SEDULO

AUTUMN BUDGET 2024

a guide

#AUTUMNBUDGET2024

31st October 2024

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AUTUMN BUDGET DELIVERS FEWER *frights* THAN ANTICIPATED

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Chancellor Rachel Reeves' first Budget arrived amid significant speculation, but it spared some of the harsher measures initially feared.

Leading the revenue-raising initiatives are the increases to employers' National Insurance Contributions (NIC). Raising the employer NIC rate to 15% and lowering the earnings threshold at which it applies to £5,000 is expected to raise £25bn, making up over half of the £40bn in tax increases announced by the Chancellor. At a minimum, employers will pay an additional £615 of NIC per employee, though the increase of the Employer's Allowance to £10,500 will offer some relief to smaller businesses.

On the capital gains front, Capital Gains Tax (CGT) rates rose immediately for disposals on or after 30 October 2024, with the rates now at 18% for basic rate and 24% for higher rate taxpayers. Investors may find this a relief given recent rumours of even steeper rises and concerns that Business Asset Disposal Relief (BADR) might be scrapped. Reeves reaffirmed her support for entrepreneurs by retaining the £1 million BADR lifetime limit. However, the applicable CGT rate will increase to 14% from April 2025, and then to 18% in 2026, reducing the relief's value to £60,000 (from £1 million in 2020).

Businesses owners face notable changes with Inheritance Tax as well, with caps on Business Property Relief and Agricultural Relief now limiting relief to £1 million and imposing a 50% discount thereafter. These caps will take effect in 2026, though anti-forestalling provisions apply immediately.

Private equity will see an increase in the carried interest tax rate to 32% by April 2025 and to 38% as it aligns with Income Tax in 2026. Non-domiciled individuals have a limited opportunity to benefit from a 12% temporary repatriation rate over the next two years. However, other reforms announced in Spring 2024 remain unchanged, intensifying the need to consider UK residency amid higher Inheritance Tax risks.

While Reeves aims to close the tax gap by raising an additional £6.5 billion annually through increased compliance activity, doubts remain over whether HMRC has the necessary technology and resources to achieve this.

Ultimately, the Autumn Budget may not have been as severe as anticipated, but only time will tell if these measures are enough to keep some of the more concerning pre-Budget proposals from re-emerging.

Sarah Richards | National Head of Tax

A BUDGET TO *fix* THE FOUNDATIONS OF THE ECONOMY

DAVID EVANS
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The Chancellor of the Exchequer, Rachel Reeves, delivered her Autumn Budget on 30 October 2024. Billed as the biggest budget in a generation, it includes a series of measures aimed at raising £40bn in additional revenue.

It's fair to say we expected the first Labour Party Budget since 2010 to be substantial. In recent weeks, there has been widespread speculation about which taxes would rise, and many of the announcements aligned with those predictions.

The headline measure is the increase in employers' National Insurance contributions starting in April 2025, projected to raise an additional £25bn. It remains to be seen whether businesses will absorb these costs, pass them on to customers, or reduce future benefits and salaries for employees. In my view, this is indirectly a tax on jobs, which seems at odds with the manifesto pledge not to increase taxes on working people.

Interestingly, the rise in employers' National Insurance also increases the incentive for directors to structure their remuneration through a combination of salary and dividends. The fact that there are no changes to dividend taxation will be a welcome reprieve for many clients.

The Labour Party's manifesto didn't provide specific details on certain taxes, which led to widespread anticipation of increases to CGT. In recent weeks we have seen clients seek to crystallise gains before Budget Day. The increase in the main CGT rate to 24% for higher-rate taxpayers—effective immediately—was perhaps less severe than feared, but its immediate implementation will catch some off guard.

It was encouraging to hear that Business Asset Disposal Relief (formerly Entrepreneurs' Relief) will be maintained with a lifetime allowance of £1 million. However, the tax rate will rise from 10% to 14% in April 2025, and then to 18% by April 2026. By then, a higher-rate taxpayer will benefit from only £60k of relief per individual. This raises the question: is this enough of an incentive to reward entrepreneurial risk?

Landlords, meanwhile, will be relieved to hear there are no changes to CGT rates on residential property, with the rate holding at 24%. Clients with family investment companies or property portfolios held within a company will also be unaffected, as corporate gains remain subject to corporation tax rather than CGT.

Inheritance Tax (IHT) was another hot topic leading up to the Budget. While there are no changes to the rates or thresholds, significant adjustments to BPR and APR have been announced. From April 2026, the 100% relief for both BPR and APR will be capped at £1 million, with the relief rate dropping to 50% thereafter. This means an effective marginal IHT rate of 20% on farms or businesses worth over £1 million and poses the question: where will the cash come from to settle the tax?

When it comes to succession planning, it has historically been tax-efficient to pass down a trading business through a will. However, these IHT changes will alter that tactic. Moving forward, in many cases, a Family Buy Out or the use of Growth Shares to transfer the future value of a business may be more advantageous.

Notably, although not mentioned in the Chancellor's speech, hidden in the supporting documents is a U-turn on former Chancellor Jeremy Hunt's proposal to assess the high-income child benefit charge on household income. It seems we will be staying with the system whereby a single parent household earning £80k will not qualify for child benefit, but a dual parent household earning £120k will qualify.

Overall, from the outset, it was clear that the new government used this Budget as an opportunity to deliver difficult news early, while attributing the challenges it faces to the legacy of the previous administration. For private clients, early planning and a thorough review of tax and wealth management strategies will be crucial in navigating this evolving landscape and protecting wealth for future generations. Now is the time to seek professional advice, reassess portfolios, and explore tax planning opportunities.

David Evans | Head of Private Clients

A WORD FROM *Wealth*

SEDULO
Wealth

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In what was the most hotly anticipated budget statement for a generation, Rachel Reeves announced a number of measures that will greatly impact on the financial plans of business and individuals alike.

Although there were no changes to pension annual allowances, tax relief or tax-free lump sums, those who intended to use pensions as a tax-efficient way of passing on wealth on death will be disappointed with the announcement that from 6 April 2027, inherited pension death benefits will be subject to IHT. This will apply in addition to the pre-existing rules under the Lump Sum and Death Benefit Allowance (LSDBA), whereby most individuals can draw tax-free lump sums and leave pension death benefits up to a combined £1,073,100. Death benefits paid in excess of the LSDBA are subject to income tax at the recipient's marginal rate. This could lead to effective rates of tax in excess of 60% on inherited pensions, once the tax on death of the donor and income tax on the recipient drawing income are taken into account.

The Chancellor restated her intent to support savers and encourage individuals to save for retirement, but these changes could act as a major disincentive, potentially exacerbating the already huge problem that lack of adequate retirement provision presents to society. Many are now calling for wholesale reform to our pensions system.

In more encouraging news for retired individuals, the government honoured its pledge to "protect" the triple lock on State Pensions by announcing that the Basic State Pension, new State Pension and Pension Credit standard minimum guarantee will be uprated in April 2025 by 4.1%, in line with earnings growth in September 2024.

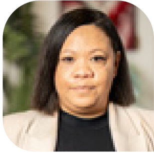
In a further blow to those aiming to mitigate IHT liabilities, the Chancellor announced that from 6 April 2026, an individual will be able to leave combined business and agricultural assets to their chosen beneficiaries of £1million before incurring IHT, with any excess being taxed at 20%. Although the government claims that the majority of estates will be unaffected by this change, the impact on those estates that affected is likely to be significant and, alongside the changes to CGT, could be viewed as a deterrent to those aiming to establish and grow businesses in the UK.

As expected, Rachel Reeves announced an increase in CGT, from 10% to 18% for basic-rate taxpayers and from 20% to 24% for higher-rate taxpayers. Many had expected a more significant narrowing of the gap between tax on income and investment gains, but in conjunction with the aforementioned, this will feel like a raid on accumulated wealth. Unlike many of the other tax changes announced, this change took effect immediately, which may have caught out many investors.

Although UK markets did fall in the immediate aftermath the Budget, it does not appear that markets will experience significant turmoil. Regardless of this, I think it is fair to say that this is a difficult Budget for investors and business owners. Many will be faced with having to significantly reassess their financial plans, and in the face of such radical changes, seeking expert advice will be more important than ever.

