WESTCOTTS

CHARTERED ACCOUNTANTS
& BUSINESS ADVISERS

Autumn Budget 2024

Summary

1. Personal Tax

1.1 Tax Rates

Personal allowances and the higher rate tax threshold had already been fixed until April 2028 and will be increased in line with inflation after this date.

The personal allowance will remain at £12,570 and the higher rate threshold will remain at £50,270.

1.2 Additional Rates

The additional rate threshold will continue at £125,140 until April 2028.

1.3 Dividend Allowance

The dividend allowance will continue at £500.

1.4 Married Couples' and Blind Persons Allowance

The Married Couple's Allowance and Blind Person's Allowance will be increased by the September 2024 CPI figure of 1.7% from 6 April 2025.

1.5 Reforming the taxation of non-UK individuals

From 6 April 2025 the government will legislate to abolish the remittance basis of taxation for non-UK domiciled individuals and replace it with a simpler and internationally competitive residence based regime.

Individuals who opt-in to the regime will not pay UK tax on foreign income and gains (FIG) for the first four years of tax residence.

From 6 April 2025 the government will introduce a new residence based system for Inheritance Tax (IHT), ending the use of offshore trusts to shelter assets from IHT, and scrap the planned 50% reduction in foreign income subject to tax in the first year of the new regime.

For Capital Gains Tax 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.

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

The government is extending the Temporary Repatriation Facility to three years, expanding the scope to offshore structures, and simplifying the mixed fund rules to encourage individuals to spend and invest their FIG in the UK.

1.6 Simplification of taxation of Offshore Interest

The government is publishing a consultation document to tackle challenges arising from the mismatch of information on offshore interest being provided on a calendar year basis rather than a UK tax year basis. The consultation is seeking options to address this mismatch, including changes to the rules so that individuals are taxed on the non-UK interest arising in the year ended 31 December that ends in the tax year.

1.7 Individual Savings Accounts, Lifetime ISA, Junior ISA and Child Trust Fund Allowance

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.

1.8 Freezing the Starting Rate for Savings

The Starting Rate for Savings will be retained at £5,000 for 2025-26, allowing individuals with less than £17,570 in employment or pensions income to receive up to £5,000 of savings income tax free.

1.9 British ISA

The government will not proceed with the British ISA following mixed responses to its consultation.

1.10 Clarification of taxable status of Statutory Neonatal Care Pay

The government will legislate in Finance Bill 2024-25 to clarify the income tax treatment of Statutory Neonatal Care Pay. This will ensure the payment is liable to income tax and ensures consistency with the tax treatment of other statutory maternity and paternity pay schemes

2. National Insurance Contributions (NICs)

2.1 Secondary Class 1 NICs (Employer NICs)

The government will increase the rate of employer NICs from 13.8% to 15% from 6 April 2025.

The Secondary Threshold is the point at which employers become liable to pay NICs on employees' 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. 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 NICs bills from 6 April 2025.

2.2 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.

2.3 NICs re-rating 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 6 April 2025.

For those paying voluntarily, the government will also increase Class 2 and Class 3 NICs rates by September CPI of 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.

3. Business Tax

3.1 Corporate Tax Roadmap

The government has published a corporate tax roadmap setting out its plans for corporation tax and a number of other taxes over the course of this parliament. Stated commitments are:

- Capping the headline rate of corporation tax at 25% for the duration of parliament.
- Retaining the small profits rate and thresholds as set currently
- Maintaining the £1 million annual investment allowance and permanent full expensing.
- Working with small companies on simplification.
- Maintaining research and development relief.
- Developing a system for tax certainty for major investments.

3.2 Corporate Tax – Tax relief for visual effects

From 1 April 2025 film and TV companies will be able to claim an enhanced Audio-Visual Expenditure Credit (AVEC) on their UK visual effects costs. UK visual effects costs will also be exempt for the AVEC's 80% cap on qualifying expenditure. The relief will apply to costs incurred from 1 January 2025.

3.3 Business Rates – Private Schools

From April 2025 private schools in England will no longer be eligible for charitable rate relief.

3.4 Business Rates – Transforming business rates

The government intends to introduce permanently lower multipliers for Retail, Hospitality and Leisure (RHL) properties from 2026-27, paid for by a higher multiplier for properties with Rateable Values above £500,000.

