Autumn Budget 2024 Explained

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About us

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What we'll be covering

01 Personal taxes

02 Residency and non-dom tax regime

03 IHT changes

04 Increases in CGT rates

05 Corporate taxes

06 Property taxes

07 Any other business

Budget headlines

- £40 billion tax increases!

- Significant increases in Employers' National Insurance contributions (NIC)
- Inheritance tax (IHT) to include pension pots with restrictions on BPR and APR
- Headline rate of capital gains tax (CGT) increased to 24%
- Additional 2% stamp duty land tax (SDLT) charge on second homes
- Non-domicile status abolished

Picture by Kirsty O'Connor / Treasury

What wasn’t changed

- Employers’ NIC on salary sacrifice going to pension pots
- Removal or partial exemption of pension tax-free lump sum
- Tax relief on pension contributions restricted to basic rate
- Extension of seven-year potentially exempt transfer (PET) tail
- Abolition of residence nil rate band
- Fundamental changes to the principles of inheritance tax
- Restriction of ISA pot limits
- Dividend tax rates


Picture by Lauren Hurley / DESNZ / HM Treasury

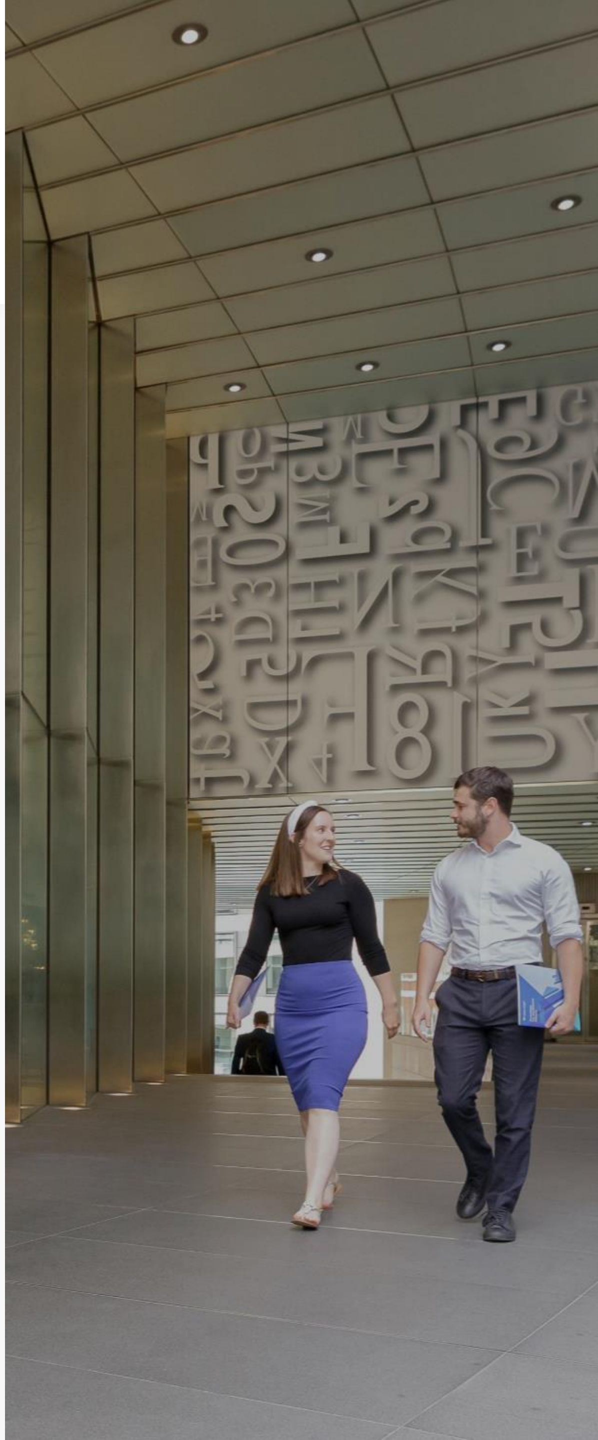
01

Personal taxes

Personal tax rates

- Personal tax rates and thresholds remain unchanged (including dividend tax rates)
- Freeze on income tax and NIC thresholds will not be extended beyond 2028

- But non-dom tax status to be abolished....



