

'The Robin Hood Budget'

Part of the **SUMER** Group

Autumn Budget 2024: Summary and Key Announcements

Rachel Reeves delivered her Budget on 30 October 2024, the first Budget delivered by Labour in 14 years.

The Chancellor's aim is to "fix the foundations" of the economy and deliver change by prioritising stability, investment and reform to drive prosperity across the UK.

Some of the key announcements are summarised below together with a reminder of other recent changes and our top tips for making sure that you are fully prepared for any changes that may affect you or your business:

Income Tax

- All income tax rates including dividend rates remain the same.
- The personal allowance and income tax thresholds remain frozen at their current rates until April 2028.
- However, from April 2028, personal tax thresholds will increase in line with inflation.

National Insurance (NIC)

- NIC rates for individuals and the self-employed will remain the same.
- For those making voluntary Class 2 or Class 3 NIC payments, the main rates for 2025-26 will be £3.50 and £17.75 per week respectively.
- With effect from 6 April 2025, the rate of employer NIC will increase from 13.8% to 15%.
- The threshold at which employers become liable to pay NIC will also reduce from £9,100 to £5,000 from the same date.
- The Employment Allowance will also increase from £5,000 to £10,500 for eligible businesses and the £100,000 eligibility threshold will be removed from 6 April 2025.

Capital Gains Tax (CGT)

- The lower rate of CGT will increase from 10% to 18% and the higher rate of CGT will increase from 20% to 24% with effect from 30 October 2024.
- The highest rate of tax applicable to the sale of a residential property will remain at 24% as announced in the last Conservative Budget.
- The CGT rate applicable to disposals qualifying for Business Asset Disposal Relief (BADR) will increase from 10% to 14% with effect from 6 April 2025 and will rise again to 18% with effect from 6 April 2026.
- The CGT rate applicable to disposals qualifying for Investors' Relief will increase in the same way as BADR. However, the lifetime limit for this relief will be reduced to £1m for all disposals made on or after 30 October 2024.
- CGT rules will be extended to apply to the distribution of assets on the liquidation of a Limited Liability Partnership. This change comes into effect from 30 October 2024.
- Carried interest (a performance-related reward received by a small population of fund management executives) can be subject to CGT where certain conditions are met. From April 2026, carried interest will be taxed fully within the Income Tax framework.
- With effect from April 2025, CGT rates currently applied to carried interest will be increased to 32%.

TOP TIP: If you are a shareholder in a small company, consideration should be given to your remuneration strategy – it may now be even better to extract dividends rather than salary from your business.

- Following a recent consultation on the sale of shares to an Employee Ownership Trust (EOT), stricter measures will apply from 30 October 2024 which include a trustee residency requirement and control restrictions.

TOP TIP: If you are considering the sale or liquidation of your business you may wish to do so before the end of the 24/25 tax year to crystallise the benefit of the current BADR rate (if this relief is likely to apply).

State Pension and Benefits

- The government will maintain the State Pension Triple Lock for the duration of this Parliament.
- The basic and new State Pension will increase by 4.1% in 2025-26.
- The Carer's Allowance Weekly Earnings Limit will be increased to the equivalent of 16 hours at the National Living Wage.
- The commencement of the migration of claimants from the Employment and Support Allowance system to the Universal Credit system will be brought forward from 2028 to late 2024.

Inheritance Tax (IHT)

- IHT thresholds will be maintained at their current levels for a further two years until 5 April 2030.
- Unused pension funds and death benefits payable from a pension into an estate will be brought into the IHT regime from 6 April 2027. These assets have previously benefitted from a full exemption.
- Agricultural Property Relief (APR) and Business Property Relief (BPR) will be reformed from April 2026.
- A 100% rate of relief is expected to apply for the first £1m of combined agricultural and business assets with the rate of relief reduced to 50% for assets in excess of this threshold.
- Quoted shares designated as "not listed" on the markets of a recognised stock exchange (e.g. AIM) will receive a 50% relief.
- The government will invest heavily in the digitalisation of the IHT system from 2027-28.

Non-UK Domiciled Individuals

- With effect from 6 April 2025, the "non-dom regime" will be abolished. This will remove the remittance basis of taxation for non-UK domiciled individuals and the planned 50% reduction in foreign income subject to tax in the first year of the new regime will be scrapped.

- The government will introduce a new residence based system for IHT which will effectively end the use of offshore trusts to shelter assets from IHT in certain circumstances.
- For CGT purposes, current and past remittance basis users will be able to rebase personally held foreign assets to 5 April 2017 on a disposal where certain conditions are met.

TOP TIP: The announcements made in relation to IHT are significant, particularly where pensions are concerned. Make sure you seek advice on their impact and revisit any IHT planning advice you may have previously received to confirm its validity.

