

# Budget

30 October 2024

On Wednesday, Chancellor Rachel Reeves unveiled the government's tax and spending plans in the House of Commons.

The key announcements covered were:

- The main rate of class 1 employer **National Insurance contributions (NICs)** will be increased from 13.8% to 15.0% with effect from 6 April 2025 and the secondary threshold at which employer NICs are payable will be reduced from £9,100 to £5,000.
- The main rates of **Capital Gains Tax** will increase with immediate effect to 18% for non and basic rate taxpayers and 24% for higher and additional rate taxpayers. The rate for business asset disposal relief will rise to 14% for 2025/26 and 18% from 2026/27.
- **Inheritance Tax (IHT)** business and agricultural 100% reliefs will be capped at a combined total of £1 million from April 2026. Above that, the rate of tax relief will be 50%. However, the cap will not apply to unlisted shares, such as Aim which will only qualify for 50% relief.
- Unused **pension funds** and **pension death benefits** will form part of a person's estate for IHT purposes from 6 April 2027.
- The additional **Stamp Duty Land Tax (SDLT)** rate for second homes and buy-to-let properties increases from 3% to 5% from 31 October 2024. The temporary increases in the 0% SDLT band for first time and other property buyers will end on 31 March 2025.
- VAT at 20% will be applied to **private school education** and boarding services from 1 January 2025. From 1 April 2025, charitable relief for English business rates will be withdrawn.
- Subscription limits for **Individual Savings Accounts (ISAs), Junior ISAs** and Lifetime ISAs will be frozen until April 2030.

The information in this document should not be taken as financial advice or a recommendation and is based on our current understanding of HMRC tax regulations in the UK.

Tax treatment depends on your individual circumstances which could change in the future. We do not offer tax advice and you should speak to a tax adviser if you're unsure.

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## Introduction

The first Budget from a Labour government since March 2010, and the first ever from a female Chancellor, proved to be the defining event that had been widely anticipated. From the moment in late July when Rachel Reeves unveiled her “£22 billion black hole” and announced means-testing for the winter fuel payment, it was clear her Budget premiere would be a challenging one for both the government and the governed.

As Budget Day neared, talk of the black hole was replaced by a steady flow of rumours about tax increases and also, to a lesser extent spending cuts, totalling as much as £40 billion. In addition, there were suggestions that government borrowing – already overshooting the March 2024 Budget projections by around £7 billion – would rise by £20 billion to fund NHS and infrastructure projects.

In the event, the Chancellor delivered tax increases amounting to £41 billion by 2029/30. By far the largest element of this was the expected rise in employer’s National Insurance contributions (NICs). The 1.2 percentage point rate increase, combined with a £4,100 cut in the secondary threshold will yield nearly £25 billion a year by 2028/29. At that level it more than counters the cost of the cuts to employee and self-employed NICs introduced by Jeremy Hunt.

Other significant tax increases included higher Capital Gains Tax rates and a future reduction in Inheritance Tax business and agricultural reliefs. Despite the additional revenue, the Office for Budget Responsibility (OBR) projects that increased spending will mean that borrowing will still be over £70 billion in 2029/30. Not without reason does the OBR say, “...this Budget delivers a large, sustained increase in spending, taxation, and borrowing”.

# Autumn Budget: 2024 – How might it affect my finances?

A summary of the Autumn Budget announcements and what it means for your finances.

## Faye Church | Senior Financial Planning Director:

In one of the most anticipated Budgets in recent history, Chancellor Rachel Reeves raised £40 billion of taxes, which will fall predominantly on businesses and the wealthy. With a Labour manifesto that promised to protect “working people” and boost economic stability and growth, there was much speculation over how the £22 billion black hole in the nation’s finances would be filled.

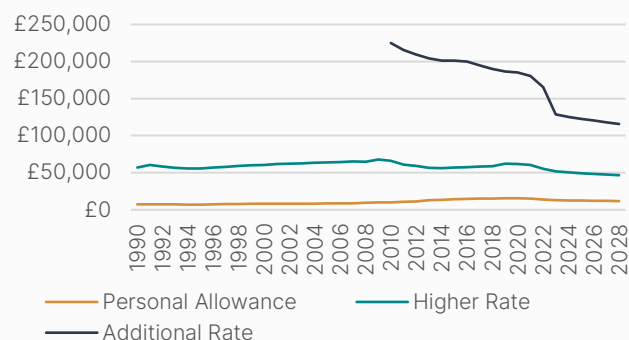
Increases in Income Tax, VAT and National Insurance (NI) were explicitly ruled out in the government’s manifesto, all of which could have gone a long way to solving the problem. Instead, the government had to make hefty increases to taxes that historically have generated modest amounts of revenue, but paid by those who are deemed to have the broadest shoulders.

Meanwhile, the Chancellor has changed the fiscal rules inherited from the last Conservative government which constrain the amount the government can borrow. One of those rules is that the nation’s debts relative to GDP must fall over the five-year parliamentary term. By using a broader measure of net public debt – all the nation’s liabilities less its assets – which includes relatively more assets (like, for instance, student loans, public sector pension funds and equity stakes in private companies) than liabilities, it creates more headroom to borrow. The government is using this to borrow £142bn over the next five years, and will use £100bn for public investment.

