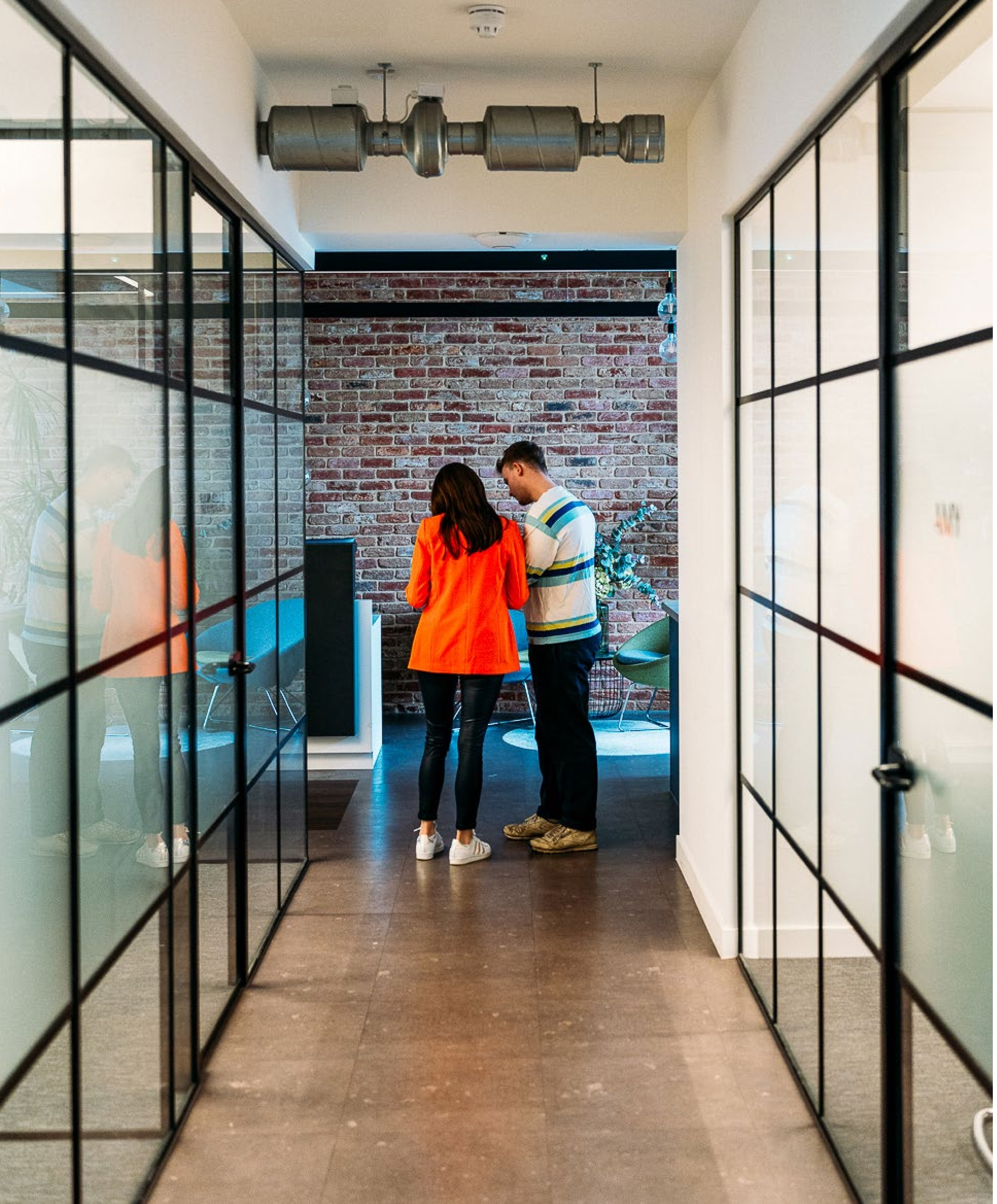
SRLV

AUTUMN BUDGET 2024

HIGHLIGHTS FROM THE CHANCELLOR'S STATEMENT

October 2024



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INTRODUCTION

In a packed and typically raucous House of Commons, Rachel Reeves stood up to deliver the long overdue first Budget Statement by a female Chancellor of the Exchequer in its 800-year history.

I don't think it is an understatement to say this was one of the most anticipated Budget Statements in recent memory and Rachel Reeves did not disappoint us. The new government announced that it had inherited a "black hole" in the country's finances early on, and this Statement sought to fill that hole with some substantial tax rises both now and in the future, as well as a raft of consultations and other initiatives.

On a positive note, and whilst changes have been made, it was pleasing to see that the Chancellor has listened to industry commentators who advised that a large increase in Capital Gains Tax rates would not increase tax revenues. Whilst a similar case was made in relation to the proposed rules regarding the abolition of the Non-Dom regime, changes here might have proved more contentious with the general electorate and therefore, it seems that any significant U-turn was not to be tolerated by this Chancellor.

As we analyse the many pages of budget literature, I am left to ponder how this may alter taxpayers' financial decisions moving forward, be it investment or retirement planning, for instance. Time will tell, but it's certainly a watershed moment and as advisors, we are ready to help our clients navigate their way through all the relevant changes in the most proactive and efficient way possible.