3.5 Business Rates – Improvement Relief

From April 2024 businesses will not see an increase in their rates for 12 months as a result of making improvements to a property they occupy.

3.6 Business Rates – Hospitality and Leisure Relief

From April 2025 the support for eligible retail, hospitality and leisure businesses is being extended and decreased from 75% to 40% up to £110,000 per business.

3.7 Charity Compliance measures

From 6 April 2026 the government will legislate to prevent abuse of the charity tax rules, ensuring that only the intended tax relief is given to charities.

3.8 Close Company Loan to Shareholders

From 30 October 2024 the government will ensure shareholders cannot extract funds untaxed from close companies by legislating to remove opportunities to side-step the anti-avoidance rules attached to the loans to participators regime

3.9 Rogue Company Directors

The government will increase collaboration between HMRC, Companies House, and the Insolvency Service to tackle those using contrived corporate insolvencies and dissolutions, often referred to as "phoenixism", to evade tax.

3.10 Capital allowances: Green First Year Allowances

The government will extend for a further year the 100% First Year Allowances (FYA) for qualifying expenditure on zero-emission cars and the 100% FYA for qualifying expenditure on plant or machinery for electric vehicle charge points, to 31 March 2026 for corporation tax purposes and 5 April 2026 for income tax purposes.

3.11 Capital allowances: Extending full expensing to assets bought for leasing

The government will explore extending full expensing to assets bought for leasing or hiring, when fiscal conditions allow.

3.12 Capital allowances: Greater clarity on what qualifies for capital allowances

HMRC will continue to work with stakeholders to improve and clarify guidance on areas of uncertainty within the capital allowances system.

3.13 Capital allowances: Tax treatment of predevelopment costs

A consultation will be launched in the coming months that explores the tax treatment of predevelopment costs.

3.14 Annual Tax on Enveloped Dwellings (ATED): Annual chargeable amounts

The annual chargeable amounts for ATED will be uplifted by the September CPI figure of 1.7% for the 2025-2026 ATED chargeable period.

4 Value Added Taxes (VAT)

4.1 VAT – Registration and Deregistration thresholds

The current registration limit will remain at £90,000 and the deregistration limit will remain at £88,000.

4.2 Private School Fees

With effect from 1 January 2025 all education services and vocational training provided by a private school in the UK for a charge will be subject to VAT at the standard rate of 20%. This will also apply to boarding services provided by private schools.

To protect pupils with special educational needs that can only be met in a private school, local authorities and devolved governments that fund these places will be compensated for the VAT they are charged on those pupils' fees.

5 Stamp Duty Land Tax

5.1 Stamp Duty Land Tax (SDLT) Higher Rates on Additional Dwellings

From 31 October 2024 the Higher Rates for Additional Dwellings surcharge on SDLT will be increased by 2% to 5%.

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 by 2 percentage points from 15% to 17%

6 Inheritance Tax

6.1 Nil Rate Band and Residential Nil Rate Band

The inheritance tax nil rate band and residential nil rate band will remain at £325,000 and £175,000 until April 2030. The residence nil rate band taper will continue to start at £2 million.

6.2 Agricultural Property scope of Relief

From 6 April 2025 the government will extend the scope of agricultural property relief to land managed under an environmental agreement.

6.3 Agricultural Property and Business Property Relief

From 6 April 2026 relief will be given at 100% on the first £1 million of combined agricultural and business assets only. The value of these combined assets over £1 million will be given relief at 50%. Further guidance will be published on the application of the £1 million allowance to trusts.

6.4 Inheritance tax: unused pension funds and death benefits

From 6 April 2027 the government will bring unused pension funds and death benefits payable from a pension into a person's estate for inheritance tax. This will restore the principle that pensions should not be a vehicle for the accumulation of capital sums for the purposes of inheritance.

7 Capital Gains Tax

7.1 Rates

The lower and higher main capital gains tax rates will rise to 18% and 24% on disposals made on or after 30 October 2024. The rates applicable to sales to residential property will remain unchanged at 18% and 24%.

The main rate that will apply to trusts and estates will also rise to 24% for disposals made on or after 30 October 2024.

7.2 Business Asset Disposal Relief

From 6 April 2025 the rate of capital gains tax applying to disposals qualifying for business asset disposal relief (BADR) and investors relief will increase to 14% and to 18% for those disposals made after 6 April 2026. The lifetime limit for BADR will remain at £1m.