## Income Tax

Despite honouring the election pledge to “not increase taxes on working people”, continuing with the freeze to tax-free allowances and tax-rate thresholds implemented by the former Conservative government will mean working people will continue to pay more tax. However, the Chancellor has pledged to raise the thresholds by inflation from April 2028. As inflation has reduced the value of a pound, more people have crept into higher bands as wages increased to keep up with the rising cost of living. As you can see from the chart below, the initial £150,000 threshold for Additional Rate tax that was implemented in 2010 would be the equivalent of £225,000 today. The return to inflation uplifts for thresholds is welcome, but there’s a long way to go to rebuild them.

### Real income tax thresholds in today's prices



Source: HMRC and ONS; thresholds adjusted by CPI to Q2 2024; 2025 to 2028 assuming 2% inflation.

This reinforces the importance of reducing your taxable income wherever possible. Working people can do this by saving more into their pension, which is deposited before tax. This avoids both Income Tax and NI, so the savings can be significant. Married people can shift income from one spouse to another, although the rules are complicated, so advice is a necessity. Everyone can reduce their taxable income by giving to charity as well. Any interest-paying investments held outside an ISA also count as income, so be careful that they don’t tip you over into a higher tax band. These could be swapped for lower-yielding alternatives, but there may be broader investment implications on doing this, so always speak to your adviser.

People approaching an income of £100,000 should be extra careful. Because of quirks in how the tax-free allowance is tapered, the effective tax rate paid between £100,000 and £125,140 is 60% (in Scotland, it’s even higher at 68%). It is more punitive for parents with young children: the Child Benefit is tapered to nothing between £60,000 and £80,000 and if one spouse earns more than £100,000, they lose the annual £2,000 Tax-Free Childcare Payment per child as well.

Investing in alternative investment vehicles, such as Venture Capital Trusts and the Enterprise Investment Scheme, can also give you an element of Income Tax relief on investment. However, these are higher risk and should not be invested in unless you are prepared to lose all of the money you invest. Again, we would urge you to seek advice before making any such decisions.

## Capital Gains Tax

Capital Gains Tax (CGT) rates are still at a historic low, so an increase in CGT rates was viewed as a done deal heading into Labour’s first Budget; the question was only by how much. Everything from a small increase to an alignment to marginal Income Tax rates had been bandied around, so the Chancellor’s increases aren’t as bad as they could have been. From 30 October, the main rates of CGT rise from 10% to 18% for lower rate payers and from 20% to 24% for higher rate payers. The basic rate taxpayer will pay almost twice as much CGT as before, with the effective rate on the £5,100 average gain rising from 4.1% to 7.4%.

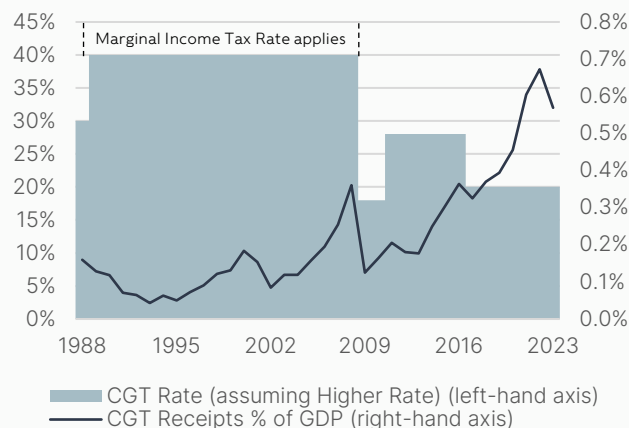
There were a lot of transactions, particularly in real estate, in anticipation of an increase in CGT rates. Crystallising gains at lower rates ahead of 30 October will likely create a big boost to the tax take in the first year. But if the increase in rates is too onerous, the danger is that it will encourage investors to change their behaviour to mitigate paying tax and therefore a potential loss of revenue (and dampened investment). Exactly where that level is, however, can only really be known in hindsight.

Business Asset Disposal Relief is an important CGT relief available to individual businessowners who are planning their retirement, or a sale or exit from their business. If a disposal qualifies for this relief, the tax on the gain will increase from 10% to 14% from next year and again in 2026 to 18%.

(Continued)

Faye Church, Senior Financial Planning Director:

### Main capital gains tax rate, and take as proportion of GDP



Source: HMRC, ONS, Rathbones.

### National Insurance

While increases to employee NI Contributions (NICs) were ruled out, employer NICs have appeared to be fair game. Employers currently pay NI on top of employees' earnings above £9,100 at 13.8%. Because Employer NICs don't appear on your pay slip, it's easier for the government to push increases that could go unnoticed, it makes it a helpful tax for politicians. From 6 April, the Chancellor is increasing Employer NICs by 1.2 percentage points to 15%, reducing the threshold for Employer NICs to £5,000 and adjusting the allowance cap. Reeves expects the changes will generate an additional £122bn in revenue over this Parliament. Increasing employer NICs makes it more expensive to employ staff, which in turn could lead to slower jobs growth, stagnant wages or job cuts.

### Inheritance Tax

For what is perhaps the most loathed tax on the statute books, IHT doesn't actually raise all that much revenue. Only £7.5bn is forecast for the current tax year, according to the OBR. That's less than 1% of all government receipts. Of course, that small amount is levied from a small share of the population. However, as thresholds were frozen and older people became wealthier, many more people have been caught in the net. The Institute for Fiscal Studies (IFS) believes the number of estates liable for IHT will rise to 7% by 2032-33. It was less than 4% in 2020-21. The property market means that will be heavily skewed, with the IFS estimating that almost a quarter of all Londoners (or their surviving spouse) will pay IHT in 10 years' time, compared with roughly 5% in the North East.

