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News in Review

13 March 2024

"A plan to grow the economy, a plan for better public services, a plan to make work pay"



Chancellor Jeremy Hunt delivered his Spring Budget last week, during which he provided an economic update from the Office for Budget Responsibility (OBR). The latest projections showed the rate of inflation is expected to fall below the Bank of England's 2% target level in "a few months' time." The OBR expects economic growth of 0.8% this year, with growth of 1.9% in 2025, higher than the 1.4% figure previously predicted.

The Chancellor said his Budget was "A plan to grow the economy, a plan for better public services, a plan to make work pay... Growth up, jobs up and taxes down." Headline Budget announcements included:

National Insurance Contributions (NICs)

- A reduction in the main rate of employee NICs by 2p in the pound from 10% to 8%, following the 2p cut that took effect in January
- A cut to the main rate of self-employed NICs, meaning the main rate of Class 4 NICs will reduce from 9% to 6%.

Child Benefit

- The threshold for the High Income Child Benefit Charge will be increased to £60,000 in April
- The rate of the charge will be halved, so that Child Benefit is not lost in full until an individual earns £80,000 per annum
- By April 2026, the Child Benefit system will be based on household rather than individual incomes.

New savings products

- A new UK ISA with a £5,000 annual allowance in addition to the existing ISA allowance. It will be a new tax-free

savings product for people to invest in UK-focused assets (consultation re implementation to run to 6 June 2024)

- British Savings Bonds to be delivered through National Savings & Investments (NS&I) in April 2024, offering a guaranteed interest rate, fixed for three years.

Business taxation

- From April 2024 the threshold at which small businesses must register to pay VAT will be raised from £85,000 to £90,000.

Non-dom tax regime

- This regime is set to be abolished
- From April 2025, new arrivals to the UK will not have to pay tax on foreign income and gains for the first four years of their UK residency
- After that, they will pay the same tax as other UK residents.

Property taxation

- From 1 June 2024 Stamp Duty Land Tax Multiple Dwellings Relief will be abolished
- The higher rate of Capital Gains Tax (CGT) on residential properties will be reduced from 28% to 24%.

Public Sector Productivity Plan

The Chancellor announced a new Public Sector Productivity Plan to restart public sector reform and change the Treasury's traditional approach to public spending. This includes a £2.5bn funding boost for the NHS in 2024/25, allowing the service to continue its focus on reducing waiting times for patients and £3.4bn to modernise NHS IT systems. The plan also includes £800m of additional investment to boost productivity across other public services, including £230m for drones and

new technology to free up police officers' time for frontline work and £75m to roll out the Violence Reduction Unit model across England and Wales.

Budget reaction

Director of the Institute for Fiscal Studies (IFS), Paul Johnson, commented on the Budget, "The OBR marginally increased its forecasts for economic growth, but the overall public finance picture remains largely unchanged from the autumn. The Chancellor is still on track to stabilise debt as a fraction of national income in five years' time... While his ambition to improve public sector efficiency and productivity is the right one, and his injection of capital funding into the NHS is a sensible way of doing so, delivering on such plans and securing cash savings will be very tough indeed."

In other news

Last week new data showed that India's economy grew by 8.4% in the final quarter of 2023, supported by strong construction and manufacturing activity. Retaining its title as the world's fastest growing major economy, India is forecast to leapfrog Germany and Japan as the world's third largest economy in the coming years. The Indian government estimate growth of 7.3% for the 2024 fiscal year to 31 March.

In China, Premier Li Qiang outlined a series of measures last week aimed at boosting its flagging economy, whilst revealing an ambitious 5% growth target for 2024.

Here to help

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

All details are correct at time of writing (13 March 2024)