Jose Vilchez | Chartered Financial Planner

CONTRIBUTORS



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Welcome to our guide to the Autumn Budget 2024, where we break down the key announcements from the Budget statement and what they could mean for you. As always, the Budget plays a critical role in shaping the financial landscape for businesses and individuals alike, with policy changes affecting tax, pensions, and government spending.

In this guide, we provide an overview of the most important updates for our clients, helping you navigate the potential impact on your personal and business finances. Whether you're a company director, an entrepreneur, or an individual looking to manage your wealth, our team is here to help you understand the implications of these measures and how to plan for the year ahead.

PERSONAL *tax*

In this year's Autumn Budget, the Labour Party has remained firm in its commitment not to increase taxes for working people. However, the ongoing policy of fiscal drag will result in more people paying higher rates of tax as their incomes rise with inflation. Although the main rates of income tax have not changed, this freeze will result in people paying more tax next year.

Meanwhile, adjustments to employers' National Insurance contributions reinforce incentives for structuring remuneration as dividends rather than salary, a trend we expect to see grow as businesses adapt to the new tax environment. This Budget, while maintaining certain protections for workers, will see increased tax liabilities for many through indirect means, reflecting the broader policy goals Labour has outlined for economic stability and revenue generation.

Melanie Donegan | Head of Personal Tax

Personal Tax

Tax bands and rates

The basic rate of tax is 20%. For 2025/26 the band of income taxable at this rate is £37,700 so that the threshold at which the 40% rate applies is £50,270 for those who are entitled to the full personal allowance.

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 then be uprated in line with inflation.

For 2025/26 the point at which individuals pay the additional rate of 45% is £125,140.

The additional rate for non-savings and non-dividend income will apply to taxpayers in England, Wales and Northern Ireland. The additional rate for savings and dividend income will apply to the whole of the UK.

UK Tax Rates 2025/26 (except Scotland)

Band	Rate
£0 to £12,570	0%
£12,571 to £50,270	20%
£50,271 to £125,140	40%
Over £125,140	45%

comment

Freezing income tax thresholds means that, as incomes rise with inflation, more people are drawn into higher tax bands—a phenomenon known as fiscal drag. This approach has been a consistent feature of recent fiscal policy. Although the Chancellor announced that the threshold freeze will end in 2028, fiscal drag will continue to affect taxpayers until then.

According to the Office for Budget Responsibility, this policy is expected to result in 3.7 million more people paying income tax, with 2.7 million moving into the higher rate bracket by 2028. The estimates published by the OBR earlier in the year suggest this will yield an additional combined £42.9 billion a year by 2027-28. Looked at differently, they point out that this is the equivalent of a 4% increase in the basic rate of income tax.

With the next general election anticipated by 2029 at the latest, it remains uncertain whether future adjustments to income tax thresholds will take place as currently scheduled.

Melanie Donegan | Head of Personal Tax

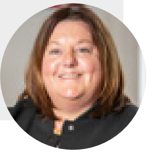
2025/26 National Insurance rates

National insurance (NI)	2025/26
Class 1 NI employees – earnings between £12,570 - £50,270	8%
Class 1 NI employees – earnings in excess of £50,270	2%
Class 1 NI employers – earnings in excess of £5,000	15%
Class 1A Benefits in kind	15%
Class 1B NI PAYE settlement agreements	15%
Class 4 NI self-employed – Profits between £12,570 - £50,270	6%
Class 4 NI self-employed earnings in excess of £50,270	2%
Class 2 voluntary NI	£3.50 per week
Class 3 voluntary NI	£17.75 per week

comment

If you have more than one employment you may pay too much employee's NI. HMRC can request the second employer to operate a lower rate to ensure the correct amount is paid. Refunds may be possible if NI has been overpaid in earlier years.

Please get in touch if you think this may apply to you as the overpayment of NI can be substantial. We are seeing HMRC take a long time to process overpayment claims so it is important to get the claim underway as soon as possible.



Melanie Donegan | Head of Personal Tax

Scottish residents

The differential between Scotland and the rest of the UK in this respect has grown quite significantly as demonstrated by the chart below. This makes things even more complicated for Scottish taxpayers when looking at carrying out any legitimate form of tax planning. The Scottish Budget is set for Wednesday, 4th December 2024.

In 2024/25 a new 45% rate was introduced, making six Income Tax rates which range between 19% and 48%. The rates and bands for 2025/26 will be announced in the Scottish Budget on 4 December 2024. Scottish taxpayers are entitled to the same personal allowance as individuals in the rest of the UK.

Band	Band Name	Rate
£0 to £12,570	Personal allowance	0%
£12,571 to £14,876	Starter rate	19%
£14,877 to £26,561	Scottish basic rate	20%
£26,562 to £43,662	Intermediate rate	21%
£43,663 to £75,000	Advanced rate	42%
£75,001 to £125,140	Higher rate	45%
Over £125,140	Top rate	48%

Welsh residents

Since April 2019 the Welsh government has had the right to vary the rates of income tax payable by Welsh taxpayers (other than tax on savings and dividend income). For 2024/25 the tax payable by Welsh taxpayers is the same as that payable by English and Northern Irish taxpayers. The Welsh rates for 2025/26 will be announced in the Welsh Budget on 10 December 2024.

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 then 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.

The marriage allowance

The marriage allowance permits certain couples to transfer £1,260 of their personal allowance to their spouse or civil partner.

comment

The marriage allowance reduces the recipient's tax bill by up to approximately £250 a year. To benefit from the marriage allowance one spouse or civil partner must normally have no income or income below the personal allowance for the year. Since the marriage allowance was first introduced there are couples who are entitled to claim but have not yet done so. It is possible to claim for all years back to 2020/21 where the entitlement conditions are met. The total tax saving for all years up until 2023/24 could be over £1,000. A claim for 2020/21 will need to be made by 5 April 2025.

Melanie Donegan | Head of Personal Tax

Tax on savings income

The Savings Allowance applies to savings income and the available allowance in a tax year depends on the individual's marginal rate of income tax. Broadly, individuals taxed at up to the basic rate of tax have an allowance of £1,000. For higher rate taxpayers the allowance is £500. No allowance is due to additional rate taxpayers.

Savings income within the allowance still counts towards an individual's basic or higher rate band and so may affect the rate of tax paid on savings above the Savings Allowance.

Some individuals qualify for a 0% starting rate of tax on savings income up to £5,000. However, the rate is not available if taxable non-savings income (broadly earnings, pensions, trading profits and property income, less allocated allowances and reliefs) exceeds £5,000.

Tax on dividends

Currently, the first £500 of dividends is chargeable to tax at 0% (the Dividend Allowance). This £500 is retained for 2025/26.

These rules apply to the whole of the UK.

Dividends received above the allowance are taxed at the following rates for 2025/26:

Band	2024/25	2025/26
Dividend ordinary rate	8.75%	8.75%
Dividend upper rate	33.75%	33.75%
Dividend additional rate	39.35%	39.35%

Dividends within the allowance still count towards an individual's basic or higher rate band and so may affect the rate of tax paid on dividends above the Dividend Allowance.

To determine which tax band dividends fall into, dividends are treated as the last type of income to be taxed.