Inheritance Tax thresholds have been frozen since 2009, although the Residence Nil Rate Band was introduced in 2017-18 to mitigate a main home from becoming subject to IHT. It has subsequently increased to £175,000, which brings the tax-free element of a couple's estate up to £1 million. However, that level of relief is now frozen until April 2030. As silly as it sounds, £1 million isn't what it used to be. Financial advice and IHT planning could help you avoid falling into this net.

There were fears ahead of the Budget that Business Property Relief and Agricultural Property Relief would

be repealed. Before, all eligible assets were exempt from IHT as long as they had been held for at least two years. Now, a £1 million nil-rate band will be implemented for eligible assets, with anything over that taxed at half the usual IHT rate (so, at 20%). As for AIM stocks that are eligible for Business Property Relief, they will not benefit from the £1m nil-rate band; instead IHT will be levied on the total value at the reduced 20% rate.

### Pensions

The Lifetime Allowance was abolished by former Chancellor Jeremy Hunt at the last Budget. That said, a caveat in the small print limited the amount of tax-free cash that could be taken as a lump sum to £268,275 (25% of the old Lifetime Allowance). There was huge speculation in the lead up to this Budget that tax-free lump sums would be limited further, which would have been a very bold move. Instead, the Chancellor retained the status quo.

The government also ruled out reducing the higher rates of tax relief on pension contributions, following a warning from the unions stating it would adversely affect many of their members and wipe out the recent pay increases. The introduction of a flat rate of 30% for everyone or removing the 40% rate of tax relief completely could have generated £2.7bn and £10bn of revenue respectively each year.

More importantly, pensions will be brought back into the estate again from April 2027. They used to be exempt from IHT, allowing people to pass them on unfettered. We believe this will increase the amount of estates liable for Inheritance Tax by almost a quarter. A lot of our clients use their pensions as IHT vehicles, so it's important to revisit these plans now the goalposts have been shifted.

### State Pensions

We all know that the State Pension is costly to provide. The International Longevity Centre has suggested that State Pension age needs to rise to 70/71 by 2050 to remain affordable. With the triple-lock annual increases of the higher of 2.5%, inflation or earnings growth, it has become even more expensive. The State Pension has increased 8.5%, 10.1% and 3.1% over the previous three years. The triple lock is here to stay and the new rate of State Pension will be close to £12,000 per year, not far off the £12,570 Personal Allowance. At relatively mild levels of inflation, the state pension is likely to exceed the Personal Allowance by 2028, meaning that if this doesn't increase as expected a huge number of pensioners will pay tax.

### Dividend Tax

The Dividend allowance has been left at the almost rock bottom level of £500, having been steadily cut from the £5,000 of 2017-18. Some had speculated that taxes on dividends would be aligned with Income Tax (like interest on savings and bonds). That would have been a very unpopular move and could have discouraged investment in the UK stock market. Making sure dividend-producing assets are held in tax-efficient vehicles will help to reduce the tax paid on dividends that fall above the dividend allowance.

**(Continued)**

**Faye Church, Senior Financial Planning Director:**

### **Corporation Tax**

The fourth big tax freeze alongside Income Tax, NICs and VAT is Corporation Tax, which the Chancellor has pledged to cap at 25%, its current rate, for the duration of this Parliament. It's hoped that this certainty will provide some stability and support to businesses as they grow.

### **Non-Dom Tax**

Several measures had been under consultation prior to the Budget to try to crack down on tax avoidance. The whole concept of domicile will be removed from the tax code. The government will be releasing details later.

### **Carried Interest Tax**

Private Equity fund managers were already aware that their loophole of taxing part of their earnings, or carried interest, as capital gains rather than income was under threat. This will be raised to 32% from April and will generate an insignificant £300m a year by 2028-29.

### **School Fees**

In a heavily trailed policy, the government has confirmed it will go ahead with the introduced VAT on private school fees. This is expected to raise £1.6bn in tax revenue each year, which is to be spent on state education, including the hiring of 6,500 more teachers.

### **Stamp Duty**

The surcharge on stamp duty applied on additional homes rises from 3% to 5% on 31 October. The levy on properties worth more than £500,000 that are bought by companies will also increase, from 15% to 17%.

### **DIY is for homes, not taxes**

There's a great deal of detail to digest from this Budget and this note can only address the initial headlines. Over the coming weeks, we will provide more detail on the various changes. Tax policy is fiendishly complicated and the rules change often. Tax treatments depend on your personal circumstances as well, which also change. It's important to speak with a tax adviser if you're unsure. Please get in touch with your usual contact with any individual questions and concerns.