STEVE WREN I TAX PARTNER

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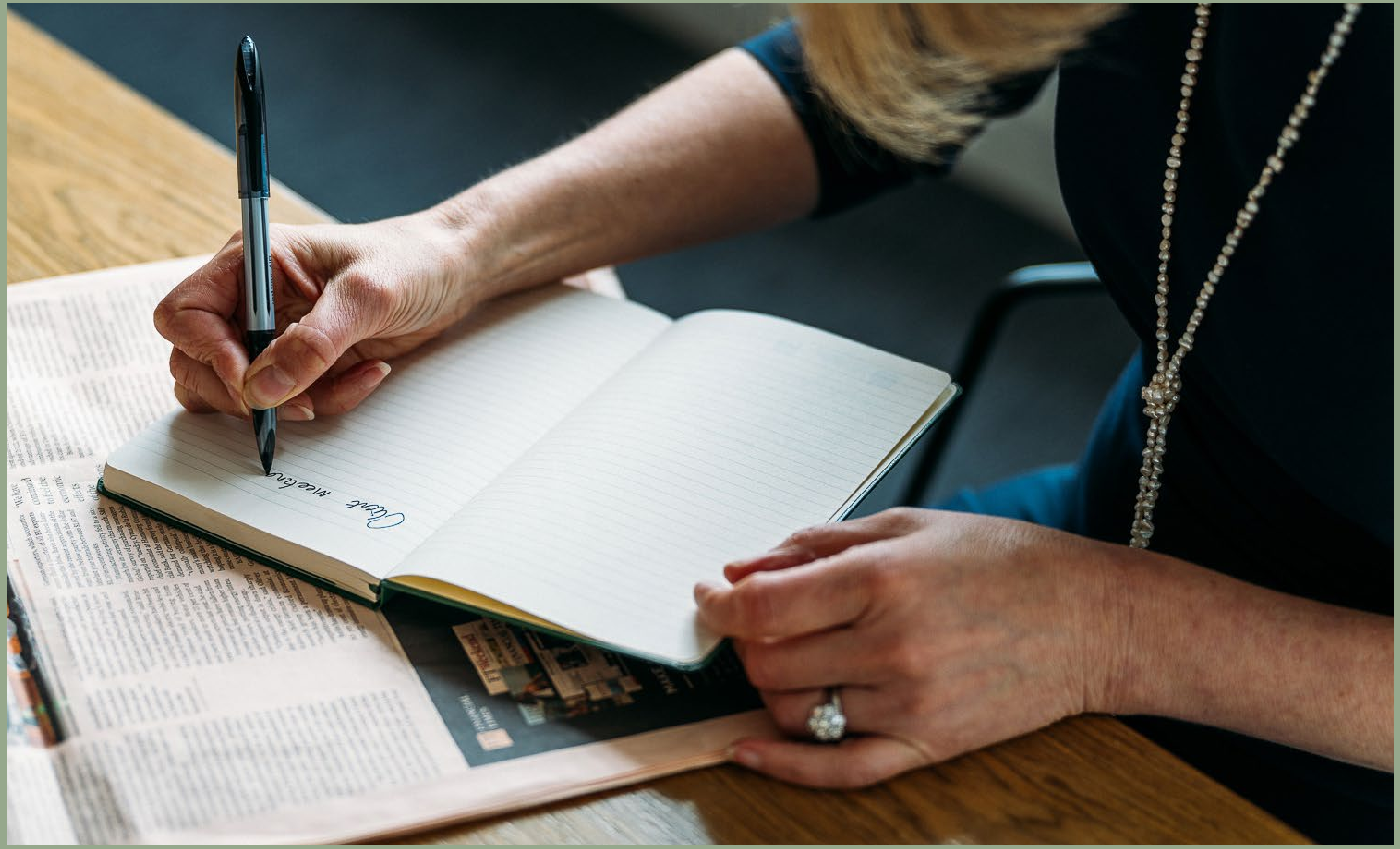
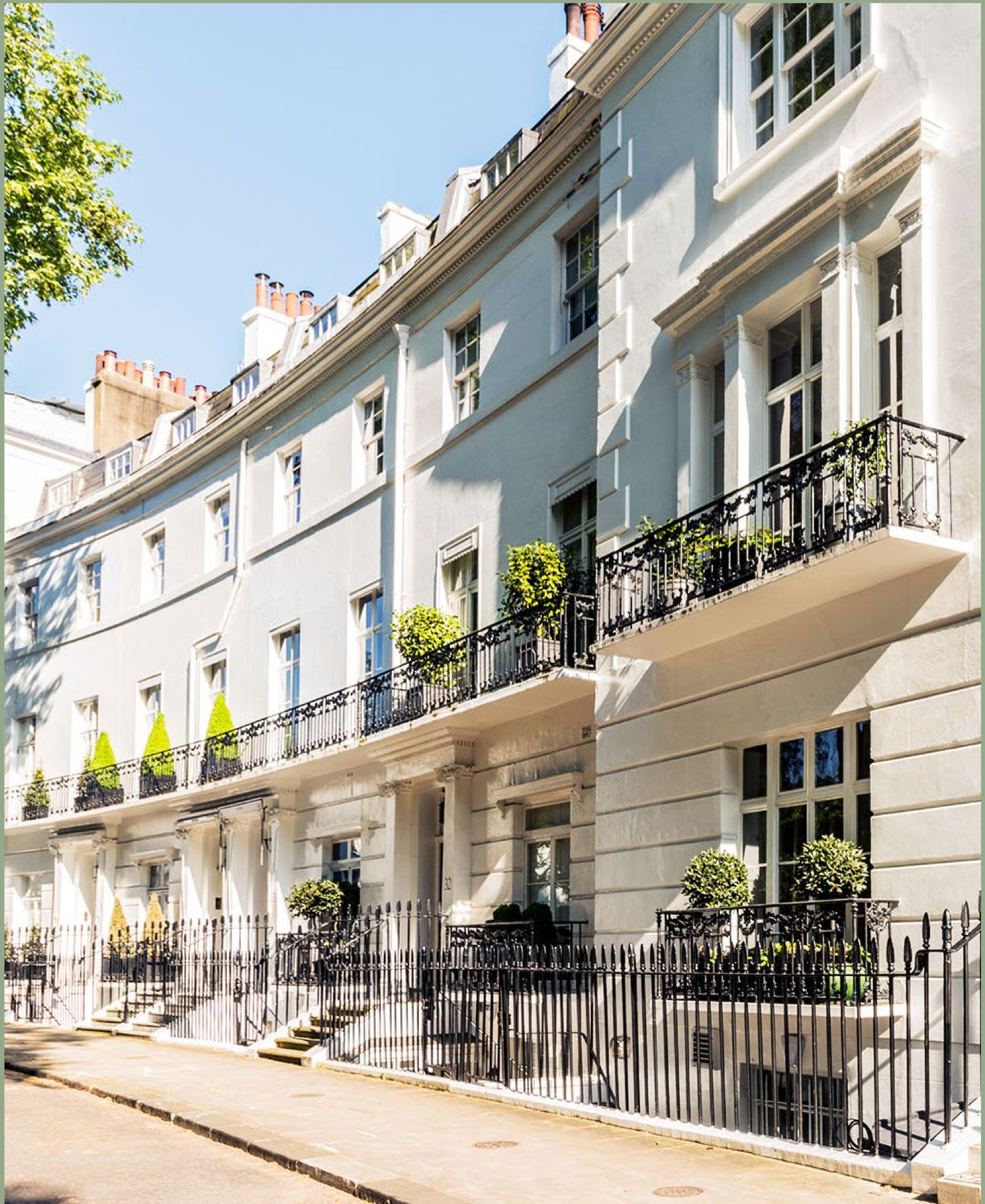
INDIVIDUALS





INDIVIDUALS

TAX RATES & BANDS

The basic rate band is frozen at £37,700 until April 2028. The NICs Upper Earnings Limit and Upper Profits Limit will remain aligned to the higher rate threshold at £50,270 for these tax years as well.

The government has suggested that from April 2028, these limits will be uprated in line with inflation.