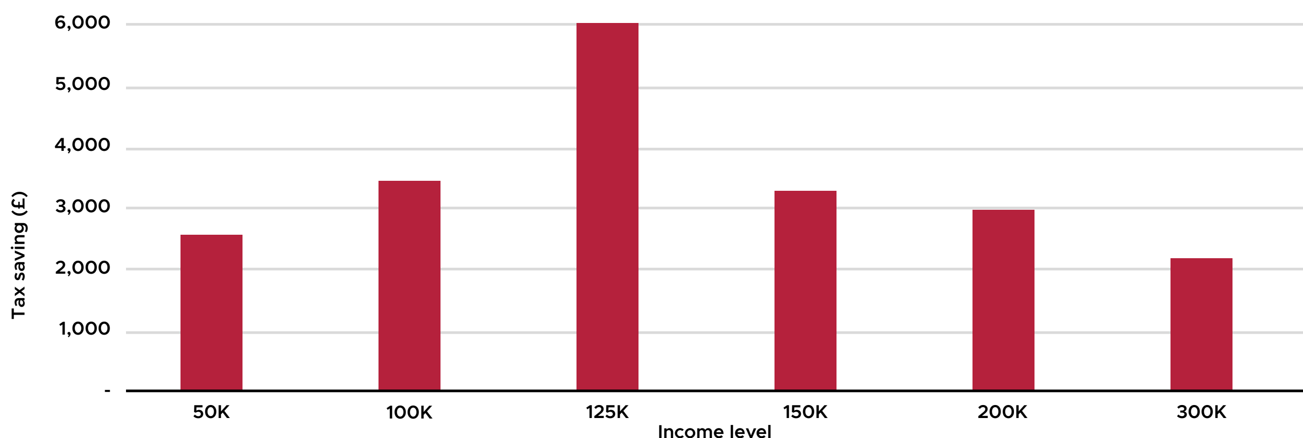
comment

Due to the increase in the employer's NI rate and the reduction of the threshold at which it applies, there is now a stronger incentive to structure director remuneration as dividends rather than salary. Below, we illustrate the potential tax savings for directors at different income levels by comparing a salary-only model with one that combines salary and dividends.

Given the evolving tax landscape, it's essential to seek tailored advice on the most tax-efficient remuneration strategy for your circumstances. Our team is here to help you explore the options best suited to your financial goals and ensure your approach is optimised.

Melanie Donegan | Head of Personal Tax

Potential annual tax saving



*Savings above based on a salary at the personal allowance level, with the remainder of income taken as dividends

Pension tax limits

For 2025/26:

- The Annual Allowance (AA) is £60,000.
- Individuals who have 'threshold income' for a tax year of greater than £200,000 have their AA for that tax year restricted. It is reduced by £1 for every £2 of 'adjusted income' over £260,000, to a minimum AA of £10,000.
- The Lump Sum Allowance, which relates to the general maximum that may be able to be taken as a tax-free lump sum, is £268,275.
- The Lump Sum and Death Benefit Allowance, which relates to the general maximum that may be able to be taken as a tax-free lump sum in certain circumstances, is £1,073,100.

comment

If you are a member of a UK registered pension scheme who is thinking of leaving the UK, you may want to consider topping up your pension scheme in the tax year in which you leave the UK in order to maximise your UK tax relief and enhance your pension provision. This should be done in conjunction with your accountant and a suitably qualified IFA.

If you plan to transfer your pension abroad with you, be aware of the overseas transfer allowance which was introduced by the previous government and remains which could see pension savings suffer an immediate tax charge on exit.

Some individuals could take advantage of the 'carry forward' rules allowing them to make contributions above their annual allowance by utilising unused allowances from the previous three tax years. Depending on your personal position you may be able to save up to 60% tax by making contributions up to 25% of which can be drawn out tax free at retirement providing a significant advantage to savers.

One option to consider when wanting to help your children/grandchildren for the future is to contribute up to £2,880 into a stakeholder pension scheme each year. The government will top that up to £3,600. It could help with your inheritance tax position as well.

Despite the change in treatment of pension death benefits, the government did not change the rules applicable to funding pensions, demonstrating the value they see in incentivising retirement saving. The intention is to return pensions to their primary objective of providing retirement income and they remain a very attractive and tax efficient method of doing this.

Ben Eastlake | Chartered Financial Planner

State Pension

Under the triple lock, State Pension rises in line with the highest of average earnings, inflation or 2.5% based upon September 2024 figures. The highest figure was earnings growth.

The state pension will increase by 4.1 % from April 2025. The weekly full state pension will increase from £221.20 to £230.30 from April 2025.

comment

If you have gaps in your National Insurance record, it's worth considering voluntary contributions to help maximise your state pension. Until 5th April 2025, you have the chance to fill gaps all the way back to April 2006, with each additional year currently costing just over £824. After this date, you'll only be able to go back six tax years, and the cost will depend on the voluntary Class 3 NI rate at that time. Each extra year could add an annual £342 to your state pension (based on 2025/26 figures).

For those who are self-employed with taxable profits under £6,725 (for 2024/25) or £6,845 (for 2025/26), paying voluntary Class 2 NI instead of Class 3 could be a more affordable way to keep access to state pension and other contributory benefits.

Ben Eastlake | Chartered Financial Planner

Individual Savings Accounts

For 2025/26, the limits are as follows:

- Individual Savings Accounts (ISAs) £20,000
- Junior ISAs £9,000
- Lifetime ISAs £4,000 (excluding government bonus) and
- Child Trust Funds £9,000.

High Income Child Benefit Charge

The High Income Child Benefit Charge (HICBC) is a tax charge that applies to higher earners who receive Child Benefit or whose partner receives it.

For 2025/26, the income threshold at which HICBC starts to be charged is £60,000. The rate at which HICBC is charged is 1% of the Child Benefit payment for every additional £200 above the threshold. This means that Child Benefit will not be withdrawn in full until individuals have adjusted net income of £80,000 or more.

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

comment

If you have a child under the age of 12 and register for child benefit you will automatically receive a parent's state pension credit for each year. If you have a family member who helps you with childcare support whilst you are at work and has a gap in their own national insurance records, you may be able to elect to transfer your state pension credit to them. You can claim from 2011/12 tax year onwards.

If you have separated from your spouse or partner, with the intention for it to be a permanent separation, or if you divorce, then it is important to revisit the child benefit claim. Failure to do so could result in you being hit for the HICBC even though the child may not be living with you.

Did you claim child benefit (CB) before May 2000? The government have admitted that CB claimants before May 2000 may have lost out on some of their state pension entitlement. This could affect those already in receipt of state pension, deceased estates and those yet to reach state pension age. Each year of error could cost the individual up to £342 (2025/26 tax year figures) per annum in lost state pension entitlement. You may want to check to see if it affects you or your loved ones.

If you are a single parent or divorced or widowed and a new partner subsequently moves in with you, depending upon their level of income, you may find that they may get hit for the high income child benefit charge. You may want to forewarn them about that.

Melanie Donegan | **Head of Personal Tax**

Non-UK domiciled individuals

Significant changes are made 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.

comment

I'm pleased to see the end of domicile as a determining factor in taxation, as a shift towards a residence-based approach feels both more modern and offers greater certainty to taxpayers. That being said, questions are already being asked about how internationally competitive this is despite the Chancellor's assertions.

Clients affected by these changes will need to consider key decisions ahead of 6 April 2025, and taking professional advice will be crucial for achieving the best outcomes. Those with interests in settlements, for instance, should carefully consider their future needs for funds held within these structures, especially in terms of retention of benefit and the impact on foreign income attribution on an arising basis. Many will be assessing potential options to lessen the effects of these new rules, all while preserving IHT protections wherever possible.

Where you are in receipt of income or gains from overseas, Tax treaties between the UK and that particular country may mitigate or wipe out the potential UK tax liability arising on it. In some cases where either the treaty does not cover that particular source of income or gains or the UK does not have a tax treaty with that country, you may be able to claim unilateral relief to mitigate your UK tax liability.

Some UK tax treaties, such as with India and Pakistan can potentially even mitigate a deceased's estate UK inheritance tax position.

David Evans | **Head of Private Clients**

EMPLOYMENT *Tax*

“

The most significant announcement for employers in the recent Budget is the increase in National Insurance contributions, expected to generate an additional £25 billion in revenue. This change will particularly impact labour-intensive businesses, especially when considered alongside the the increases to the National Living Wage. As these costs rise, a pressing question arises: will employers choose to pass on the increased cost to customers, or will they limit pay rises for their employees moving forward?

Helena Tranter | Personal Tax Manager

Employment Tax

National Insurance contributions

Employees and 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.

comment

With the increase in the employers national insurance rate from April 2025, the employer may want to consider bringing forward bonus payments into this tax year as opposed to the 2025/26 tax year.

The increased employers national insurance burden increases the incentive for employers to use self employed contractors rather than employees. It also increases the incentive for director shareholders to structure their remuneration in the form of dividends.

