Tax bodies respond to Budget announcements

Briefings

20 March 2024

The March Budget saw the Chancellor announce big cuts to personal taxes, most notably national insurance, partly offset by a series of smaller increases, of which the largest came from changes to the non-dom regime.

Personal taxes

The CIOT said that moving from domicile to residence as the basisfor taxing people who are internationally mobile ‘makes sense’, butwarned that a four-year remittance basis window is a ‘drastic reduction’ fromthe current 15 years. The Institute’s President Gary Ashford regretted that the Chancellor had unveiled this big change without following the government’s consultation framework.

The ATT said that sparing basic rate taxpayers from the high income child benefit charge (HICBC) is ‘long overdue’, while LITRG said the decision to increase the threshold would bring the scope of the charge closer to the original policy intent.

However, both bodies, while recognising that it might be fairer to charge HICBC based on household income, expressed scepticism about how easy it would be to deliver. ‘The changes required may be costly, complicated and difficult to achieve,’ said LITRG’s Tom Henderson.

By cutting national insurance rather than income tax, the Chancellor has avoided creating further divergence between Scotland and the rest of the UK, CIOT noted.

Business taxes

ATT said that increasing the VAT threshold does not address wider issues which make businesses reluctant to cross the threshold, inhibiting growth.CIOT suggested that HMRC should consider how to encourage businesses nearing the VAT threshold to continue to grow, possibly by a smoothing mechanism or another simplification.

CIOT welcomed the announcement that the government will seek to extend full expensing to assets for leasing when fiscal conditions allow. However, the Institute said it would still like to see the government look at what is eligible for capital allowances more generally.

The Institute welcomed the announcement of an ‘expert advisory panel’ to support the administration of R&D tax reliefs, hoping that the role of the panel will go wider and help with the training of caseworkers at HMRC.

Property taxes

CIOT was broadly positive on three property tax announcements in the Budget. There was a particular welcome for the news that the rules for claiming first-time buyers’ relief from SDLT will be amended so that individuals buying a leasehold residential property through a nominee or bare trustee will be able to claim the relief, including victims of domestic abuse. This is something CIOT and the Stamp Taxes Practitioners Group have been calling for.

The Institute said the case for scrapping the separate regime for furnished holiday lettings was a strong one; however, while the change is a simplification, it may also increase uncertainty in this area. The Institute said the abolition of multiple dwellings relief was a good example of the tax policy review process working effectively: the government had consulted, evaluated the relief and decided it was ineffective.

Other issues

CIOT welcomed the announcement that a suite of tax simplification metrics will be introduced, including an estimate of the net change in cost to businesses of meeting tax obligations from tax measures. However, the Institute said it was disappointed by the lack of further investment in HMRC to improve customer service.

ATT welcomed the announcement that the government will be launching anew working group to clarify the tax treatment of several important environmental land management schemes.