THE PERSONAL ALLOWANCE

The Income Tax personal allowance is fixed at the current level of £12,570 until April 2028. The government has suggested that from April 2028, it will be uprated in line with inflation.

There is a reduction in the personal allowance for those with 'adjusted net income' over £100,000. The reduction is £1 for every £2 of income above £100,000. This means that there is no personal allowance where adjusted net income exceeds £125,140.

The government will uprate the married couple's allowance and blind person's allowance for 2025/26.

TAX ON SAVINGS INCOME AND DIVIDENDS

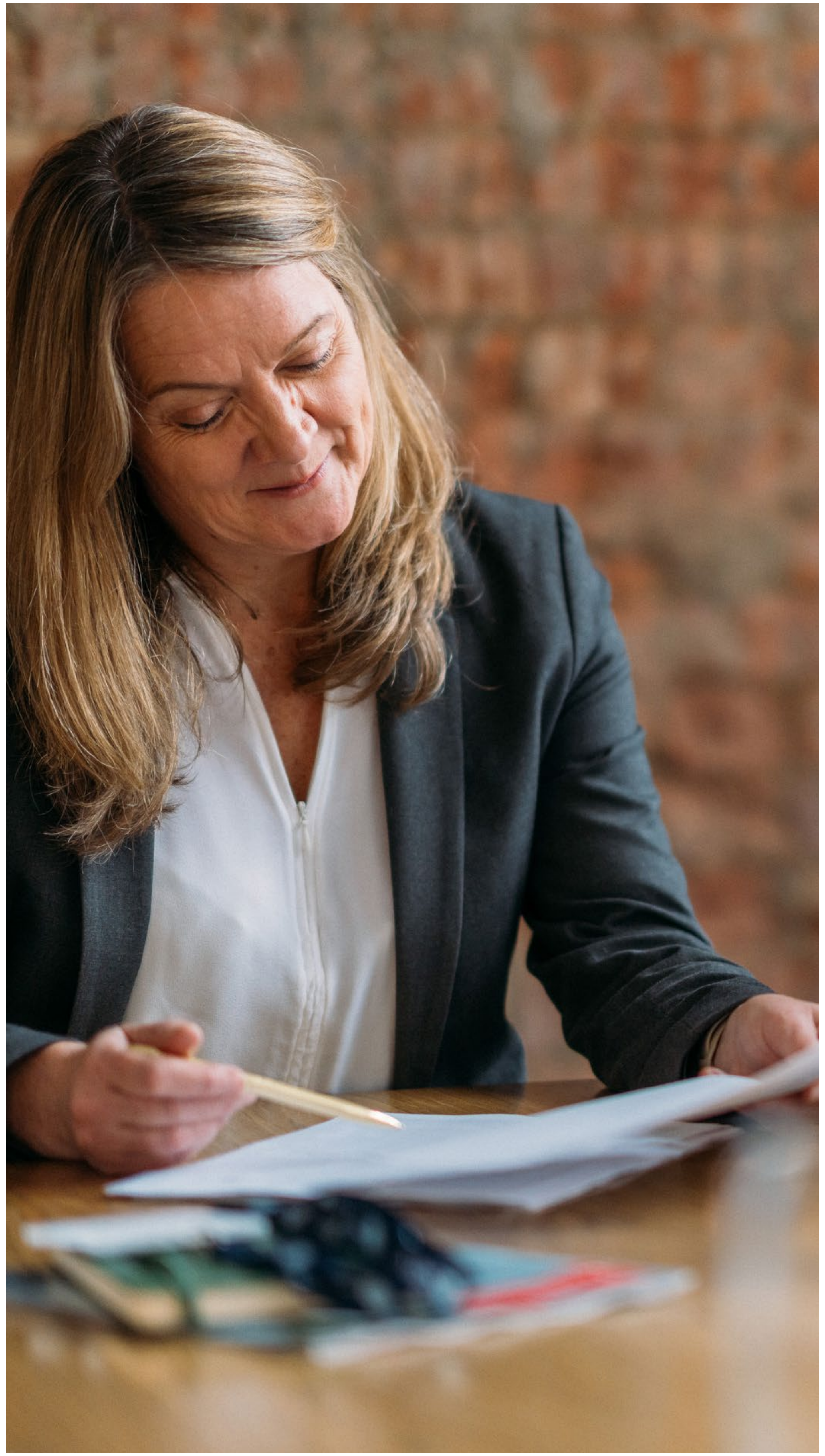
Tax on savings income and dividends remain unchanged.