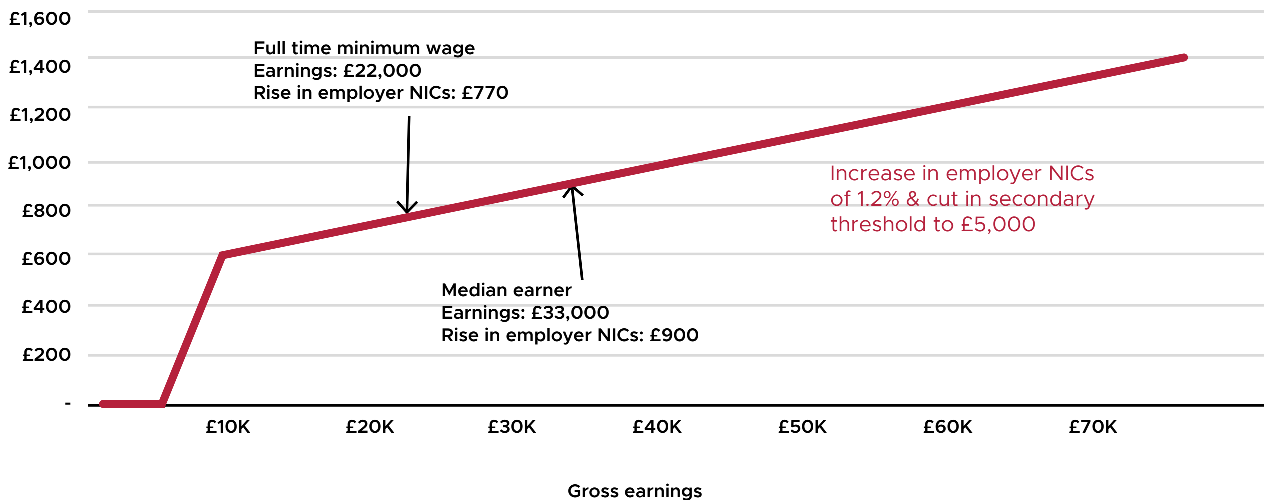
For a full time employee earning £33,000 per year, the combination of the increased rate of employers national insurance and the reduced threshold at which it applies, increases the employers NIC liability by £900 pa. When you multiply this out across your workforce, the additional cost soon mounts up.

Clients should take the opportunity to review their remuneration packages offered to employees as they may be able to restructure their offering to mitigate some of the impact of the additional NIC burden.

Get in touch if you would like help reviewing how the national insurance changes will impact your business.

Helena Tranter | Personal Tax Manager

Increase in employer National Insurance contributions by employee earnings 2025/26



The self-employed and NICs

From 6 April 2024 the rates of Class 4 self-employed NICs are 6% and 2%. These rates remain the same from 6 April 2025.

For Class 2 NICs from 6 April 2024:

- Self-employed people with profits of £6,725 and above get access to contributory benefits, including the State Pension, through a National Insurance credit, without paying Class 2 NICs.
- Those with profits under £6,725 and others who pay Class 2 NICs voluntarily to get access to contributory benefits including the State Pension will continue to be able to do so.

Other changes for 2025/26

The government will increase the Lower Earnings Limit (LEL) and the Small Profits Threshold (SPT) by the September 2024 CPI rate of 1.7% from 2025/26. For those paying voluntarily, the government will also increase Class 2 and Class 3 NICs by 1.7% in 2025/26.

The LEL will be £6,500 per annum (£125 per week) and the SPT will be £6,845 per annum. The main Class 2 rate will be £3.50 per week and the Class 3 rate will be £17.75 per week.

Employer NICs relief for veterans

The government is extending the employer NICs relief for employers hiring qualifying veterans for a further year from 6 April 2025 until 5 April 2026.

This means that businesses will continue to pay no employer NICs up to annual earnings of the Veterans Upper Secondary Threshold of £50,270 for the first year of a veteran's employment in a civilian role.

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:

Status	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.

comment

For an NLW worker working 37.5 hours per week, the increases announced will increase their annual gross pay by £1,505.54 and their monthly gross pay by £125.46.

Businesses need to be careful that they do not fall foul of the NMW complex legislation as penalties can be exceedingly high. One should carry out a NMW review to ensure that the business is NMW compliant. Please do not hesitate to contact us if you require assistance.

Helena Tranter | Personal Tax Manager

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:

- Appropriate percentages for zero emission and electric vehicles will increase by 2% per tax year in 2028/29 and 2029/30, rising to an appropriate percentage of 9% in tax year 2029/30.
- Appropriate percentages for all cars with emissions of 1 to 50g of CO_2 per kilometre, including hybrid vehicles, will rise to 18% in tax year 2028/29 and 19% in tax year 2029/30.
- Appropriate percentages for all other vehicle bands will increase by 1 percentage point per year in tax years 2028/29 and 2029/30. This will be to a maximum appropriate percentage of 38% for tax year 2028/29 and 39% for tax year 2029/30.

comment

For now, electric vehicles remain a highly tax-efficient choice. However, with Benefit-in-Kind rates set to rise to 9% by 2029, the personal tax advantages of using an EV as a company car will become less appealing.

Before considering whether to buy or lease a car through the company or do so personally, why not have a review of the tax and national insurance impact on both you and the company before reaching that decision.

Helena Tranter | Personal Tax Manager

EV BIK rates

Tax year	BIK%
2024/25	2%
2025/26	3%
2026/27	4%
2027/28	5%
2028/29	7%
2029/2030	9%

Car fuel benefit charge

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

Treatment of double cab pick-up vehicles

The government will treat double cab pick-up vehicles (DCPUs) with a payload of one tonne or more as cars for certain tax purposes.

From 1 April 2025 for Corporation Tax, and 6 April 2025 for Income Tax, DCPUs will be treated as cars for the purposes of capital allowances, benefits in kind and some deductions from business profits.

The existing capital allowances treatment will apply to those who purchase DCPUs before April 2025. Transitional benefit in kind arrangements will apply for employers that have purchased, leased, or ordered a DCPU before 6 April 2025. They will be able to use the previous treatment, until the earlier of disposal, lease expiry, or 5 April 2029.

Company vans

The van benefit charge will be £4,020 and fuel benefit charge £769 in the 2025/26 tax year.

The government will uprate the Van Benefit Charge and the Van Fuel Benefit Charges 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.

comment

Consider the option to payroll benefits in kind (except for beneficial loans and accommodation) thereby potentially avoiding the legal requirement to complete and submit forms P11D. You must apply to do so prior to 6th April 2025 if you want to adopt this approach for the 2025/26 tax year.

For the time being, clients with beneficial loan and accommodation benefits will still be required to complete and submit forms P11D.

For all other benefits, clients should start planning for how they will need to change their payroll processes to deal with reporting benefits in kind each time the payroll is run.

Helena Tranter | Personal Tax Manager

Tackling tax non-compliance in the umbrella company market

To tackle the significant levels of tax avoidance and fraud in the umbrella company market, the government will make recruitment agencies responsible for accounting for PAYE on payments made to workers that are supplied via umbrella companies.

Where there is no agency, the responsibility will fall to the end client business.

This will take effect from April 2026. The measure will protect workers from large, unexpected tax bills caused by unscrupulous behaviour from non-compliant umbrella companies.

Ending contrived car ownership schemes

The government will publish draft legislation relating to loopholes in car ownership arrangements, through which 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.

This arrangement means those benefiting don't pay company car tax, which other employees pay, and so this measure will seek to level the playing field.

The changes will take effect from 6 April 2026.

Clarification of taxable status of Statutory Neonatal Care Pay

The government will legislate to clarify the Income Tax treatment of Statutory Neonatal Care Pay. This will ensure the payment is liable to Income Tax and ensure consistency with the tax treatment of other statutory maternity and paternity pay schemes.

Tips and gratuities

The Employment (Allocation of Tips) Act 2023, (the 'Tipping Act'), fully came into force on 1 October 2024. From that date, UK businesses (England, Scotland and Wales) must meet new legal requirements for how they allocate and pay certain tips, gratuities, and service charges (referred to collectively as 'tips' below) to their workers.

Under the Act, businesses must fairly and transparently allocate qualifying tips to workers within one month of the end of the month in which they were received (subject only to deductions such as PAYE). Where an employer arranges for qualifying tips to be allocated by 'an independent tronc operator' and no unauthorised deductions are made from this distribution, the new Act confirms that the employer is to be treated as having ensured that these tips are allocated fairly.

comment

Tips and discretionary service charges which are allocated to workers through a properly operated tronc are subject to PAYE, but no NIC is payable by the employee or employer. This represents a saving compared to tips and service charges which are collected and distributed by the employer, as these will be subject to both PAYE and NIC.