Employers’ NIC rates

- Employers’ NIC rate to increase from 13.8% to 15% from 6 April 2025
- Threshold at which businesses start paying NIC on a worker’s earnings to be lowered from £9,100 to £5,000
- Employment Allowance to increase from £5,000 to £10,500 for all companies

- For personal companies, complicates whether to remunerate via dividends or salary (especially given increase in corporate tax rates last year)

Dividend vs salary [1/2]

Single shareholder company with £150k profit before salary and tax			
Individual wants to take £100k gross			
	Salary only		**Dividend**
Company			
Company profit before salary or dividend	150,000	Company profit before salary or dividend	150,000
Salary	(100,000)	Salary	(5,000)
E'er NICs - on amounts over £5k at 15%	(14,250)	E'er NICs - on amounts over £5k at 15%	-
Taxable profit	35,750	Taxable profit	145,000
Corporation tax at 19%	(6,793)	Corporation tax - blended rate	(34,675)
Amounts after tax	28,958	Amounts after tax	110,325
Dividend paid	-	Dividend paid	(95,000)
Amount retained by company	**28,958**	**Amount retained by company**	**15,325**
For the individual		**For the individual**	
Total income	100,000	Total income	100,000
Income tax	(27,432)	Income tax	(19,914)
NICs	(3,759)	NICs	-
Total after tax	**68,809**	**Total after tax**	**80,086**
Total amount for individual and company after tax	**97,766**	**Total amount for individual and company after tax**	**95,411**

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Dividend vs salary [2/2]

Single shareholder company with £1m profit before salary and tax				
Individual wants to take £500k gross				
	Salary only		**Dividend**	
Company				
Company profit before salary or dividend	1,000,000		Company profit before salary or dividend	1,000,000
Salary	(500,000)		Salary	(5,000)
E'er NICs - on amounts over £5k at 15%	(74,250)		E'er NICs - on amounts over £5k at 15%	-
Taxable profit	425,750		Taxable profit	995,000
Corporation tax at 25%	(106,438)		Corporation tax at 25%	(248,750)
Amounts after tax	319,313		Amounts after tax	746,250
Dividend paid	-		Dividend paid	(495,000)
Amount retained by company	**319,313**		**Amount retained by company**	**251,250**
For the individual			**For the individual**	
Total income	500,000		Total income	500,000
Income tax	(211,832)		Income tax	(181,387)
NICs	(12,011)		NICs	-
Total after tax	**276,158**		**Total after tax**	**318,613**
Total amount for individual and company after tax	**595,470**		**Total amount for individual and company after tax**	**569,863**

02

Residency and non-dom tax regime

Residency and non-dom tax regime [1/7]

Abolition of the remittance basis regime as expected

New four-year foreign income & gains (FIG) regime

- 100% relief on FIG for new arrivals in first four tax years of residence
- Must not have been UK resident in any of the 10 years immediately prior to arrival
- Can include UK nationals and UK domiciled “returners”
- Tax return claim required; relief does not apply automatically
- Can be applied to income or gains, or both – or can even choose to apply on a source-by-source basis
- Loss of personal allowance and annual CGT exemption. Both are lost regardless of whether relief claimed only on income or gains
- No further tax charge when any FIG to which relief applies is remitted to the UK
- Former remittance basis users will still pay tax on remittance of pre-6 April 2025 FIG
- Most types of income and gains are covered, but some exceptions include:
    - Certain foreign pensions
    - Offshore life insurance policies and investment bonds
    - Income from performance of activity overseas – potentially affecting sportspeople and entertainers – including payments to or distributions by personal service companies

Residency and non-dom tax regime [2/7]