# Autumn Budget: 2024 – Labour hits reset

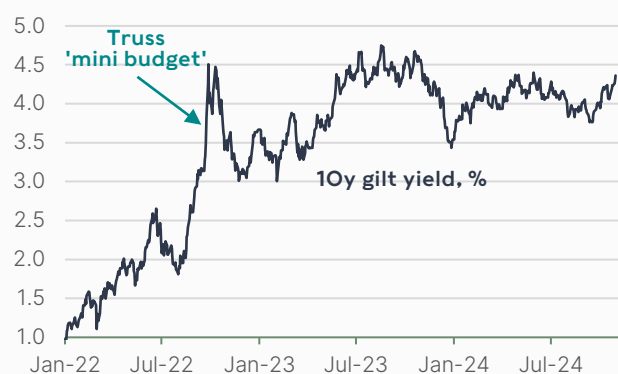
**Oliver Jones | Head of Asset Allocation:**

## Big changes to taxes, spending and the fiscal rules

Rachel Reeves used her long-awaited first Budget to hit reset, with big increases in tax and spending alongside a major change to the fiscal rules. While there are significant implications for individuals' financial planning as capital gains and inheritance tax change, this article focuses on the potential effects on the UK economy and financial markets.

The UK government bond (gilt) market initially reacted poorly to the Chancellor's intention to borrow an extra £32 billion annually (1% of GDP) over the next five years, since it represents a substantial loosening of fiscal policy. Combined with the announcement of a larger-than-expected increase in the minimum wage, that's increased inflation expectations and the government's cost of borrowing. But the move should be seen in context. It's not in the same league as the extreme volatility in the market around the 'mini budget' debacle under former Prime Minister Liz Truss (figure 1), and there's far more to reassure bond investors in the Chancellor's plans this time around.

### 10-year gilt yields (%)



Source: LSEG, Rathbones.

### Making room for growth

The additional borrowing, facilitated by a change in the debt measure used in Reeves' key fiscal rule, will primarily be used to fund investment in the UK's creaking public services. There's now a strong consensus that investment was cut by too much during the 2010s, ultimately making the public finances less, not more, sustainable. Investment in the UK more generally has long lagged the rates in other major developed countries. That's why bodies like the IMF and OECD have been calling for an increase in public investment. The change to boost investment is therefore in step with the international consensus, in stark contrast to the Truss episode. The Chancellor highlighted the health service as an area for investment, which makes sense given the evidence that record waiting lists are taking a toll on the economy. The number of people out of the labour force due to long-term ill health is about 750,000 higher than before the pandemic, for example.

Importantly, the Chancellor has also emphasised that there will be independent guardrails on the public finances, and particularly on investment spending, as she changes her fiscal rules. She has embraced the

scrutiny of the Office for Budgetary Responsibility and established several new measures to ensure value for money in government spending – again in contrast to the Truss experience.

Otherwise, the big tax increases announced by the Chancellor to fund higher day-to-day spending represent fiscal reality biting, after a period in which neither major political party has been straightforward with the electorate about the public finances.

The cuts to National Insurance in the last Budget and Autumn Statement were feasible within the fiscal rules at the time only because of planned restraint in public spending and investment. Such restraint would have amounted to 'austerity 2.0' had it been implemented. Given the state of public services, it would have been near-impossible for any government to deliver on these spending plans. Indeed, the independent Institute for Fiscal Studies dubbed them "fiscal fiction". Yet neither the Conservatives nor Labour were willing to address the issue ahead of the election, preferring to wait until afterwards to engage in a war of words over the so-called "black hole".

In that context, it's no surprise that taxes have increased, with the Chancellor trying to raise about £40bn. The biggest revenue raiser, the decision to increase employers' National Insurance rate, is just a reversal, indirectly, of previous Chancellor Jeremy Hunt's cut to the employees' rate at the last Budget. Higher taxes are the reality of funding the level of public services which voters expect in the context of the UK's aging population and slow growth rate.

The key challenge for the Chancellor is to tax in a way which does as little damage as possible to the UK's attractiveness for private investment and therefore its long-term growth prospects. In that context, the announcements of higher rates of Capital Gains Tax and changes to Business Asset Disposal Relief (relief from taxes on capital gains for individual business owners who are planning their retirement, or a sale or exit from their business) were disappointing. The good news is that they weren't as bad as the much-larger increases that had reportedly been considered.

### A step in the right direction

For businesses, it's positive that the government has provided certainty by capping the corporate tax rate, while retaining policies like the 'full expensing' of certain business investment, the annual investment allowance and schemes to encourage research and development and patent creation. But there were a couple of things that we would also have liked to see to complement the commitment to public investment: new measures to encourage further private investment – such as extending the full expensing in the first year of investments to include training and intangible assets; and expedited reform of business rates to encourage the upgrading of premises. More generally, we're still waiting for the full details of the government's broader strategy to catalyse investment, including its intentions for planning reform and the specifics of its new industrial strategy.

The government has shown that it at least recognises the importance of reviving investment. But the devil will be in the detail when it comes to its strategy.

# Personal tax

## Income tax

The personal allowance for 2025/26 will remain at £12,570 and the higher rate threshold will stay at £50,270. The freeze on both will end from April 2028, when indexation will resume.

## Savings rate band

The 0% band for the starting rate for savings income for 2025/26 will remain at its current level of £5,000.



**SAVER - Don't lose your personal allowance.** Your personal allowance of £12,570 is reduced by £1 for every £2 of income between £100,000 and £125,140. You may be able to make a pension contribution or charitable gift to bring your income below £100,000.

## Dividend tax

The dividend allowance will remain at £500 for 2025/26 and the rates of tax on dividends will also be unchanged.

