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## **So what's new?** **And what's happening from** **6th April 2024 - Going forward**

### **SUMMARY IMPACT**

The key announcement in the recent Spring Budget was the further reduction in the main rate of employee National Insurance Contributions from 10% to 8% with effect from 6th April 2024. In addition, Finance Act 2024 is now law, confirming that the Lifetime Allowance is abolished from 2024/25. Other changes will come into effect on 6th April as previously announced.

### **PENSIONS**

#### **Abolition of the Lifetime Allowance**

Finance Act 2024 is now in force and the Lifetime Allowance is abolished with effect from 2024/25. Three new allowances apply instead. The changes are complex, and some defects identified during the passage of the legislation through Parliament still need to be corrected, before becoming law.

From 2024/25, the following key points apply:

#### **Annual Allowance**

No changes were announced to the various Annual Allowances for 2024/25.

- Annual Allowance remains £60,000.
- Money Purchase Annual Allowance remains £10,000 with no carry forward.
- For the Tapered Annual Allowance, the Threshold Income limit remains £200,000, the Adjusted Income limit remains £260,000 and the minimum allowance remains £10,000.

## **NATIONAL INSURANCE**

From 6th April 2024, the main rate of employee Class 1 National Insurance Contributions (NICs) payable on earnings between £12,570 and £50,270 reduces from 10% to 8%. This follows the previous reduction from 12% to 10% with effect from 6th January 2024.

There are also changes for self-employed people, with effect from 6th April 2024:

- The main rate of Class 4 NICs now reduces from 9% to 6% for those with profits between £12,570 and £50,270 in 2024/25 (it was previously announced that the reduction would be from 9% to 8%).
- As previously announced, the requirement to pay Class 2 NICs ends for most self-employed people – State Pension entitlement will be linked to Class 4 NICs.
- Self-employed people with profits between £6,725 and £12,570 will continue to get NI credits to build State Pension entitlement.
- Self-employed people with profits below £6,725 can continue to pay voluntary Class 2 NICs at the current rate of £3.45 per week in 2024/25 to build State Pension entitlement.

If your current lifestyle and standard of living is such that the two recent reductions in National Insurance would be viewed as a surprise bonus to your income, then a good benefit would be to use that bonus as an increase in your pension contributions.

In addition, you would also receive a further bonus of 25% uplift in your contribution from the Income Tax relief at source.

## **INCOME TAX**

As previously announced:

- There are no changes to the income tax bands and thresholds for non-Scottish taxpayers for 2024/25. The Basic Rate Band remains £37,700 and the Additional Rate Threshold remains £125,140.
- The Personal Allowance remains at £12,570 for all UK taxpayers and continues to be tapered if Adjusted Net Income exceeds £100,000, reducing to nil once Adjusted Net

Income reaches £125,140.

## **DIVIDENDS**

From 6th April 2024, the annual 0% Dividend Allowance will reduce from £1,000 to £500. The rates of Income Tax applying to dividends will not change.

## **High Income Child Benefit Charge**

From 6th April 2024, the income threshold at which the High Income Child Benefit Charge (HICBC) starts to be charged will increase from £50,000 to £60,000. In addition, the rate at which the HICBC is charged will also be halved from 1% of the Child Benefit payment for every additional £100 earned above the threshold, to 1% for every £200. This means Child Benefit will not be withdrawn in full until individuals earn £80,000 or higher.

The Government plans to administer the HICBC on a household rather than an individual basis by April 2026, and will consult on this in due course.

## **CAPITAL GAINS TAX**

From 6th April 2024, the higher rate of Capital Gains Tax (CGT) for residential property disposals not qualifying for Private Residence Relief will be cut from 28% to 24%. The lower rate will remain at 18% for any gains that fall within an individual's Basic Rate Band. From 6th April 2024 the CGT Annual Exempt Amount reduces from £6,000 to £3,000.

## **INDIVIDUAL SAVINGS ACCOUNTS (ISAs)**

From April 2024, the Government will reform the Individual Savings Accounts rules, including:

- Permitting multiple subscriptions to ISAs of the same type every year.
- Permitting partial transfers of ISA funds in-year between providers.
- Removing the requirement to reapply for an existing dormant ISA.
- Making technical changes to the rules for the permitted investments.

UK ISA consultation The Government has now announced a consultation on a new UK ISA, with an additional £5,000 subscription limit in addition to the existing £20,000 allowance. The consultation closes on 6th June 2024.

## **STATE PENSION**

- From 6th April 2024, the New State Pension will be increased by 8.5% in line with the full Triple Lock, from £203.85 to £221.20 per week.

- From 6th April 2024, the Old State Pension increases from £156.20 to £169.50 per week.

### **NATIONAL LIVING / MINIMUM WAGE**

- From 1st April 2024, the National Living Wage for those aged 23 or over will increase by 9.8% from £10.42 to £11.44 an hour.
- At the same time, eligibility for the National Living Wage will be extended to 21-22 years old, increasing their rate from £10.18 to £11.44 an hour.

The National Minimum Wage rates will also increase:

- from £7.49 to £8.60 an hour for 18-20 years old
- from £5.28 to £6.40 an hour for 16-17 years old and apprentices.

### **AND FINALLY .....**

The 6th April is the start of the new financial year 2024/25. With new £20,000 allowances for investing into your ISA and new allowances for contributing into your pensions. But before the 6th April, maximise all your ISA allowances and pension contributions for this current tax year. Otherwise they will be lost for ever. USE IT DON'T LOOSE IT.

In the meantime, Happy Easter Holiday and keep safe.

Best regards

Ray

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