Stamp Duty Land Tax (SDLT)

- With effect from 31 October 2024, the higher rate of SDLT applicable to the purchase of second homes will increase from 3% to 5%.
- Purchases where contracts exchanged prior to 31 October 2024 will not be affected by this rate increase.
- The single rate of SDLT that is charged on the purchase of dwellings costing more than £500,000 by corporate bodies will also be increased from 15% to 17% with effect from 31 October 2024.

Savings and Investments

- 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 Starting Rate for Savings band will be frozen at £5,000 for the 2025-26 tax year.

VAT

- Registration and deregistration thresholds remain at their current levels.
- The standard rate of VAT (20%) will apply to education and boarding services provided by private schools from 1 January 2025.

Corporation Tax

- Corporation tax rates and thresholds remain unchanged.
- Anti-avoidance provisions will be strengthened to ensure that shareholders who are attempting to avoid a tax charge on loans from their companies will be unable to do so with effect from 30 October 2024.

Benefits in Kind

- Plans to mandate the reporting of benefits in kind via payroll software from April 2026 have been confirmed.
- With effect from 1 April 2025, double cab pick-up vehicles with a payload of one tonne or more will be treated as cars for benefits in kind purposes.
- Transitional benefit in kind arrangements will apply for employers that have purchased, leased, or ordered this type of vehicle before 6 April 2025 and employers will be able to use the previous treatment, until the earlier of disposal, lease expiry, or 5 April 2029.

National Living Wage (NLW) and National Minimum Wage (NMW)

- The NLW will increase by 6.7% to £12.21 per hour from April 2025.
- The NMW for 18-20 year olds will also be increased by 16.3% to £10 per hour from April 2025.

TOP TIP: The changes to employer NIC combined with the increase in NLW and NMW are likely to have a significant impact on your business. Seek guidance and prepare cashflow forecasts to fully understand your position.

Business Rates

- The small business multiplier will remain frozen for 2025-26 but the standard multiplier will be increased to 55.5p.
- Eligible retail, hospitality and leisure properties in England will receive 40% relief on their business rates liabilities for 2025-26 subject to a cap of £110,000.
- The government intends to introduce permanently lower multipliers for retail, hospitality and leisure properties for 2026-27 which will be funded by an increase in the higher multiplier applicable to properties with rateable values in excess of £500,000.
- Private schools will no longer be eligible for charitable rate relief from 1 April 2025.

Business Investment

- The 100% First Year Allowances (FYA) for qualifying expenditure on zero-emission cars and electric vehicle charge points will be extended to 31 March 2026 for corporation tax purposes and 5 April 2026 for income tax purposes.
- The government intends to explore the extension of full expensing relief to assets bought for leasing or hiring when fiscal conditions allow.
- The Annual Investment Allowance will remain at £1m per annum.
- Access to the Enterprise Investment and Venture Capital Trust Schemes, regimes which are valuable to growing businesses, will be extended to 2035.
- With effect from 1 April 2025, double cab pick up vehicles with a payload of one tonne or more will be treated as cars for capital allowances. The existing capital allowances treatment will apply to those who purchase these vehicles before April 2025.

TOP TIP: Investment in electric vehicles continues to be tax efficient for businesses and will continue to be a tax efficient benefit for employees. If you have been considering upgrading your fleet, invest before March/April 2026 to make use of the allowances available.

Other Duties

- Fuel duty rates remain frozen for 2025-26 and the planned inflation increase will not take place.
- The temporary 5p cut in fuel duty rates will be extended by 12 months and will expire on 22 March 2026.
- Alcohol duty on draught products will be reduced by 1 penny per average strength pint from February 2025.
- Duty on hand-rolling tobacco will be increased by 10% during 2024.
- A Vaping Products Duty will be introduced from 1 October 2026 at a flat rate of £2.20 per 10ml vaping liquid, accompanied by an equivalent further one-off increase in Tobacco Duty to maintain the financial incentive to switch from tobacco to vaping.
- The Soft Drinks Industry Levy will be increased and the government will also reviewed the current sugar thresholds and the exemption for milk-based drinks.
- Air Passenger Duty rates for short-haul destinations will increase by £2. Those travelling by larger private jets can expect a 50% increase.

Tax Administration and Avoidance

- To encourage taxpayers to pay tax on time the interest rate charged on overdue debts will increase by 1.5% with effect from 6 April 2025.
- With effect from April 2026, responsibility for accounting for PAYE on payments made to workers supplied via umbrella companies will shift to the recruitment agency. If there is no agency the responsibility will fall to the end client business.
- Making Tax Digital for Income tax Self Assessment (MTD ITSA) will continue to be introduced from April 2026. However, the government intends to extend MTD ITSA to those with income in excess of £20,000 by the end of this Parliament.