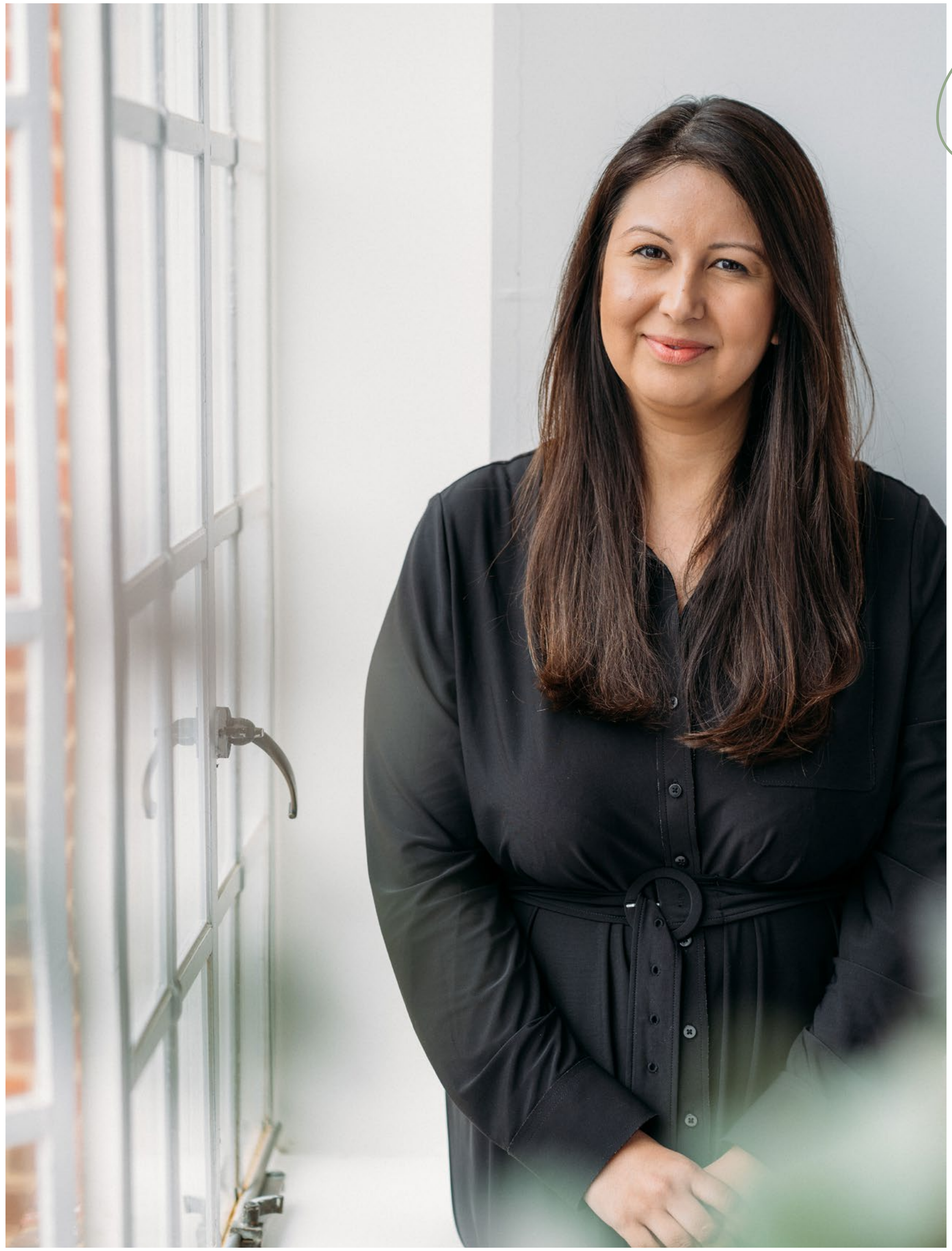
PENSION TAX LIMITS

Pension contribution limits remain unchanged.

HIGH INCOME CHILD BENEFIT CHARGE

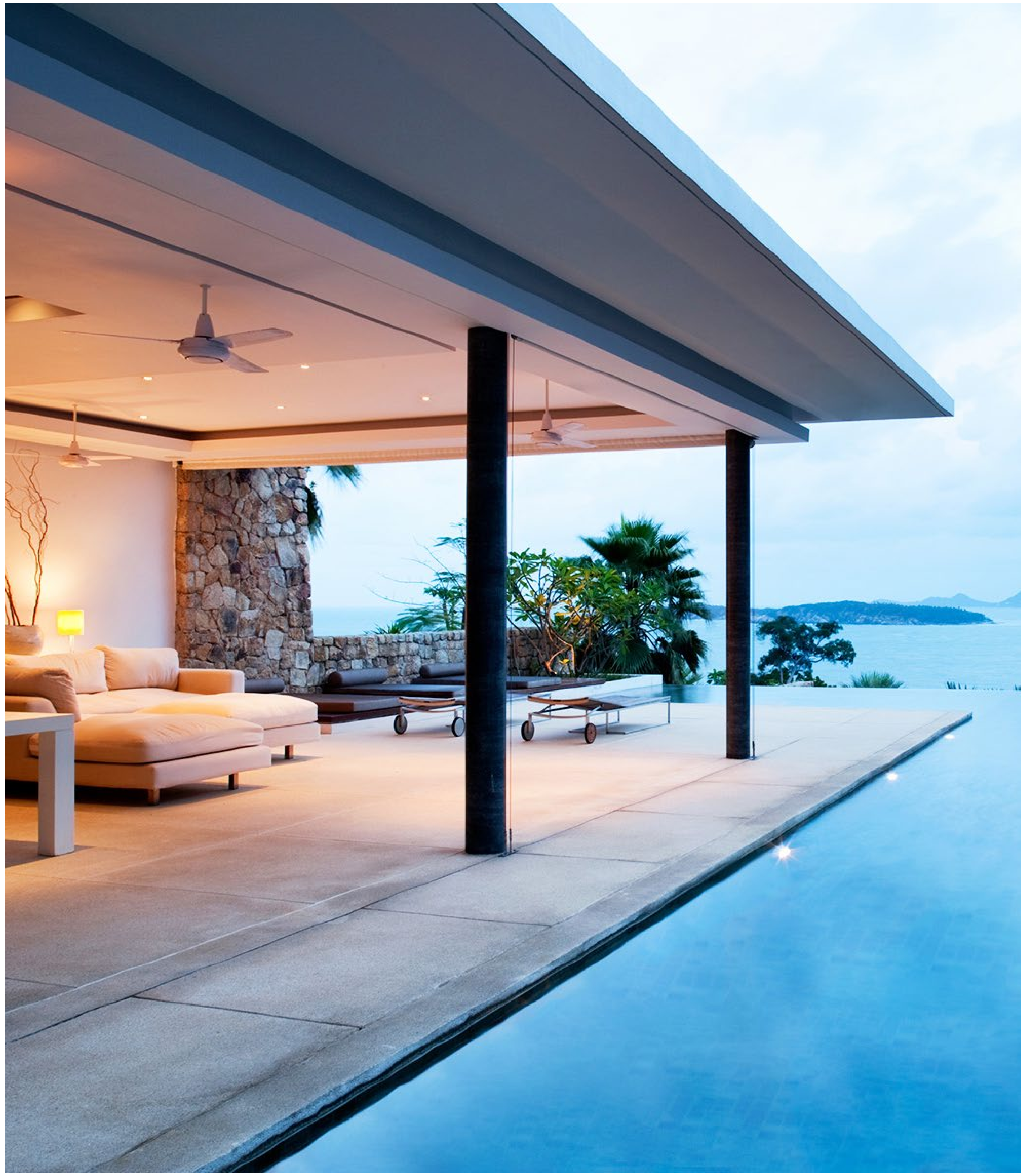
The government will not proceed with the reform to base HICBC on household incomes as proposed by the previous government.





PENSIONS BECOMING SUBJECT TO INHERITANCE TAX FROM 2027 IS A SIGNIFICANT CHANGE; THERE'LL NOW BE 40% CHARGE WHEN A PENSION IS PASSED TO SOMEONE OTHER THAN A SPOUSE, AND IF A PERSON IS OVER 75-YEARS-OLD WHEN THEY DIE, THEIR HEIRS WILL ALSO PAY INCOME TAX ON THE FUNDS RECEIVED. THIS PROPOSAL IS UNDER CONSULTATION BUT, IF PASSED, MANY FAMILIES WILL NEED TO SERIOUSLY RETHINK THEIR INHERITANCE PLANS."

Tina Sunderland
Partner



NON-UK DOMICILED INDIVIDUALS

Significant changes were announced to the tax regime relating to non-UK domiciled individuals. Broadly, from 6 April 2025, changes will be made to replace the remittance basis of taxation, which is based on domicile status, with a new tax regime based on residence. The new regime will provide 100% relief on foreign income and gains for new arrivals to the UK in their first four years of tax residence, provided they have not been UK tax resident in any of the ten consecutive years prior to their arrival.