Furthermore, with the introduction of the new Act, implementing an independent tronc scheme, or updating an existing one, can allow employers to comply with their obligation to distribute tips fairly.

The main priority is ensuring that you know what currently happens within the business, who decides the allocation, do you use agency workers, if you have a tronc in place, is this compliant and do you need to make changes. Contact us to discuss how we can support.

Helena Tranter | Personal Tax Manager

Other points

If you are an employer considering providing a one-off/exceptional payment to your lower paid employees to mitigate the impact of the cost of living crises, then it may be better to do so in the form of non-cash vouchers, as opposed to cash itself, as it will not impact upon their universal credit payments.

Are you looking to reward employees who have been with you for more than 20 years? You can provide long service gifts which can be free of tax for the employee. The gifts can be worth up to £50 for each year of service up to a maximum of 20 years and should be the first in the last 10 years, and not cash.

BUSINESS tax

"The Autumn Budget 2024 introduced relatively few new measures specifically targeting UK corporation tax, with the spotlight falling on other tax areas. Acknowledging the importance of stability for businesses amid ongoing economic challenges, the government has also published a Corporate Tax Roadmap. This roadmap signals a commitment to providing a clear, predictable framework within which businesses can plan and grow.

The Corporate Tax Roadmap outlines the government's long-term vision for Corporation Tax, highlighting both its commitment to the foundational elements of the system and priority areas for potential reform. Areas for development include exploring simplifications to reduce administrative burdens, aligning with international tax standards, and creating incentives to drive sustainable growth and investment in the UK. By setting a clear direction, the roadmap aims to keep the UK's tax system competitive, modern, and responsive to the evolving needs of the business community and global tax landscape.

Laura Duggan | Head of Corporate Tax

Business Tax

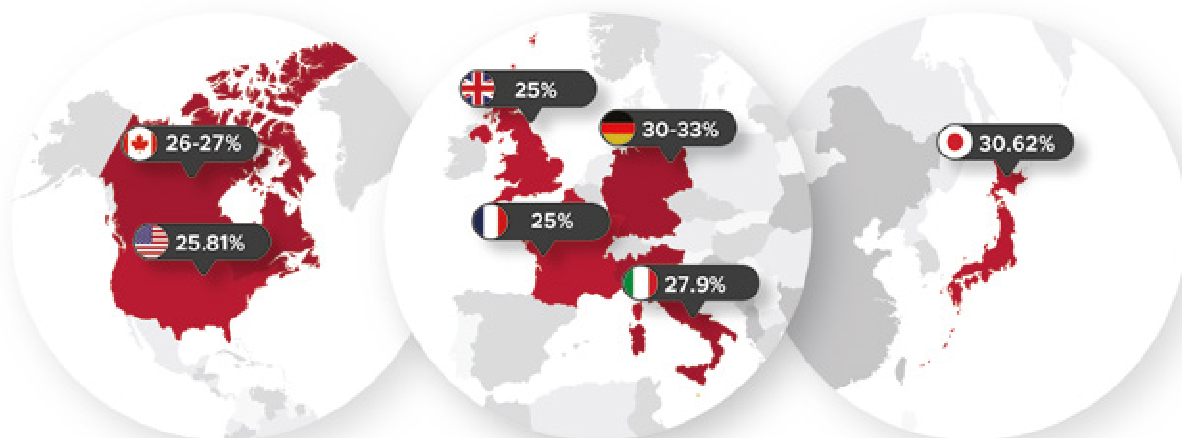
Corporation Tax rates

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. Companies with profits between £50,001 and £250,000 will pay tax at the main rate reduced by a marginal relief, providing a gradual increase in the effective Corporation Tax rate.

comment

The government has committed to capping the main rate of Corporation Tax at 25% for the duration of the Parliament. This is currently the lowest in the G7.

Laura Duggan | Head of Corporate Tax



Capital allowances

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 chargepoints have been extended to 31 March 2026 for corporation tax purposes and 5 April 2026 for income tax purposes.

In addition, double-cab pick-up vehicles with a payload of at least one tonne will be classified as cars for capital allowances starting from 1 April 2025, following a recent Court of Appeal ruling. Current capital allowances will apply to purchases made before this date.

International Business

OECD Pillar Two Implementation

The Pillar Two rules form part of the international OECD BEPS agreement addressing profit shifting and aggressive tax planning by multinational enterprises (MNEs). The rules impact multinational groups with annual global revenues exceeding €750 million that have UK business activities.

The UK introduced the Multinational Top-up Tax (MTT) and Domestic Top-up Tax (DTT) in Finance (No.2) Act 2023. The government subsequently announced that it would extend MTT and DTT to give effect to the Undertaxed Profits Rule (UTPR). It will take effect for accounting periods beginning on or after 31 December 2024.

The government also announced it will introduce legislation to make additional amendments to MTT and DTT to include the introduction of the transitional country by country reporting safe harbour anti-arbitrage rule, which took effect from 14 March 2024. Draft legislation for this rule was published for consultation at July Statement 2024. Minor changes have been made reflecting responses received

Repeal of Offshore Receipts in respect of Intangible Property (ORIP)

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.

The ORIP rules discourage MNEs from placing intangible property in low tax jurisdictions, particularly where income would be subject to lower or no tax (subject to certain exemptions).

If an entity is considered offshore, and not resident in a full double-treaty territory with the UK, ORIP imposes an income tax charge on the 'UK-derived amounts' that arise in the tax year.

Transfer Pricing

The government confirmed that consultations are ongoing with further reviews to be undertaken in Spring 2025, covering:

- A potential exemption for UK-UK transactions where no net tax would be payable
- Changes to the treatment of guarantees
- The possibility that at least some medium-sized enterprises becoming subject to transfer pricing having previously been exempt, offsetting potential exemptions for UK-UK arrangements
- Increased documentation requirements, in particular an 'international dealings schedule' that may be required by all in-scope taxpayers

No mention has been made of the previously proposed Summary Audit Trail (SAT) which could form part of an internal benchmark or information request list within HMRC, used in conjunction with the Guidelines for Compliance to review taxpayers' adherence to transfer pricing rules.

The government will introduce technical amendments in Finance Bill 2024-25 to provide certainty that Advance Pricing Agreements are available for financing arrangements covered by the transfer pricing rules in line with HMRC's existing Statement of Practice 1 (2012). This is retrospective and aligns the legislation with how the rules had always operated in practice.

comment

The OECD Pillar Two rules and recent UK tax developments introduce further complexity for multinational groups. The Multinational and Domestic Top-up Taxes, alongside upcoming changes such as the Undertaxed Profits Rule (UTPR) and safe harbour anti-arbitrage rule, create challenges that should be considered proactively.

Businesses should review their existing structures and tax positions in light of these updates. Our team can help you navigate compliance, review planning opportunities and prepare confidently for these reforms.

Sarah Richards | National Head of Tax

Energy Profits Levy

The Energy Profits Levy (EPL) (the temporary levy on profits arising from the upstream production of oil and gas) will increase from 35% to 38% and the end date of the levy will be extended to 31 March 2030. The EPL's Investment Allowance will be removed and the Decarbonisation Investment Allowance reduced to 66%. These measures will take effect from 1 November 2024. The government will publish a consultation in early 2025 on how it will respond to price shocks once the EPL ends.

comment

With the Climate Change Levy increasing for electricity and gas, substantial investments in carbon capture and storage, and new green hydrogen projects, the focus is clear: fostering sustainable energy solutions.

However, it is positive to see that exemptions and reductions for the Climate Change Levy tax remain available, ensuring that the impact on businesses is considered and balanced, allowing them to transition smoothly while mitigating financial burdens.

Our team can help you navigate compliance and review planning opportunities for these reforms.. We guide them on their carbon journey by utilising available grants and incentives to support their transition to more sustainable practices.

Catherine McKenna | Head of Energy Tax Incentives

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.

Research & Development and Patent Box

There are no changes to the R&D rules following the merger of the R&D tax relief scheme for small and medium-sized companies and the R&D expenditure credit (RDEC) used by large companies for accounting periods beginning on or after 1st April 2024.