## National Insurance contributions (NICs)

The class 1 secondary (employer) contribution rate on earnings above the reduced secondary threshold (ST) of £5,000 will be increased from 13.8% to 15.0% from 6 April 2025. The employment allowance will rise from £5,000 to £10,500 for 2025/26 and the £100,000 upper threshold for eligibility will be removed. Employer NICs relief for hiring qualifying veterans will be extended to 5 April 2026.

The ST will be reduced to £5,000 from 6 April 2025 until 5 April 2028 and be index-linked in line with CPI thereafter. The upper earnings limit, upper secondary thresholds and upper profits limit will remain aligned to the unchanged higher rate threshold at £50,270 for 2025/26. Similarly, the class 1 primary threshold of £12,570 will remain unchanged.

For 2025/26, the lower earnings limit will increase to £6,500 and the small profits threshold (SPT) will rise to £6,845. The upper earnings limit and class 4 upper profits limit will remain aligned to the higher rate threshold at £50,270 through to April 2028.

Class 2 contributions are no longer required from the self-employed, but those with profits below the SPT who wish to retain access to contributory benefits (e.g. state pension) have the option to make voluntary contributions at an increased rate of £3.50 a week for 2025/26. The voluntary class 3 rate will rise to £17.75 a week for 2025/26.

## High income child benefit charge (HICBC)

The previous government's proposal to base the HICBC on household incomes has been abandoned. Employed individuals will be able to pay their HICBC through their tax code from 2025, and self-assessment tax returns will be pre-populated with child benefit data for those not using this service.

## Company car tax

The company car tax rates for 2025/26 will generally increase. As announced in the Autumn Statement 2022, the appropriate percentage (AP) rates for electric and

ultra-low emission cars will increase by one percentage point in each of 2025/26, 2026/27 and 2027/28. These will be subject to a maximum of 5% for electric cars and 21% for ultra-low emission cars.

The rates for all other bands of vehicles will be increased by one percentage point for 2025/26 up to a maximum AP of 37%; they will then be fixed for 2026/27 and 2027/28.

For 2028/29 and 2029/30, the AP for zero-emission and electric vehicles will increase by two percentage points a year to 9%. For cars with CO2 emissions of 1-50g/km, including hybrid vehicles, the AP will rise to 18% in 2028/29 and to 19% in 2029/30. The APs for all other vehicle bands will increase by one percentage point a year in 2028/29 and 2029/30. The maximum AP will also rise by one percentage point each year to 38% for 2028/29 and 39% for 2029/30.



**SAVER - The tax on most company cars will increase in April 2025** and in each of the following two years. If you are changing cars soon, make sure you are aware of the impact on your tax.

## Changes to the taxation of non-UK domiciled individuals

The remittance basis of taxation for non-UK domiciled individuals will be replaced from 6 April 2025 with a residence-based regime. Individuals who opt into the new regime will not pay UK tax on any foreign income and gains arising in their first four years of tax residence. The previous government's proposal of a 50% reduction in foreign income subject to tax in the first year of the new regime will not go ahead.

For CGT purposes, current and past users of the remittance basis will be able to rebase personally-held foreign assets to 5 April 2017 on a disposal where certain conditions are met.

A new residence-based system for IHT will be introduced from 6 April 2025, aimed at ending the use of offshore trusts (excluded property trusts) to shelter assets from IHT.

The temporary repatriation facility will be extended to three years, expanding the scope to offshore structures, and simplifying the mixed fund rules.

Overseas workday relief will be retained and reformed, with the relief extended to a four-year period and the need to keep the income offshore removed. The amount claimed annually will be limited to the lower of £300,000 or 30% of the employee's net employment income.

## Loan charge review

An independent review of the loan charge will be commissioned by the government. Further details will be set out in due course.

Main personal allowances and reliefs	2025/26	2024/25
Personal allowance <sup>1</sup>	£12,570	£12,570
Marriage/civil partners' transferable allowance	£1,260	£1,260
Married couple's/civil partners' allowance at 10% <sup>2</sup> (if at least one born before 6/4/35)	– maximum	£11,080
	– minimum	£4,280
Blind person's allowance	£3,130	£3,070
Rent-a-room relief	£7,500	£7,500
Property allowance and trading allowance (each)	£1,000	£1,000

<sup>1</sup> Personal allowance reduced by £1 for every £2 of adjusted net income over £100,000.

<sup>2</sup> Reduced by £1 for every £2 of adjusted net income over £37,000 (£34,600 for 2023/24), until the minimum is reached.

Income tax rates and bands	2025/26	2024/25
<b>UK taxpayers excluding Scottish taxpayers' non-dividend, non-savings income</b>		
20% basic rate on taxable income up to	£37,700	£37,700
40% higher rate on next slice over	£37,700	£37,700
45% additional rate on income over	£125,140	£125,140
<b>All UK taxpayers</b>		
Starting rate at 0% on band of savings income up to <sup>3</sup>	£5,000	£5,000
Personal savings allowance at 0%: basic rate taxpayers	£1,000	£1,000
	higher rate taxpayers	£500
	additional rate taxpayers	£0
<b>Basic rate taxpayers</b>		
Dividend allowance at 0% – all individuals	£500	£500
Tax rates on dividend income: basic rate taxpayers	8.75%	8.75%
	higher rate taxpayers	33.75%
	additional rate taxpayers	39.35%

<sup>3</sup> Not available if taxable non-savings income exceeds the starting rate band.