The protection from tax on foreign income and gains arising within settlor-interested trust structures will no longer be available for non-domiciled and deemed domiciled individuals who do not qualify for the four-year foreign income and gains regime.

Transitionally, for CGT purposes, current and past remittance basis users will be able to rebase foreign assets they held on 5 April 2017 to their value at that date when they dispose of them.

Any foreign income and gains that arose on or before 5 April 2025, while an individual was taxed under the remittance basis, will continue to be taxed when remitted to the UK under the current rules. This includes remittances by those who are eligible for the new four-year foreign income and gains regime.

A Temporary Repatriation Facility (the Facility) will be available for individuals who have previously claimed the remittance basis. They will be able to designate and remit, at a reduced rate, foreign income and gains that arose prior to the changes. The Facility will be available for a limited period of three tax years, beginning in 2025/26. The Facility rate will be 12% for the first two years and 15% in the final tax year of operation.

The current domicile-based system of Inheritance Tax will be replaced with a new residence-based system, which will affect the scope of non-UK property brought into UK Inheritance Tax for individuals and trusts.

Overseas Workday Relief will be extended to four years to align with the new four-year foreign income and gains regime and will be subject to a financial limit on the amount of relief that can be claimed, namely the lower of £300,000 or 30% of an individual's total employment income.

We will publish a more detailed update on these changes.

CAPITAL TAXES

CAPITAL GAINS TAX RATES

The Capital Gains Tax rates will increase for disposals, other than residential property and carried interest, made on or after 30 October 2024. The basic rate of 10% will increase to 18% and the 20% rate will increase to 24%.

No changes will be made to the rates applying to the disposal of residential properties of 18% and 24%.

The rate applying to trustees and personal representatives will increase from 20% to 24% from the same date.

CAPITAL GAINS TAX ANNUAL EXEMPTION

The annual exempt amount will remain at £3,000 for 2025/26.

BUSINESS ASSET DISPOSAL RELIEF AND INVESTORS' RELIEF

The rate applying for individuals claiming Business Asset Disposal Relief and Investors' Relief will increase from 10% to 14% for disposals made on or after 6 April 2025. The rate will increase again to 18% for disposals made on or after 6 April 2026.

In addition, the lifetime limit for Investors' Relief will be reduced from £10 million to £1 million for qualifying disposals made on or after 30 October 2024. This limit takes into account any prior qualifying gains where the relief was claimed.

CARRIED INTEREST RATES AND REFORM

The rates that apply to carried interest of 18% and 28% will increase to a flat rate of 32%. This will apply to carried interest arising to an individual on or after 6 April 2025.

From April 2026, all carried interest will be taxed within the income tax framework. A multiplier of 72.5% will be applied to any qualifying interest brought within the charge.

REDUCING TAX-FREE OVERSEAS TRANSFERS OF TAX RELIEVED UK PENSIONS

The Overseas Transfer Charge (OTC) is a 25% tax charge on transfers to Qualifying Recognised Overseas Pension Schemes (QROPS), unless an exclusion from the charge applies. Transfers to QROPS established in the EEA and Gibraltar were included within the exclusion but this exclusion will no longer apply for such transfers made on or after 30 October 2024.

INHERITANCE TAX NIL RATE BANDS

The nil rate band has been frozen at £325,000 since 2009 and this will continue to be frozen up to 5 April 2030. An additional nil rate band, called the 'residence nil rate band' is also frozen at the current £175,000 level, as is the residence nil rate band taper starting at £2 million. These are also frozen until 5 April 2030.

UNUSED PENSION FUNDS AND DEATH BENEFITS

The government will bring unused pension funds and death benefits payable from a pension into a person's estate for inheritance tax purposes from 6 April 2027.

AGRICULTURAL PROPERTY RELIEF & BUSINESS PROPERTY RELIEF

From 6 April 2026, agricultural and business property will continue to benefit from the 100% Inheritance Tax relief up to a limit of £1 million. The limit is a combined limit for both agricultural and business property.

Property in excess of the limit will benefit from a 50% relief, as will, in all circumstances, quoted shares designated as 'not listed' on the markets of recognised stock exchanges, such as AIM.

OUR VIEW

Thankfully, increases to the main rates of Capital Gains Tax are not as high as many feared, up to 24%. However, entrepreneurs will be disappointed by CGT rate increases where 'Business Asset Disposal Relief' applies, up to 14% in April 2025 and 18% in April 2026.

As for 'non-doms', as widely anticipated, the concept of domicile and the remittance basis of taxation will be abolished, replaced by a residence-based system. Though there were some positives, there was very disappointing news in one of the accompanying technical notes, which will affect international families with non-UK trust structures. Broadly, the inheritance tax protections will be removed when the settlor becomes a long-term UK resident. We were hoping the government would soften their stance here.

And in an announcement likely to hit landlords hard, the stamp duty land tax 'additional property surcharge' was increased from 3% to 5%.

These and changes proposed to IHT are set to make a significant impact on our clients and, although some are under consultation, we will be working closely with individuals and families to ensure their finances are structured in the most efficient way possible.

KIERON CLEMENT-SMITH
DIRECTOR

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BUSINESS & CORPORATE

BUSINESS & CORPORATE

EMPLOYEES AND NATIONAL INSURANCE CONTRIBUTIONS (NICs)

From 6 April 2024 the main rate of Class 1 employee NICs is 8%. The employer rate is 13.8%.

The government announced that it will increase the employer rate from 13.8% to 15% from 6 April 2025.

The Secondary Threshold is the point at which employers become liable to pay NICs on an individual employee's earnings and is currently set at £9,100 a year. The government will reduce the Secondary Threshold to £5,000 a year from 6 April 2025 until 6 April 2028, and then increase it by Consumer Price Index (CPI) thereafter.

The Employment Allowance currently allows businesses with employer NICs bills of £100,000 or less in the previous tax year to deduct £5,000 from their employer NICs bill. From 6 April 2025, the government will increase the Employment Allowance from £5,000 to £10,500, and remove the £100,000 threshold for eligibility, expanding this to all eligible employers with employer NIC bills.

> "ACCORDING TO THE OBR, THE INCREASE TO EMPLOYERS' NICs WILL SEE AN AVERAGE TAX INCREASE OF MORE THAN £800 PER YEAR PER EMPLOYEE. IT FORECASTS THAT 920,000 EMPLOYERS WILL LOSE OUT FOLLOWING THE CHANGES, WHICH WILL ADD £26K ON AVERAGE TO THEIR NIC LIABILITIES."
>
> Steve Wren I Tax Partner

THE SELF-EMPLOYED AND NICs

The NIC rates for self-employed workers remain unchanged.