The SME rules restricting relief where part of the project expenditure has been subsidised have been removed.

Loss-making SME companies claiming R&D relief are eligible for a higher payable credit rate of 14.5% if they meet the definition for R&D intensity.

For accounting periods beginning on or after 1st April 2024, the intensity threshold is 30%.

There is a one-year grace period that allows a company which fails to meet the intensity threshold, for example due to a one-off shock or small fluctuations in expenditure (for companies close to the threshold), to continue claiming the enhanced support in that year if it met the intensity threshold and successfully claimed enhanced support in the previous year.

comment

R&D claimants and advisers will generally be pleased that the budget made no changes to either rates of tax relief for R&D expenditure or scheme eligibility rules. After multiple years of sweeping changes to the R&D schemes coupled with a significant uptick in HMRC compliance activity and associated uncertainty, this is a welcome reprieve.

We believe this represents a much-needed opportunity for claimants to carefully review their R&D claim preparation process and get to grip with the panoply of changes previously announced, many of which will only start to impact companies in 2025 and 2026. The rate of HMRC enquiry into R&D claims is expected to remain at around 15% to 20% as HMRC continue to contend with relatively high levels of fraud and error cited earlier this year.

Ciaran Downs | R&D Tax Manager

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.

Other

The government will amend loan to participators regime (known as s455) to prevent shareholders from extracting untaxed funds from close companies by removing opportunities to side-step the anti-avoidance rules. This change will apply from 30 October 2024 and will close loopholes that allow tax avoidance through a chain of new loans and repayments.

With effect from 6 April 2025, the rate of interest charged on late-paid tax will increase by 1.5% to the Bank of England Base Rate plus 4%. The rate for late quarterly installment payments, however, remains unchanged—a welcome decision given the challenges of accurately estimating these payments. Unsurprisingly, HMRC are not increasing the interest they will pay on tax liabilities that are paid early.

The government will support charitable giving by legislating to prevent abuse of the charity tax rules, ensuring that only the intended tax relief is given to charities. These changes will take effect from April 2026 to give charities time to adjust to the new rules.

In 2025, the government will consult on proposals to simplify the tax structure for remote gambling to make it future-proof and close loopholes. The proposal is to consolidate it into a single tax.

CAPITAL GAINS *Tax*

“

In the lead up to the Budget, speculation regarding changes to CGT were rife, fueling the view that those subject to CGT are seen as the wealthiest demographic in the UK population In light of the scaremongering which came in the months prior, perhaps the changes to CGT were not as bad as they could have been. A key benefit of the speculations was that we had been pre-warned that increased rates of CGT were on their way, giving time to plan for the anticipated – yet unknown - changes.

The changes to CGT being less than anticipated I'd like to think is the government's realisation that to grow an economy there needs to be a positive environment for entrepreneurship encouraging the necessary investment and risk taking. Some changes to CGT have been introduced with immediate effect and anti-forestalling measures are in place.

Stephen Lynch | Personal Tax Senior Manager

Capital Gains Tax

The CGT rates will increase for disposals, other than of 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%.

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

Pre Budget capital gains tax rates

Status	Residential property	Other Assets (except carried interest)
Individual	18%/24%	10%/20%
Personal Representatives	24%	20%
Certain Trusts	24%	10%/20%*

*If the Trust asset disposed of has been used in the beneficiary's business, the gain may attract a 10% CGT rate

The capital gains tax rates between 30th October 2024 and 5th April 2025 inclusive are:

UK CGT Rates

Status	Residential property	Other Assets (except carried interest)
Individual	18%/24%	10%/18%/24%
Personal Representatives	24%	24%
Certain Trusts	24%	10%/24%*

*If the Trust asset disposed of has been used in the beneficiary's business, the gain may attract a 10 % CGT rate

The capital gains tax rates for 2025/26 are:

UK CGT Rates

Status	Residential property	Other Assets (except carried interest)
Individual	18%/24%	14%/18%/24%
Personal Representatives	24%	24%
Certain Trusts	24%	14%/24%*

*If the Trust asset disposed of has been used in the beneficiary's business, the gain may attract a 14% CGT rate

comment

The changes in the main rates of Capital Gains Tax brings them in line with those paid on disposal of residential property. This means that there will be no need going forward to differentiate between the types of property being disposed of.

Continues...

comment

Continued...

Before you sell an asset, such as shares or property for example, come and speak to us, as there may be planning that can be carried out prior to the sale to mitigate the capital gains tax hit.

If you are a UK resident taxpayer and sell a UK residential property that triggers a gain subject to CGT, you need to complete a CGT Return within 60 days of completion and pay the tax over within the same time frame to avoid penalties.

There are some important anti-forestalling provisions which have been put into place capturing disposals where the contract for sale is made from 30 October 2024 to 5 April 2026 but completed from 6 April 2025. These measures will apply to reorganisations and exchanges of a company's share capital before 30 October 2024 including unconditional but uncompleted contracts before 30 October 2024.

Any transactions entered into recently need careful consideration and taxpayers will need to be able to demonstrate that there was a commercial reason for an exhanged contract that hasnt completed.

If a Trust distributes an asset out to a beneficiary and incurs an inheritance tax (IHT) exit charge as a result of doing so, and the beneficiary subsequently sells the asset for a taxable gain they may be able to reduce the gain by the IHT exit charge

Stephen Lynch | Personal Tax Senior Manager

Capital Gains Tax annual exemption

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

UK CGT Annual Exemption

Tax Year	Individuals/PR *	Trustees**
2024/25	£3,000	£1,500
2025/26	£3,000	£1,500

*Note - the AE is only available to PRs for 2 tax years following the tax year in which the Deceased died.

** Note – the AE is divided equally between the number of Trusts set up by the Settlor (the AE is presently capped at £300 per Trust if 5 or more, or 10 or more if for the benefit of a disabled person),

Business Asset Disposal Relief and Investors' Relief

Under the current system, Business Asset Disposal Relief (formerly known as Entrepreneurs Relief) is a 10% tax charge on all gains on qualifying assets when a business is sold as long as it has been owned for a minimum of two years.

Although the lifetime allowance remains at £1 million, the rate which applies to individuals claiming BADR and Investors' Relief will increase from 10% to 14% for disposals made on or after 6 April 2025. This rate will increase again to 18% for disposals made on or after 6 April 2026.

comment

The Chancellor has now committed to preserving BADR and Investors' Relief. These beneficial reliefs are available to entrepreneurs and those who invest in businesses to be taxed at a lower rate of CGT.

The increase in rate to 18% in 2026 will mean the tax relief will save £60,000 in capital gains tax, as opposed to not having the relief at all. For a relief once worth £1 million, is this enough of an incentive to reward entrepreneurial risk?

The timing of the change provides a short-term opportunity for clients looking to exit their businesses with the benefit of Business Asset Disposal Relief. If a client sells their business before April 2025, they'll save £40,000 in capital gains tax as opposed to after April 2025.

If you are planning on exiting your business, enacting an advanced exit strategy is key, not only from a commercial position to enable the best price and deal possible but also in light of your tax exposure. There are many beneficial steps which can be taken in advance of the transition, but the key to success is 'in advance' and no 'in consequence of' enabling commercial rationale to be a driver for any tax restructuring. Aside from the more complex planning utilising spouses BADR entitlement will become more appealing.

Laura Duggan | **Head of Corporate Tax**

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

Carried interest is a share of profits earned by investment fund managers or general partners in private equity, venture capital, or certain hedge funds. 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.

Capital Gains Tax on liquidation of a Limited Liability Partnership

Where a Limited Liability Partnership holds assets, those assets are treated as if held by its members in a normal partnership. The tax consequence being that no chargeable gains accrue when a member contributes an asset to the Limited Liability Partnership.

With effect from 30 October 2024 legislation will be introduced which will deem a disposal to have arisen when a Limited Liability Partnership is liquidated. Where a member of a Limited Liability Partnership has contributed assets to the LLP, chargeable gains that accrue up to the contribution will be charged to tax when the LLP is liquidated and the assets are disposed of to the member, or a person connected to them. The charge to tax will be on the member.

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.

