will rise to GBP 221.20 per week (of GBP 11,502.40 per year) from 6th April 2024.

If you would like to discuss your own circumstances in confidence or would like to be on the subscriber list for our *new dedicated* coverage of these breaking developments, please contact me at martin@spicetaxation.com or by sending a Whatsapp to +65 96650019.