NATIONAL LIVING WAGE AND NATIONAL MINIMUM WAGE

The government has announced increased rates of the National Living Wage (NLW) and National Minimum Wage (NMW), which will come into force from 1 April 2025. The rates which will apply are as follows:

AGE	NLW	18–20	16–17	APPRENTICES
From 1 April 2025	£12.21	£10.00	£7.55	£7.55

The apprenticeship rate applies to apprentices under 19 or 19 and over in the first year of apprenticeship. The NLW applies to those aged 21 and over.

TAXABLE BENEFITS FOR COMPANY CARS

The rates of tax for company cars are amended for 2025/26:

- The charge for zero emission cars rises from 2% to 3%
- The charge for other cars increases by 1%
- The maximum benefit of 37% remains

The government has confirmed increases to the benefit in kind rates for company cars for tax years up to and including 2029/30.

CAR FUEL BENEFIT CHARGE

The government will uprate the car fuel benefit charge by CPI from 6 April 2025.

MANDATING THE REPORTING OF BENEFITS IN KIND VIA PAYROLL SOFTWARE

The government confirms that the use of payroll software to report and pay tax on benefits in kind will become mandatory, in phases, from April 2026. This will apply to income tax and Class 1A NICs. We will be writing to our payroll clients with further details towards the end of the year. There will be advantages to signing up early, so we will be encouraging clients to do so, if they are able to.

CORPORATION TAX RATES

The government has confirmed that the rates of Corporation Tax will remain unchanged, which means that, from April 2025, the rate will stay at 25% for companies with profits over £250,000. The 19% small profits rate will be payable by companies with profits of £50,000 or less. Currently, the UK has the lowest level of Corporation Tax in the G7.

CAPITAL ALLOWANCES

It's good news that capital allowances remain unchanged. The Full Expensing rules for companies allow a 100% write-off on qualifying expenditure on most plant and machinery (excluding cars), as long as it is new and unused. Similar rules apply to integral features and long-life assets at a rate of 50%. The government will explore extending Full Expensing to assets bought for leasing or hiring, when fiscal conditions allow.

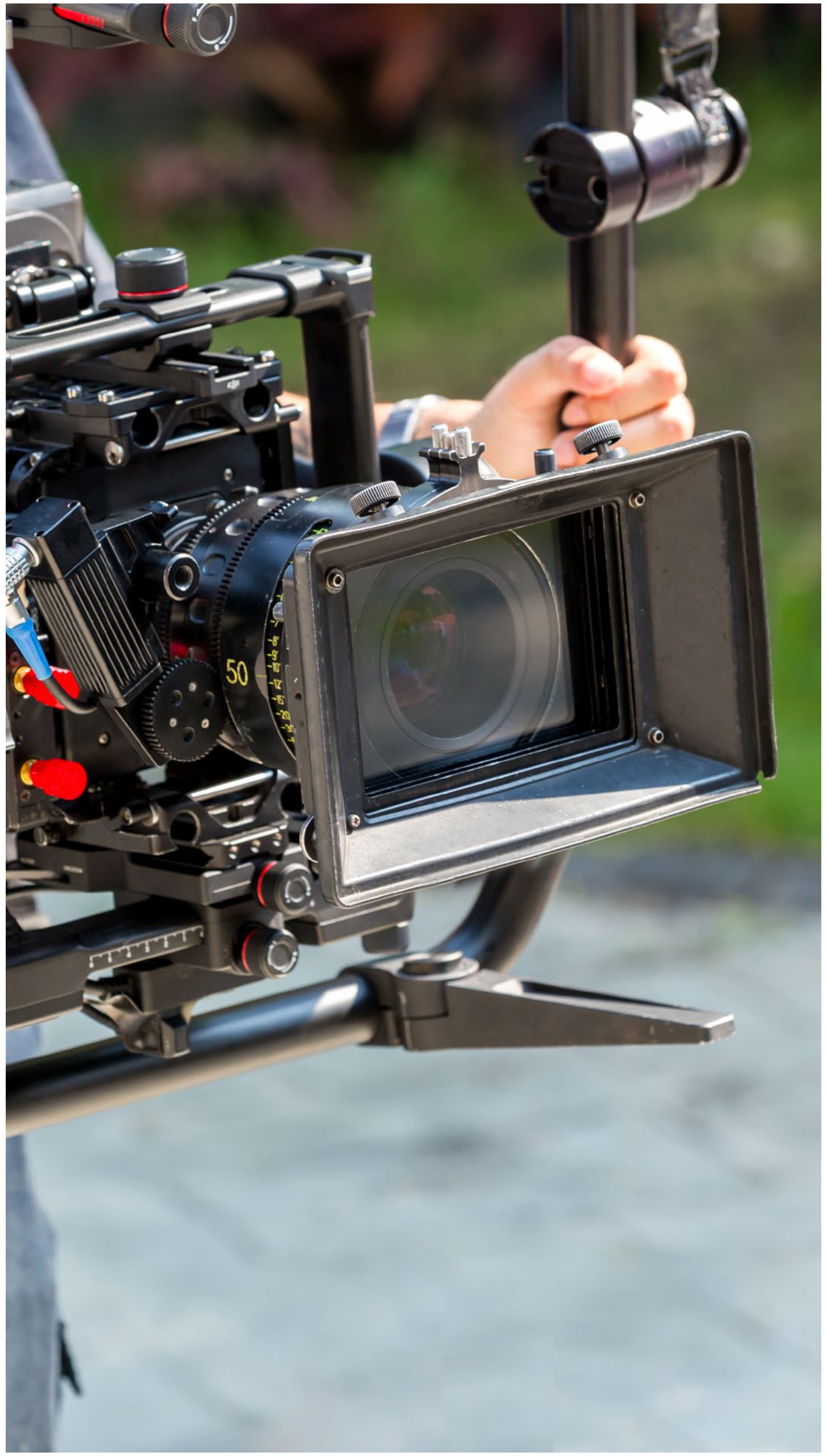
The Annual Investment Allowance is available to both incorporated and unincorporated businesses. It gives a 100% write-off on certain types of plant and machinery up to certain financial limits per 12-month period. The limit remains at £1 million.

The 100% First Year Allowances (FYA) for qualifying expenditure on zero-emission cars and the 100% FYA for qualifying expenditure on plant or machinery for electric vehicle charge points have been extended to 31 March 2026 for corporation tax purposes and 5 April 2026 for income tax purposes.

MULTINATIONAL

The government will introduce the Undertaxed Profits Rule, being the final part of the G20-OECD Global Minimum Tax agreed by over 135 countries and jurisdictions. It will take effect for accounting periods beginning on or after 31 December 2024. The government confirmed that the Offshore Receipts in Respect of Intangible Property rules will be abolished in respect of income arising from 31 December 2024.