Taxation of Employee Ownership Trusts and Employee Benefit Trusts

The government is introducing a package of reforms to the taxation of Employee Ownership Trusts (EOT) and Employee Benefit Trusts (EBT), including the following:

- Legislation will be introduced to restrict former owners or persons connected with former owners from retaining control of companies post-sale to an EOT by virtue of control (direct or indirect) of the EOT.
- Trustees of an EOT must be UK resident (as a single body of persons) at the time of disposal to the EOT.
- Trustees must take reasonable steps to ensure that the consideration paid to acquire the company shares does not exceed market value.
- If qualifying conditions surrounding the EOT are breached, the timeframe to clawback tax relief from the vendor has been extended to the end of the 4th tax year following the end of the tax year of disposal.
- A requirement that individuals provide within their claim for Capital Gains Tax relief information on the sale proceeds and the number of employees of the company at the time of disposal.
- Restrictions on connected persons benefiting from an EBT must apply for the lifetime of the trust.
- The Inheritance Tax exemption will be restricted to where the shares have been held for two years prior to settlement into an EBT.
- No more than 25% of employees who can receive income payments should be connected to the participator in order for the EBT to benefit from favourable tax treatment.

The revised tax treatment for contributions made to an EOT to repay the former owner and the changes to the Income Tax relief conditions for annual bonus payments to employees of EOT controlled companies also has effect from 30 October 2024.

These reforms will prevent opportunities for abuse, ensuring that the regimes remain focused on encouraging employee ownership and rewarding employees.

comment

If you are thinking of exiting your business within the next five years there are a number of options open to you. Exit planning whether to family members, employees or a third party, planning should start early. Please do not hesitate to contact us if you want to look at the various options and the impact of each one.

Laura Duggan | Head of Corporate Tax

INHERITANCE *tax*

"

More individuals' estates will be pushed over the taxable threshold due to inflation and growth on asset values. The IHT threshold has now been frozen at £325,000 for 15 years. IHT planning for businesses will be crucial, changes to BPR and APR mean added stress at the most stressful times of our personal lives. Advance planning and insurance will be crucial.

Christy Morrison | Wealth Management Director

Inheritance Tax

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. As part of these changes, pension scheme administrators will become liable for reporting and paying any inheritance tax due on unused pension funds and death benefits.

Agricultural Property Relief & Business Property Relief

APR is a relief from IHT available on the agricultural value of land and other property that is owned and occupied for the purposes of agriculture.

BPR is a relief from IHT available on the value of certain business assets.

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.

comment

The budget has been disastrous for the farming industry, not only threatening family farms but also increases the cost of making produce (e.g. food), a cost that farmers simply cannot pass on or afford to absorb.

Laura Duggan | **Head of Corporate Tax**

Extension of Agricultural Property Relief to environmental land management

From 6 April 2025, the existing scope of Agricultural Property Relief will be extended to land managed under an environmental agreement with, or on behalf of, the UK government, devolved governments, public bodies, local authorities, or approved responsible bodies.

comment

Those with significant business assets, working farms, or qualifying AIM shares, may for the first time face an IHT liability on those assets. We are anticipating some behavioral changes impacting succession planning surrounding the transfer of assets during lifetime will become crucial, we would anticipate an increase in the use of Family Investment Companies, growth shares and gifts direct from grandparents.

Areas commonly missed is that where the deceased gifted an asset away within 7 years prior to death triggering a IHT charge which require review include:

- *normally the market value at the date of the gift comes back into the deceased's estate for inheritance tax purposes. However, if the value was less at the time of death you can make a loss relief claim and use that value instead to mitigate the inheritance tax burden.*
- *if the recipient of the gift subsequently sells the asset for a taxable gain, they may be able reduce the gain by the IHT charge incurred.*

Similarly, if the gross sale value of land or property sold within 4 years of the deceased's death turns out to be less than the probate value, you may want to consider putting in an inheritance tax loss relief claim. You could do the same, if within 12 months of death, the disposal of listed shares or unit trusts resulted in the gross sale value being less than at probate.

As a result of the removal/restriction of Business Property relief, one option for business owners to consider protecting their IHT position is the use of life policies to fund liabilities perhaps in conjunction with term policies to cover the risk of death within 7 years of any lifetime gift. Qualified IFA advice should be taken in this instance.

Christy Morrison | **Wealth Management Director**

comment

The change in the treatment of assets qualifying for BR is going to affect a wide range of people. Business owners with a shareholding worth over £1m have not previously had to consider the impact IHT could have on their estate or their business. Now this will be a key consideration, to ensure that, in the event of death of a shareholder, the business can continue to function and their beneficiaries can inherit without feeling the impact of tax.

The impact stretches further than just business owners. BR qualifying investments, be that in AIM, EIS or other inheritance tax solutions, have become the cornerstone for many when it comes to inheritance tax planning. Those who have invested significant sums into these types of investments may find that their planning isn't as effective as it once was.

One of the advantages to this budget is that it would seem the Treasury has sought to change the landscape rather than shut down opportunities for planning. So, whilst these measures might seem punitive to some, there are still avenues open to plan around them. Rather than rely on the creative use of a particular relief, going forwards we expect to see an increase in the use of life insurance, trusts, gifting and family investment companies.

Jon Fisher | **Head of Wealth**

PROPERTY taxes

"

From a property perspective, the Chancellor's message was clear: "Get Britain building again." Recognising that housing construction is crucial for long-term economic growth, the Chancellor announced a range of new investments to support the housing market and deliver a historic boost to social and affordable housing. Key measures include:

- An additional £500 million for the Affordable Homes Programme to build up to 5,000 more affordable homes.
- Adjustments to the Right to Buy scheme, reducing discounts and allowing councils in England to retain all sale receipts for reinvestment.
- £3 billion in additional support for SMEs and the Build-to-Rent sector.
- Increased investment for building safety, including the acceleration of unsafe cladding remediation, with funds rising to over £1 billion in 2025-26.

However, the increase in Stamp Duty Land Tax (SDLT), raises questions about their effectiveness in promoting market fluidity and mobility.

Omar Majeed | Corporation Tax Manager

Property Taxes

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 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.

England + Northern Ireland SDLT residential rate

	Up to 31st March 25**
Property/Lease premium/Transfer value*	SDLT rate
Up to £250,000	Zero
£250,001 to £925,000	5%
£925,001 to £1,500,000	10%
Above £1,500,000	12%

*First time buyers relief - no SDLT up to £425,000 then 5% between £425,001 and £625,000.
If property is in excess of £625,000 then no relief due.
**Non-UK resident person may have to pay an additional 2% SDLT surcharge

England + Northern Ireland SDLT residential rate

	From 1st April 25**
Property/Lease premium/Transfer value*	SDLT rate
Up to £125,000	Zero
£125,001 to £250,000	2%
£250,001 to £925,000	5%
£925,001 to £1,500,000	10%
Above £1,500,000	12%

*First time buyers relief no SDLT up to £300,000 then 5% between £300,000 and £500,000.
If property is in excess of £500,000 then no relief due.
**Non-UK resident person may have to pay an additional 3% SDLT surcharge

Wales residential Land Transaction Tax (LTT) 2024/25 rates

Property (freehold/leasehold) value	LTT rate
Up to £225,000	Zero
£225,001 to £400,000	6%
£400,001 to £750,000	7.5%
£750,001 to £1,500,000	10%
Over £1,500,000	12%

Scotland's residential Land & Buildings Transaction Tax (LBTT) 2024/25 rates

Property purchase value	LBTT rate
Up to £145,000*	Zero
£145,001 to £250,000	2%
£250,001 to £325,000	5%
£325,001 to £750,000	10%
Over £750,000	12%

*For first time buyers the zero rate band increases to £175,000

comment

Increasing SDLT hinders the property market by reducing transaction volumes and limiting mobility. The idea that taxing landlords will help first-time buyers seems misguided; fewer landlords mean fewer rental properties, which is likely to drive rents higher due to limited supply.

Don't forget that if you have incurred the 3% SDLT Surcharge or subsequent 5% SDLT Surcharge (England and Northern Ireland) or the Welsh 4% Land Transaction Tax Higher Rate charge upon acquiring a new main residence but before having disposed of your previous one, then you may be able to claim a refund if you sell your old property within 36 months of purchasing the new one.