Scottish taxpayers' non-dividend, non-savings income	2025/26	2024/25
19% starter rate on taxable income up to	TBA	£2,306
20% basic rate on next slice up to	TBA	£13,991
21% intermediate rate on next slice up to	TBA	£31,092
42% higher rate on next slice up to	TBA	£62,430
45% advanced rate on next slice up to	TBA	£125,140
48% (47% for 23/24) top rate on income over	TBA	£125,140



Trusts	2025/26	2024/25
Income exemption generally	£500	£500
Standard rate band generally	N/A	N/A
Dividends (rate applicable to trusts)	39.35%	39.35%
Other income (rate applicable to trusts)	45%	45%

**High income child benefit charge:** For individuals with income between £60,000 and £80,000, the rate at which HICBC is charged equals 1% for every £200 of income that is more than £60,000.

## Pensions, savings and investments

### Individual Savings Accounts (ISAs)

The annual subscription limits will remain at £20,000 for ISAs, £4,000 for Lifetime ISAs and £9,000 for Junior ISAs and Child Trust Funds until 5 April 2030. The plans to launch a British ISA, announced in the March 2024 Budget, will not proceed.

### Help to save

The current help to save scheme will be extended until 5 April 2027. With effect from 6 April 2025, eligibility will be extended to all universal credit claimants who are in work.



**SAVER - Investing in pensions.** You may be able to make larger pension contributions because the annual allowance is now £60,000 and the lifetime allowance has been abolished.

### Pension scheme administrators

All scheme administrators of registered pension schemes will have to be UK resident from 6 April 2026.

### Overseas transfers of tax-relieved UK pensions

The government will remove the exclusion from the overseas transfer charge for transfers to qualifying recognised overseas pension schemes (QROPS) in the European Economic Area (EEA) or Gibraltar from 30 October 2024 to address the risk of individuals receiving double tax-free allowances.

## Capital taxes

### Capital Gains Tax (CGT) annual exempt amount

The CGT annual exempt amount for individuals and personal representatives will remain at £3,000 for 2025/26. The annual exempt amount for most trusts will stay at £1,500 (minimum £300).

### CGT rates

The lower main rate of CGT will increase to 18% and the higher main rate will rise to 24% for disposals made on or after 30 October 2024.

The rate for business asset disposal relief and investor's relief (IR) will increase to 14% from 6 April 2025 and will increase again to 18% from 6 April 2026.

The lifetime limit for IR will be reduced to £1 million for all qualifying disposals made on or after 30 October 2024.

### Annual tax on enveloped dwellings (ATED)

The ATED annual charge will rise by 1.7% from 1 April 2025 in line with CPI. For ATED filing and payment purposes in 2025/26, a property revaluation as at 1 April 2022 is

required (or the date of acquisition for a property acquired after that date).



**SAVER - Don't waste your CGT annual allowance.** The annual exempt amount for personal Capital Gains is now £3,000. The new CGT rates mean the exemption could save you up to £720 in tax – don't waste it.

### Carried interest

From April 2026, all carried interest, which is mainly held by individuals engaged in private equity and hedge fund businesses, will be taxed within the income tax framework and subject to class 4 NICs. There will be a 72.5% multiplier applied to qualifying carried interest that is brought within charge. As an interim step, the current two CGT rates for carried interest will both increase to 32% from 6 April 2025. There will be a consultation on introducing further conditions for access to the regime.

### Inheritance Tax (IHT) bands

The existing freeze on the IHT nil rate band (£325,000), the residence nil rate band (£175,000) and its associated taper threshold (£2 million) will be extended by two more years than previously, to 5 April 2030.

### IHT business and agricultural reliefs

From 6 April 2026, the current 100% rate of relief will continue for the first £1 million of combined agricultural and business property for individuals and trusts, except for shares designated as 'not listed' on the markets of recognised stock exchanges, such as AIM. The rate of relief will be 50% for such assets above the £1 million threshold and for all 'not listed' shares.

The existing 50% rates of business and agricultural relief will continue where they currently apply (e.g. to farmland let before 1 September 1995) and will not be affected by the new allowance.

For certain trusts that were established before 30 October 2024, the £1 million allowance will apply to each trust. The £1 million allowance will be divided between trusts where a settlor sets up multiple trusts on or after 30 October 2024.

### Extension of IHT agricultural property relief to environmental land management

From 6 April 2025, agricultural property relief will be extended to cover land managed under an environmental

agreement with, or on behalf of, the UK government, devolved governments, public bodies, local authorities, or approved responsible bodies.

### IHT on unused pension fund and death benefits

Unused pension funds and death benefits payable from a pension will be brought into a person's estate for IHT purposes from 6 April 2027.

### Stamp Duty Land Tax (SDLT)

From 31 October 2024, the higher rate for additional dwellings SDLT surcharge will be increased from 3% to 5%.

The single rate of SDLT charged on the purchase of dwellings costing more than £500,000 by corporate bodies will also be increased by two percentage points to 17%.

As previously announced, the threshold of the 0% SDLT band for residential property will be cut from £250,000 to £125,000 from 1 April 2025. Between £125,001 and £250,000 a rate of 2% will apply.

The 0% band for first time buyers will be reduced to £300,000 from 1 April 2025 for properties valued up to £500,000.