Additional amendments will also be made to the Multinational Top-up Tax and Domestic Top-up Tax legislation.



BUSINESS RATES

For 2025/26, eligible retail, hospitality and leisure (RHL) properties in England will receive 40% relief on their business rates liability. RHL properties will be eligible to receive support up to a cash cap of £110,000 per business.

For 2025/26, the small business multiplier in England will be frozen at 49.9p. The standard multiplier will be increased to 55.5p.

CREATIVE INDUSTRIES

From 1 April 2025, film and high-end TV productions will be able to claim an enhanced 39% rate of Audio-Visual Expenditure Credit (AVEC) on their UK visual effects (VFX) costs. UK VFX costs will be exempt from the AVEC's 80% cap on qualifying expenditure. Costs incurred from 1 January 2025 will be eligible.

UK films with budgets under £15 million and a UK lead writer or director will be able to claim an enhanced 53% rate of AVEC from 1 April 2025. This is known as the Independent Film Tax Credit.

From 1 April 2025, the rates of Theatre Tax Relief, Orchestra Tax Relief and Museums and Galleries Exhibitions Tax Relief will be set at 40% for non-touring productions and 45% for touring productions and all orchestra productions, applying UK-wide.

FURNISHED HOLIDAY LETTINGS

The Furnished Holiday Lettings (FHL) tax regime will be abolished from April 2025. The effect of abolishing the rules will be that FHL properties will form part of the person's UK or overseas property business and be subject to the same rules as non-furnished holiday let property businesses. This will apply to individuals, corporates and trusts who operate or sell FHL accommodation.

There are several implications from 2025/26, which are detailed below:

- Pensions – individuals will no longer be able to include this income within relevant UK earnings when calculating maximum pension relief.
- Dwelling-related loans – the amount of income tax relief landlords can receive on residential property finance costs is restricted to the basic rate of income tax of 20%.
- Replacement of domestic items – capital allowances will no longer be available for expenditure on new plant and machinery (subject to transitional rules) but instead businesses may claim relief on the replacement of certain items.
- Capital gains – the rules which allowed FHL to be treated as a trade for various capital gains tax reliefs are withdrawn in relation to disposals made on or after 6 April 2025 (1 April 2025 for Corporation Tax). Roll-over relief on the replacement of business assets will no longer apply to acquisitions which take place on or after those dates. However, there are several detailed transitional rules to preserve certain reliefs, such as Business Asset Disposal Relief in specific situations.
- Losses – broadly, any unused losses can be carried forward to set against future years' profits of either the UK or overseas property business, as appropriate.

OUR VIEW

Whilst the increase in Employers' National Insurance Contributions was mentioned before the Budget speech, it is significant that it accounts for more than half of the £40 billion in tax rises. This rise, together with the increase in the national minimum wage, will significantly impact employers.

Time will tell how this will affect wages and investment, but with existing salary sacrifice arrangements remaining unchanged, I would expect these and employee share schemes to increase in popularity as a way to reward and incentivise staff.

We will work closely with our business clients to guide them through the changes and find the most tax efficient way forward.

JANICE LLOYD
PARTNER

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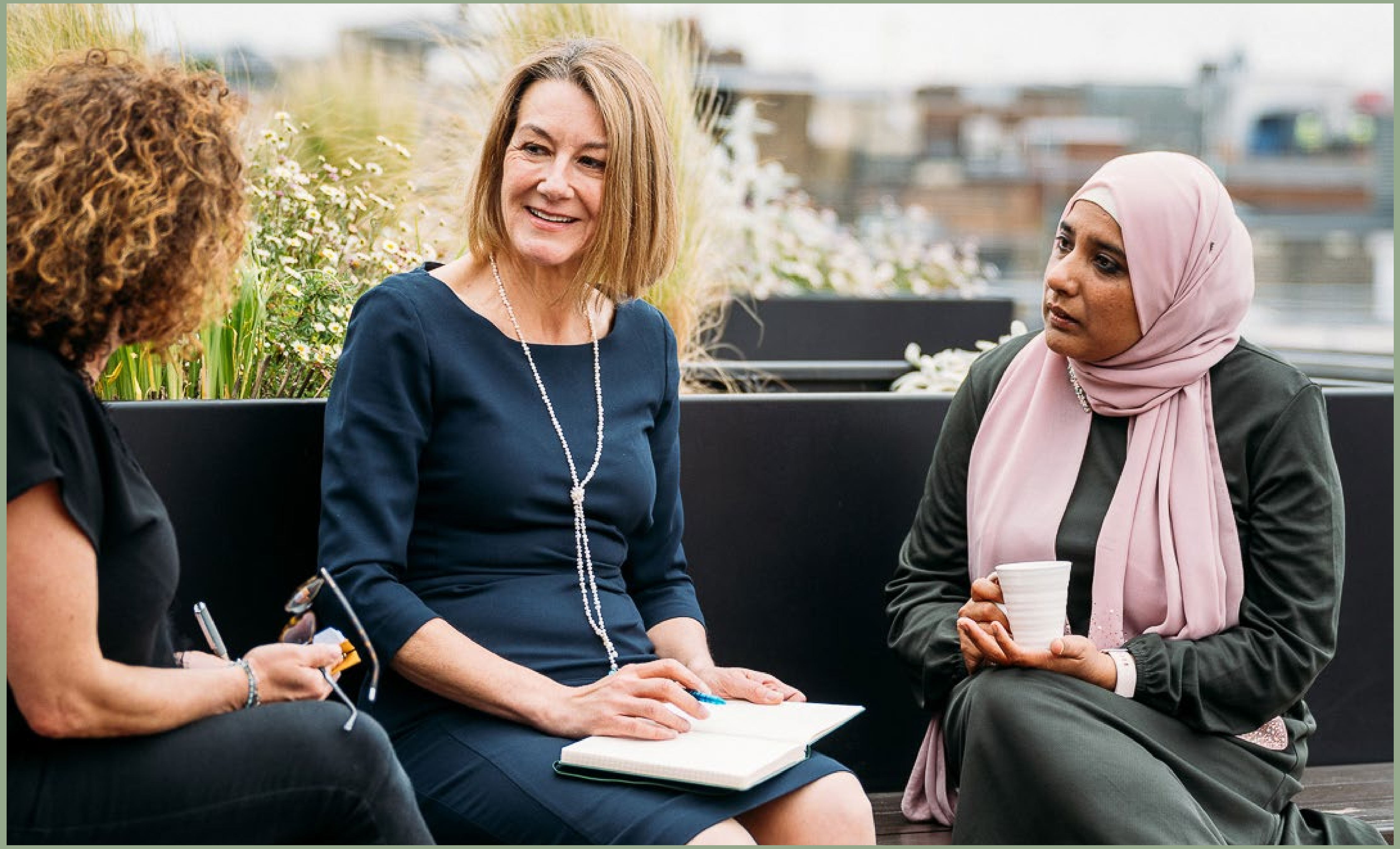
OTHER TAX MATTERS



OTHER TAX MATTERS

THE VAT REGISTRATION THRESHOLD

From 1 April 2025 the VAT registration threshold remains at £90,000 and the deregistration threshold at £88,000.