If you are buying 6 or more residential properties in a single or linked transaction, you could apply the commercial rate of land taxes against the purchase price, rather than the residential rate. This may avoid the additional higher rate residential land taxes.

Omar Majeed | Corporation Tax Manager

Annual Tax on Enveloped Dwellings (ATED)

The ATED charge for those property companies liable to pay it, has been increased by 1.7% in respect of the 2025/26 ATED year.

Property Value	2024/25	2025/26
£500,001 to £1m	£4,400	£4,450
£1,000,001 to £2m	£9,000	£9,150
£2,000,001 to £5m	£30,550	£31,050
£5,000,001 to £10m	£71,500	£72,700
£10,000,001 to £20m	£143,550	£145,950
Over £20m	£287,500	£145,950

comment

Do you own or have an interest in residential property through a corporate vehicle? Was the value of the property, as at 1st April 2022, worth more than £500,000 or did you acquire it after that date for more than that amount? Even if you rent the property out on a commercial basis, you still need to complete an ATED return within 30 days of acquiring the property.

If a corporate has constructed a new build or converted an existing property into a dwelling then it has 90 days from the completion date or the date it is first occupied, if earlier, to complete the ATED return. An ATED return should then be completed by 30th April each year otherwise penalty charges of up to £1,600 per property could arise.

Omar Majeed | Corporation Tax Manager

Furnished Holiday Lettings

The announcement that the Furnished Holiday Lettings (FHL) regime was to be abolished was in the Spring 2024 Budget. The Labour government have since confirmed that it will be abolished from April 2025. The effect of abolishing the rules is 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 a number of implications from 2025/26 which are detailed below.

- Loan interest relief will be restricted to a 20% income tax credit.
- 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. Where an existing FHL business has an ongoing capital allowances pool of expenditure, it can continue to claim writing down allowances on that pool post April 2025 but not in respect of new expenditure after that date.

- 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 a number of detailed transitional rules to preserve certain reliefs such as BADR in specific situations.

- Where the FHL business ceased prior to 6th April 2025, business asset disposal relief (the 10% capital gains tax rate) may still apply to a disposal of the property within 3 years of the FHL business coming to an end.

- 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.

comment

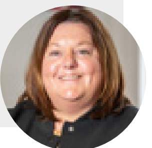
There are some planning opportunities to be considered in advance of the abolishment from April 2025. These include:

- *If you are servicing debt on your furnished holiday let business carry out a review of the impact of the loan interest tax restriction which comes into play. You should consider ways to improve profitability to compensate for that impact e.g. increase prices, pay down the debt, adapt the business structure, refinance for a better deal.*

- *If you can afford to do so and were considering purchasing capital expenditure in the near future, consider whether to accelerate those purchases before April 2025.*

- *If you are contemplating selling your FHL, you may want to consider doing so prior to 6th April 2025 in order to obtain favourable capital gains tax treatment.*

Melanie Donegan | Head of Personal Tax



VAT and other tax

Adam Corr | Corporation Tax Manager

VAT and other tax

The VAT registration threshold

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

comment

The VAT registration threshold remains low, especially when compared to the low increase discussed as a result of the previous budget. Although registering for VAT brings with it additional administration burdens, many businesses may benefit from voluntarily registering for VAT, bringing cashflow benefits.

It shouldn't be forgotten that when first registering for VAT, you may be able to claim input VAT on goods purchased in the 4-year period prior to registration where those goods have been used in the business and are still owned on the first date of registration. This includes both stock and assets and claim input VAT on services purchased for business purposes in the 6 months.

Adam Corr | Corporation Tax Manager

Removal of VAT exemption for private school fees

Private school fees for education 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 provision of nursery services to children below school age will remain VAT exempt as will state school education and sixth form colleges where no fee is charged.

Where a Special Education Needs place is provided at a private school and is funded by a local authority (LA) or similar body, the LA will be able to claim a VAT refund on the fees charged.

comment

It's no surprise that the Budget has added VAT to private school fees. The measure was first announced in Labour's 2019 manifesto and has now been announced as taking effect from 1 January 2025.

The Labour government announced that it intends to use the funds raised as a result of the measure on education priorities including opening 3,000 new nurseries, rolling out breakfast clubs to all primary schools, recruiting 6,500 new teachers, and improving teacher training.

Continues...

comment

Continued...

It is understood that there are plans to legislate retrospectively capturing fees paid on or after 29 July 2024 which relate to school terms starting in January 2025 subject to VAT. The government has stated that HMRC will be carefully scrutinising fees in advance schemes, including those paid prior to July 2024 to ensure that schools pay the correct VAT.

Historically private schools have been exempt from VAT and unable to collect VAT incurred. This included VAT incurred on large capital projects; there may now be some circumstances where the school could look back at that expenditure and possibly start recovering the VAT incurred under the Capital Goods Scheme.

Adam Corr | Corporation Tax Manager

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. The government 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.

comment

If you are a sole trader or property landlord and your turnover (pre expenses) exceeds £50,000 during the 2024/25 tax year you may need to be Making Tax Digital for Income Tax (MTD) compliant from April 2026 which will require quarterly reporting. If you are both a sole trader and a property landlord then you aggregate the two turnovers together when applying the £50,000 threshold. Are you ready for this? If not we can help.

Adam Corr | Corporation Tax Manager

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% from April 2025

comment

The government has reaffirmed its commitment to strengthening HMRC's workforce with an additional 5,000 compliance officers and 1,800 debt recovery specialists. This signals a clear focus on tax compliance, which businesses should prioritise over the coming years.

This expansion is complemented by investments in HMRC's digital infrastructure to enhance efficiency and service delivery, as well as plans to modernise and mandate registration for tax advisers. Additionally, there is a commitment to intensify efforts against offshore non-compliance by scaling up resources and compliance activities.

Two consultations are also underway: one exploring options to expand HMRC's powers to tackle tax advisers promoting avoidance schemes, and another to review HMRC's existing powers and processes.

We are already seeing an increase in HMRC compliance activities, and these measures confirm our expectations of significantly more HMRC "nudge" letters and enquiries in the near future.

With enhanced scrutiny and increased probability of an HMRC enquiry, even for the most process driven and compliant companies, when the enquiry does arrive excessive resources and associated costs of professional support will be incurred. Sedulo offers a robust tax team with significant experience in dealing with HMRC enquiries together with Markel Tax Investigations Fee Protection providing coverage of the professional fees which arise in the event that there is an HMRC enquiry or dispute. We continue to recommend clients take up this service.

Adam Corr | Corporation Tax Manager

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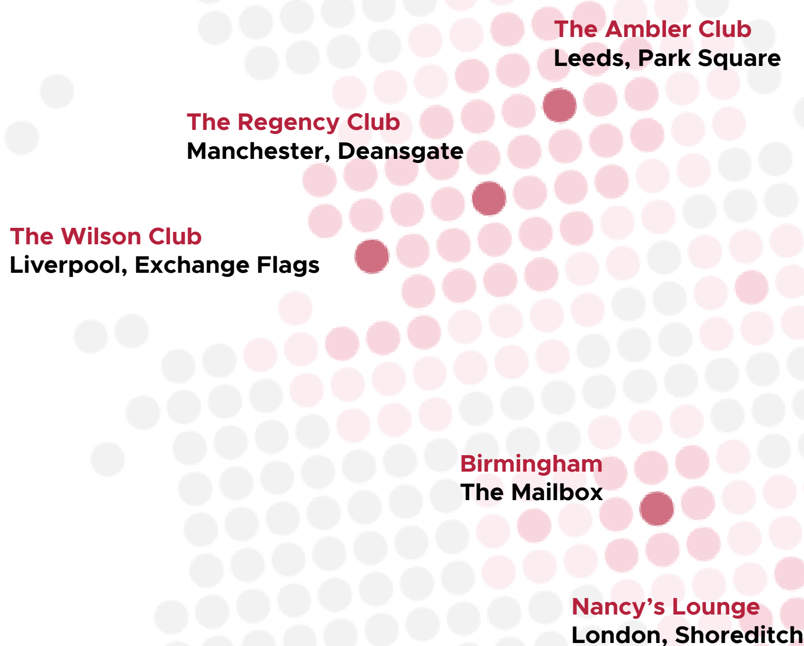

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