Property value	Charge for tax year 2025/26	Charge for tax year 2024/25
More than £500,000 but not more than £1m	£4,450	£4,400
More than £1m but not more than £2m	£9,150	£9,000
More than £2m but not more than £5m	£31,050	£30,550
More than £5m but not more than £10m	£72,700	£71,500
More than £10m but not more than £20m	£145,950	£143,550
More than £20m	£292,350	£287,500

## Welfare and labour markets

### Universal credit (UC)

Employment and support allowance claimants are being moved to UC from September 2024 instead of 2028. A new fair repayment rate will cap debt repayments made through UC at 15% of the standard allowance rather than the current 25%. The UC surplus earnings threshold will remain at £2,500 in Great Britain until March 2026.



**SAVER - Don't ignore UC.** The income ceiling for UC now stretches well beyond £70,000 for some couples. UC – even just 1p a month – can unlock other benefits so you should check your eligibility.

### Benefit uprating's

The state pension 'triple lock' will be retained for the duration of this Parliament. The basic and new state pensions will increase by 4.1% from April 2025, in line with earnings growth (including bonuses) to July. The pension credit standard minimum guarantee will also increase by 4.1% from April 2025. From the same date, working age benefits will be increased by 1.7%.

### National living wage (NLW) and national minimum wage (NMW):

Rate	Age	£ per hour from 01/04/25	Increase over 2024/25
NLW <sup>1</sup>	21 and above	£12.21	6.7% <sup>1</sup>
NMW <sup>1</sup>	18–20	£10.00	16.3% <sup>1</sup>
	16–17	£7.55	18.0%
Apprentice rate	All	£7.55	18.0%

<sup>1</sup> Significant increases to the NLW and NMW were announced on 29 October 2024.

## Business tax

### Corporation tax rates

The main rate of corporation tax will remain at 25% and the small profits rate will stay at 19% for the financial year starting 1 April 2025. The government has committed to maintaining full expensing, the annual investment allowance, research and development (R&D) relief rates and the patent box.



**THINK AHEAD - Your business might be entitled to a valuable R&D tax credit – even if it doesn't make a taxable profit.** Check out the latest position; you might be surprised what expenditure may now qualify and how much it could be worth to you.

### Furnished holiday lettings

The specific tax treatment and reporting requirements for furnished holiday lettings (FHL) will end, as previously announced. From 6 April 2025, for income tax and Capital Gains Tax and from 1 April 2025 for corporation tax, FHL income and gains will be taxed in the same way as other property income and gains.

### Capital allowances

The 100% first-year allowances for qualifying expenditure on zero-emission cars and for qualifying expenditure on plant or machinery for electric vehicle charge points will be

extended to 31 March 2026 for corporation tax and 5 April 2026 for income tax.

The government is exploring extending full expensing to assets bought for leasing or hiring "when fiscal conditions allow". HMRC will continue to work with stakeholders to improve guidance in areas of uncertainty within the capital allowances system.

### Business rates

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

The small business multiplier in England will be frozen at 49.9p. The standard multiplier will be uprated by the September 2024 CPI rate to 55.5p. RHL properties will enjoy permanently lower multipliers from 2026/27 paid for by a higher multiplier for properties with rateable values above £500,000. Further changes to business rates and business rates valuations are under discussion.

Private schools in England will no longer be eligible for charitable rate relief from April 2025, as previously announced. Private schools that are 'wholly or mainly' concerned with providing full-time education to pupils with an education, health and care plan will remain eligible for VAT relief.

## Cultural tax reliefs

The rates of theatre tax relief, orchestra tax relief and museums and galleries exhibitions VAT relief will be set at 40% for non-touring productions, and at 45% for touring productions and all orchestra productions from 1 April 2025, as already legislated.

## Film tax credit

From April 2025, and as already legislated, UK films with budgets under £15 million and a UK lead writer or director will be able to claim an enhanced 53% rate of audio-visual expenditure credit, known as the independent film tax credit. Expenditure is eligible if it is incurred after 1 April 2024 on films that began principal photography on or after 1 April 2024.

## Freeports and investment zones

The freeports and investment zones programmes will continue, including approval of the East Midlands investment zone to support advanced manufacturing and green industries, and the designation of five new customs sites in existing freeports.

## Reserved investor fund

The government will proceed with the introduction of the reserved investor fund (contractual scheme).

## Alternative finance

Changes to certain alternative finance tax rules for Capital Gains Tax, corporation tax, income tax and ATED from 30 October 2024 will ensure that the tax consequences are

the same for those using alternative and conventional financing arrangements across the UK.

## Transfer pricing

A consultation in spring 2025 will look at lowering the thresholds for exemption from transfer pricing rules for medium-sized businesses while retaining an exemption for small businesses. The government will consult further in spring 2025 on reforms to the rules on transfer pricing, permanent establishments and diverted profits tax.

## OECD Pillar 2

The government will introduce the undertaxed profits rule contained in the Pillar 2 rules. It will take effect for accounting periods beginning on or after 31 December 2024.

## Climate change levy (CCL)

The main rates of CCL for gas, electricity and solid fuels will be updated in line with Retail Price Index in 2026/27. The reduced rates will remain at an unchanged fixed percentage of the main rate.