REMOVAL OF VAT EXEMPTION FOR PRIVATE SCHOOL FEES

Private school fees for education, boarding and vocational training will no longer benefit from VAT exemption and will be subject to VAT at the standard rate (20%). The change will apply to terms beginning on or after 1 January 2025 although certain prepayments made after 29 July 2024 will also be included. The removal of business rates relief for private schools from April 2025, could prompt private schools to increase fees further.

STAMP DUTY LAND TAX CHANGES

Individuals who purchase additional residential properties, such as second homes or buy-to-let properties, in England and Northern Ireland, generally pay Stamp Duty Land Tax (SDLT) at 3% above the standard SDLT rates. This rate is increased to 5% for transactions with an effective date (usually the date of completion) on or after 31 October 2024.

Similar changes are made for companies and other "non-natural persons" purchasing residential property in England and Northern Ireland.

In addition, there is also an increase in the single rate of SDLT payable by companies and other non-natural persons when purchasing residential properties worth more than £500,000, from 15% to 17%, from the same date.

MAKING TAX DIGITAL FOR INCOME TAX SELF-ASSESSMENT

The government is committed to delivering Making Tax Digital for Income Tax Self-Assessment, which is supposed to start in April 2026.

It will expand the rollout of the programme to those with incomes over £20,000 by the end of this Parliament and will set out the precise timing for this at a future fiscal event. We will be writing to our Self-Assessment clients with further details once this timetable has been confirmed, which is likely to be in 2025.

OTHER CHANGES

HMRC has announced a variety of compliance initiatives, which include the following:

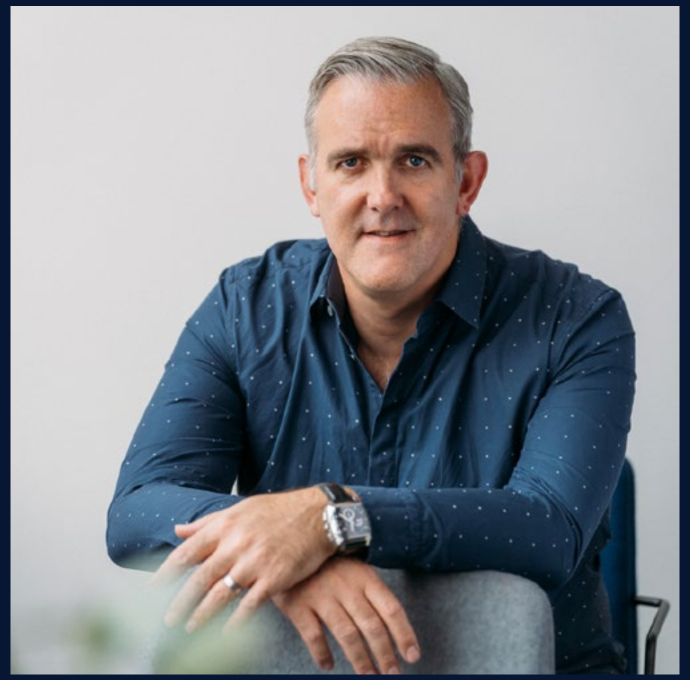
- Investing in additional HMRC compliance staff and debt management staff
- Modernising HMRC debt management IT systems
- Pre-populating tax returns with Child Benefit data (for the purposes of the High Income Child Benefit Charge)
- Increasing the late payment interest rate charged by HMRC on unpaid tax liabilities by 1.5%.

> "THE CHANGE TO INCREASE THE HIGHER RATES OF SDLT FOR INVESTMENT PROPERTIES IS A REVENUE RAISER BUT ALSO AN ATTEMPT TO COOL THIS AREA OF THE MARKET AND FREE UP STOCK FOR FIRST TIME BUYERS. THERE HAVE BEEN MANY SUCH INITIATIVES, BUT WE WILL SEE IF THIS, TOGETHER WITH INCREASES IN CGT, HAS ANY EFFECT IN THE COMING PERIOD."
>
> Janice Lloyd I Partner

LET'S BE CLEAR, THIS WAS A BUDGET OF REAL SIGNIFICANCE, WITH SOME SEISMIC CHANGES ANNOUNCED FOR THIS YEAR AND THE YEARS TO COME. BUSINESSES WILL CARRY THE CAN AT LEAST INITIALLY, BUT CHANGES IN THE NON-DOM RULES AND INHERITANCE TAX REFORMS SHOULD NOT BE UNDERESTIMATED AND WILL HAVE A BIG IMPACT ON CLIENTS' FUTURE PLANNING."

Steve Wren
Tax Partner

SPECIALIST CONTACTS



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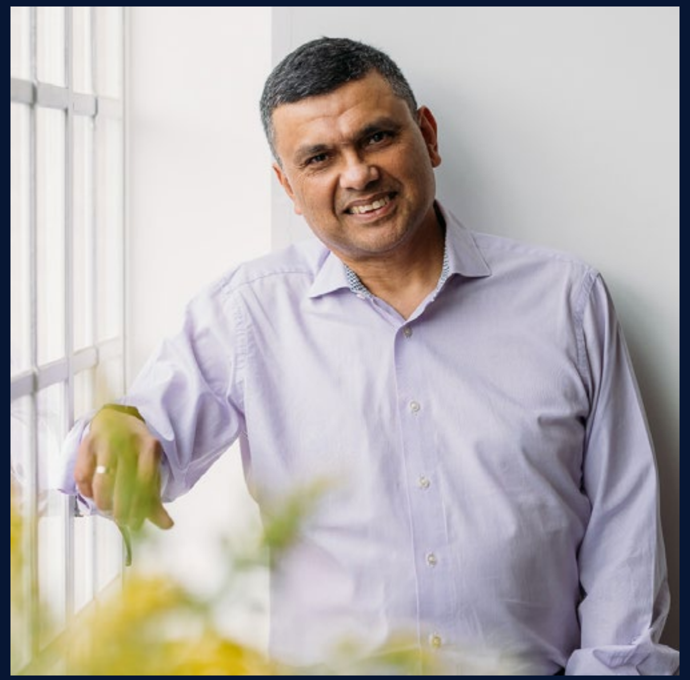

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