

State of Play

2024 UK Spring Budget

7 March 2024

On 6 March 2024, the Chancellor of the Exchequer, Jeremy Hunt, delivered what could be the last Budget before the upcoming general election. As many commentators had predicted, the focus of the Spring Budget was on national insurance, tobacco duty, 'non-domiciled' status and child benefits. So, what are the key takeaways from this announcement? Santander Asset Management UK shares their insights in this week's State of Play.

What is the UK Budget and how does it work?

The UK Budget is a major fiscal event where the Chancellor of the Exchequer makes tax and spending announcements to the House of Commons. It outlines the state of the UK economy and details the government proposals for changes to taxation. The Budget also includes forecasts for the economy developed by the Office for Budget Responsibility (OBR), the government's independent financial and economic forecaster.

Typically, the Budget is followed by four days of debating the tax measures announced. Each day of debate covers a different policy area, such as education, health, and defence. Budget resolutions can be implemented immediately at the end of these days of debate, provided approval is given by the House of Commons. However, a Finance Bill is then required to pass a given proposal into law.

A recap – The UK economic situation

Economic growth in the UK has been relatively stagnant since the beginning of 2022, with high inflation and rising interest rates stifling economic activity. Gross Domestic Product (GDP) declined over the final two quarters of 2023, meaning the UK entered a ‘technical recession’.¹ Please read our recent [State of Play](#) update to explore the reasons behind this negative growth and what this means for unemployment rates and the wider UK economy.

2023 Spring Budget summary

Jeremy Hunt presented his previous Spring Budget to Parliament on 15 March 2023. This was followed by the OBR publishing updated forecasts for the UK’s economic outlook. In summary, this announcement aimed to achieve long-term, sustainable economic growth by halving inflation and stimulating the economy.² Notable changes announced included fuel duty being frozen for another 12-month period, corporation tax rate rising from 19% to 25%, and the annual tax-free pension allowance rising from £40,000 to £60,000. In hindsight, questions remain on whether this ‘Budget for Growth’ delivered on what it promised, given the technical recession highlighted previously.³

What are the key takeaways from the 2024 Spring Budget?

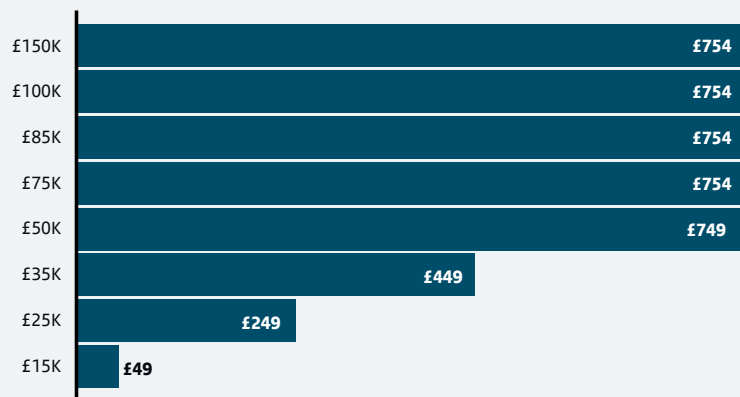
National insurance – What does that mean to you?

As predicted, the starter rate of employee national insurance (NI) contributions has been cut from 10% to 8% from 1 April 2024. Such a reduction is targeted to benefit the UK workforce, which comprises roughly 27 million workers, and follows the previous reduction in NI from 12% to 10% announced in the Autumn Statement which came into effect from 6 January this year.

The chart below illustrates the expected annual savings for selected salary levels.⁴ Essentially, you will be paying 2p less for every £1 of national insurance that you currently pay. For example, if you earn an annual salary of £35,000, you can expect savings amounting to £449.⁵

National insurance changes

Annual savings for selected salaries by cutting starter rate to 8%



Source: Sky News, as at 6 March 2024.

Non-domiciled tax regime

A 'non-domiciled' individual is a person who lives in the UK but is not settled here permanently. In the past, this has allowed wealthy individuals living in the UK to elect to have a lower-tax nation as their domicile, allowing for significant tax savings. The tax treatment for those living in the UK with a 'non-domiciled' status is being scrapped and reformed into a 'modern residency system' from April 2025⁶, an effort that the government believes will make the current system fairer and more competitive. It is also estimated that the abolishment of this non-domiciled policy will raise £2.7bn a year.⁷

New UK ISA introduction

An Individual Savings Account (ISA) allows savers to invest £20,000 a year without paying tax on interest or returns.⁸ A 'British ISA' was unveiled in the Budget, which will allow investors to put an extra £5,000 into UK shares tax-free. This is an effort by the Government to encourage UK investors to invest in domestic assets in their home market.

Child benefits

In less expected news, Jeremy Hunt announced reforms to the High-Income Child Benefit Charge, lifting the threshold from £50,000 to £60,000 from 1 April 2024. The top end of the taper at which it is withdrawn is also to be raised to £80,000. It is estimated that this change will lift 170,000 families out of paying the charges altogether.⁹ This announcement aims to make the child benefit charges fairer and it is predicted that nearly half a million families with children will save an average of around £1,300 next year.¹⁰

Alcohol and fuel duty remains unchanged

The recent trend of Chancellors extending 'temporary' duty freezes continues in the 2024 Spring Budget.¹¹ The existing 5p cut to fuel duty will remain unchanged for another year, and alcohol duty will be frozen until February 2025. This announcement goes against the expectation that alcohol duty would increase by 3% from August.

Tobacco duty and vaping tax

The Chancellor has also introduced a new levy on vaping liquids in the UK. Under current rules, while vapes are subject to VAT, they are not subject to a specific tax like standard cigarettes.¹² This duty is to be introduced for the first time in October 2026. A one-off increase in tobacco duty is also to be implemented at this time. These amendments are in line with the plans announced in November last year by the government in pursuit of a 'smoke-free' generation.

As the majority of the budget went as expected, the market reaction has been fairly muted. We will continue to monitor the market's reaction and make changes to our portfolios accordingly.

The value of seeking guidance and advice

It is important to seek advice and guidance from a professional financial adviser who can help to explain how to build an appropriate financial plan to match your time horizons, financial ambitions and risk comfort. If you already have a plan in place or have already invested, it is important to allocate time to review this to ensure this remains on track and appropriate for your needs.

Learn more!

Investing can feel complex and overwhelming, but our educational insights can help you cut through the noise. Learn more about the Principles of Investing [here](#).

Note: Data as at 7 March 2024.

¹ House of Commons Library, 29 February 2024

² Muckle LLP, 20 March 2023

³ BBC News Politics, 6 March 2024

⁴ Sky News, 6 March 2024

⁵ Sky News Money Blog, 6 March 2024

⁶ BBC News, 6 March 2024

⁷ BBC News, 6 March 2024

⁸ City AM, 6 March 2024

⁹ The Independent Politics, 6 March 2024

¹⁰ City AM, 6 March 2024

¹¹ The Guardian, 6 March 2024

¹² The Independent, 6 March 2024

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