**THINKING AHEAD - Making tax digital (MTD) for some sole traders and landlords starts from April 2026.** You should check now if – and how – the change will affect you.

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## Value added tax

### Registration and deregistration

The VAT registration threshold will remain at £90,000 from 1 April 2025. The deregistration threshold will be £88,000.

### School fees

All education services and vocational training provided by a private school or connected person in the UK for a charge will be subject to VAT at the standard rate of 20% from

1 January 2025, as previously announced. The charge will also apply to boarding services provided by private schools. Pre-payments of school or boarding services fees on or after 29 July 2024 relating to terms starting after 1 January 2025 will also be subject to VAT at the standard rate. The changes take effect from 30 October 2024.



**THINKING AHEAD - Make sure you submit your VAT returns and pay any VAT by the due dates to avoid penalties and interest.** If you can't pay on time, contact HMRC before the due date to make a time to pay arrangement.

# Tax administration

## Making tax digital (MTD) for income tax

MTD for income tax will be extended to sole traders and landlords with income over £20,000. The change will be made by the end of this Parliament (2029), but the precise timing will be set out at a future fiscal event. Currently, MTD will begin from April 2026 for sole traders and landlords with income over £50,000 and April 2027 for those with income over £30,000.

## Late payment interest

The interest rate charged by HMRC on unpaid tax liabilities will rise by 1.5 percentage points from 6 April 2025.

## Reporting of benefits-in-kind via payroll software

The government has confirmed that the use of payroll software to report and pay tax on benefits-in-kind for income tax and NICs will become mandatory, in phases, from April 2026.

## Umbrella companies

Recruitment agencies will be responsible for accounting for PAYE on payments made to workers supplied via umbrella companies from April 2026. Where there is no agency, this responsibility will fall to the end client business.

## Car ownership schemes

'Loopholes' will be closed in certain company car ownership arrangements. In these arrangements, an employer or a third party sells a car to an employee, often via a loan with no repayment terms and negligible interest, then buys it back after a short period, avoiding company car tax. The changes will take effect from 6 April 2026.

## Liquidations of limited liability partnerships (LLP)

The way Capital Gains are taxed will be changed when an LLP is liquidated, and assets are disposed of to a contributing member or person connected to them, to close a route used to avoid tax. Changes will have effect from 30 October 2024.

## Close company loans to shareholders

A change to the loans to participators regime from 30 October 2024 is aimed at ensuring shareholders cannot extract funds untaxed from close companies.

## Employee trusts

Reforms to the taxation of employee ownership trusts and employee benefit trusts from 30 October 2024 will be aimed at preventing opportunities for abuse, while ensuring that the regimes remain focused on encouraging employee ownership and rewarding employees.

## Corporate insolvencies

Increased collaboration between HMRC, Companies House and the Insolvency Service will aim to tackle directors using contrived corporate insolvencies and dissolutions ('phoenixism') to evade tax.

## Offshore interest

The government is consulting on ways to address the mismatch of information on offshore interest being provided on a calendar year basis, rather than a UK tax year basis. This will include taxing individuals on non-UK interest arising in the year to 31 December that ends in the tax year.

## Tax advisers

Tax advisers who interact with HMRC on behalf of clients will have to be registered from April 2026. The government will consult on options to enhance HMRC's powers against tax advisers who facilitate non-compliance.

## Charity compliance

Changes to the charity tax rules from April 2026 will aim to ensure that only the intended tax relief is given to charities.

## Other tax compliance measures

The government is consulting on a range of issues including how to reform HMRC's correction powers and processes; how HMRC acquires and uses third party data; tackling promoters of marketed tax avoidance; and offshore company tax avoidance. HMRC's counter fraud capability will also be expanded.



**THINKING AHEAD - Basis period change** The tax year 2024/25 is the first year in which self-employed people's trading years are aligned with tax years. Make sure you are aware how this will affect you and how you can mitigate the impact of a possible acceleration in your tax payments.

## National insurance contributions 2025/26

### Class 1

	Employee – Primary	Employer – Secondary
NICs rate	8%	15%
No NICs for employees generally on the first	£242 pw	£96 pw
No NICs for younger employees* on the first	£242 pw	£967 pw
NICs rate charged up to	£967 pw	No limit
2% NICs on earnings over	£967 pw	N/A

<sup>1</sup> No employer NICs on the first £967 pw for employees generally under 21 years, apprentices under 25 years and veterans in first 12 months of civilian employment. No employer NICs on the first £481 pw for employees at freeports and investment zones in Great Britain in the first 36 months of employment.

### Employment allowance

Per business	£10,500
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Not available if the sole employee is a director.

Limits and thresholds	Weekly	Monthly	Annual
Lower earnings limit	£125	£541	£6,500
Primary threshold	£242	£1,048	£12,570
Secondary threshold	£96	£416	£5,000
Upper earnings limit (and upper secondary thresholds for younger/veteran employees and apprentices under 25)	£967	£4,189	£50,270

### Class 1A Employer

On car and fuel benefits and most other taxable benefits provided to employees and directors	15% pa
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### Class 2 Self-employed

Flat rate (voluntary)	£3.50 pw	£182.00 pa
Small profits threshold		£6,845 pa

### Class 4 Self-employed

On annual profits of	£12,570 – £50,270	6%
	Over £50,270	2%

### Voluntary

Class 3 flat rate	£17.75 pw	£923 pa
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