7.3 Capital Gains Tax: Investors' Relief lifetime limit

The lifetime limit for Investors' Relief will be reduced to £1 million for all qualifying disposals made on or after 30 October 2024, matching the lifetime limit for Business Asset Disposal Relief.

7.4 Liquidations of Limited Liability Partnerships

The government will change the way capital gains are taxed when a Limited Liability Partnership is liquidated, and assets are disposed of to a contributing member or person connected to them, to close a route used for the avoidance of tax. These changes will come into effect from 30 October 2024.

7.5 Carried Interest Taxation Reform

From April 2026, all carried interest will be taxed within the income tax framework, with a 72.5% multiplier applied to qualifying carried interest that is brought within charge. As an interim step, the two Capital Gains Tax rates for carried interest will both increase to 32% from 6 April 2025.

8 Employment Taxes

8.1 National Insurance Contributions

The changes to employers national insurance contributions are described in section 2.

8.2 Reporting benefits in kind in real time

From 6 April 2026 it will be mandatory to payroll all benefits in kind with the exception of employment related loans and accommodation. Payrolling for these two excepted benefits can be undertaken on a voluntary basis until these are also mandated at a date to be announced.

8.3 Company Car Tax

The government is setting rates for Company Car Tax for 2028-2029 and 2029-30 to provide long term certainty for taxpayers and industry.

Appropriate Percentages (APs) for zero emission and electric vehicles will increase by 2% per year in 2028-29 and 2029-30, rising to an AP of 9% in 2029-30.

APs for cars with emissions of 1 – 50 g of CO2 per kilometre, including hybrid vehicles, will rise to 18% in 2028-29 and 19% in 2029-30.

APs for all other vehicle bands will increase by 1 percentage point per year in 2028-29 and 2029-30. The maximum AP will also increase by 1 percentage pointper year to 38% for 2028-2029 and

39% for 2029-2030. This means for vehicle bands with emissions of 51 g of CO2 per kilometre and over, APs will increase to 19% – 38% in 2028-29 and 20% – 39% in 2029-30.

8.4 Contrived company car ownership

From 6 April 2026 the government will introduce 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.

8.5 2025-26 Van Benefit Charge, Van Fuel benefit Charge and Car Fuel Benefit Charge

The government will uprate the Van Benefit Charge and Car and Van Fuel Benefit Charges by CPI from 6 April 2025.

8.6 Double Cab Pick-Ups

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.

9 Other Taxes

9.1 Tackling offshore tax non-compliance

Steps will be taken to tackle the offshore tax gap by providing additional resource to HMRC to tackle more complex offshore tax cases.

9.2 Tackling non-compliance

The government will consult on new ways to tackle non-compliance and how this can be more efficient and effective.

9.3 Investing in additional HMRC staff and systems

The government have committed significant investment over the next five years to recruit an additional compliance staff and to modernise digital services for additional taxes such as inheritance tax and ISAs.

9.4 Making Tax Digital

The government is committed to making tax digital services for self-assessment in this parliament for those with incomes over £20,000. The government will set out the timing for this in due course.

9.5 Modernising and mandating tax adviser registration

The government will mandate the registration of tax advisors with HMRC where working on behalf of their clients from April 2026.

9.6 Enhancing HMRCs powers

A consultation will be launched to enhance HMRCs powers and sanctions regarding tax advisors who facilitate taxpayer non-compliance.

9.7 Umbrella Company Market

From 6 April 2026 the government will make recruitment agents responsible for the PAYE on payments made to workers that are supplied via umbrella companies. Where there is no recruitment agent the responsibility will fall to the end client business.

9.8 Late payment interest rates on unpaid tax liabilities

From 6 April 2025 the late payment interest rates charged by HMRC on unpaid tax liabilities will increase by 1.5 percentage points.

9.9 Tackling promoters of marketed tax avoidance

The government will publish a consultation in early 2025 on a package of measures to tackle promoters of marketed tax avoidance.

9.10 Taxation of Employee Ownership Trusts and Employee Benefit Trusts

From 30 October 2024 reforms will be introduced to the taxation of Employee Ownership Trusts and Employee Benefit Trusts. These reforms will prevent opportunities for abuse, ensuring that the regimes remain focused on encouraging employee ownership and rewarding employees.