Settlors of protected settlements

- FIG arising to settlor-interested trust structures no longer protected if the settlor does not qualify for the four-year FIG regime
- Pre-6 April 2025 FIG remains protected until distributions or benefits made to UK residents who do not qualify for the 4-year FIG regime
- From 6 April 2025, all income arising under a settlement will be taxed on the settlor as it arises if:
    - Settlor or spouse / civil partner has retained an interest
    - Income is provided to/applied for the benefit of the settlor’s children
    - Capital sum conditions are met
- Benefits charge only applies to UK resident settlors who receive benefits after April 2025 if they are matched to pre-April 2025 PFSI or TTI
- From 6 April 2025, gains attributed to settlor are no longer treated as the highest part of their gains. Individual can allocate basic rate band available in most beneficial order
- No longer any restriction on setting personal losses against gains attributed to a beneficiary of an offshore trust

Residency and non-dom tax regime [3/7]

CGT rebasing

- Current & past remittance basis users can rebase personally-held foreign assets to market value on 5 April 2017
- Conditions:
  - Must not be UK domiciled or deemed domiciled before 6 April 2025
  - Must have claimed the remittance basis at least once between 2017/18 and 2024/25 (excludes automatic use)
  - Must have held the asset on 5 April 2017
  - Asset must have been situated outside the UK from 6 March 2024 and 5 April 2025

Overseas Workday Relief

- Relief available for four years (increased from three years)
- Eligible earnings can be brought to the UK or left offshore without any tax consequences
- New annual financial limit on the amount claimed: lower of £300,000 per tax year or 30% of the qualifying employment income

Residency and non-dom tax regime [4/7]

Temporary Repatriation Facility (TRF)

- From 6 April 2025, a three-year window to elect to “designate” amounts derived from previously untaxed/unremitted pre-April 2025 FIG
- A “designation” tax charge applies of 12% in 2025/26 or 2026/27, or of 15% in 2027/28
- When funds are subsequently remitted to the UK, no further charge applies
- Can designate any amounts, even those with uncertain origin or no records to confirm the original source. Not limited to cash – can be value of illiquid assets
- Available for qualifying UK resident settlors or beneficiaries of offshore trust structures during the three relevant tax years
- Must be a former remittance basis user, benefit/distribution must be received during the TRF period and must be capable of matching the benefit/distribution to FIG that arose within the structure before 6 April 2025
- Complex interaction with Business Investment Relief (BIR):
- Can designate FIG that has been used to make qualifying BIR investments – no need to make withdrawal from company
    - No BIR can be claimed on investments made with designated funds
    - BIR can be claimed on non-designated funds used to make investments
    - BIR will cease to be available from 6 April 2028, when the TRF period also ends

Residency and non-dom tax regime [5/7]

Temporary Repatriation Facility (TRF) (cont'd)

Offshore structures:

- Can designate pre-6 April 2025 "unattributed" FIG held within offshore trusts and companies to the extent they are matched with benefits they receive during the three-year TRF period
- TRF is not available for income distributions from offshore trusts or other offshore entities after 5 April 2025
- Benefit or capital payment received from 6 April 2025 can be a "qualifying overseas capital" – can be designated under the TRF but again only if matched to pre-April 2025 FIG

Residency and non-dom tax regime [6/7]

Inheritance tax (IHT) – key aspects for non-domiciled individuals

- New residence-based regime from 6 April 2025
- Transitional rule for non-domiciled or deemed domiciled individuals who are non-resident in 2025/26 – they will be long-term resident under new rules if they meet the existing deemed domicile test (15 out of 20 tax years) or if they return to the UK
- Non-UK assets are within scope if an individual has been UK resident for 10 out of the last 20 tax years
- Individual's worldwide assets remain in scope of IHT after leaving – for how long depends on their period of UK residence. Generally, the time will be shortened if they have only been resident between 10 and 19 years:
    - Between 10 and 13 years, remain in scope for three tax years
    - This increases by one tax year for each year of residence, e.g. 15 years would = 5 years in scope, 17 years would = seven years in scope
- After 10 consecutive years of non-UK residence, test is effectively reset, so their non-UK assets would remain outside the scope of IHT until/if they remain UK resident for 10 years again

Residency and non-dom tax regime [7/7]

IHT – key aspects for offshore trusts

- Excluded property status of non-UK settled assets will depend on the settlor's residence
- Only excluded property at times the settlor is not long-term resident
- Once settlor is considered long-term resident, assets will be subject to IHT

Relevant property settlements

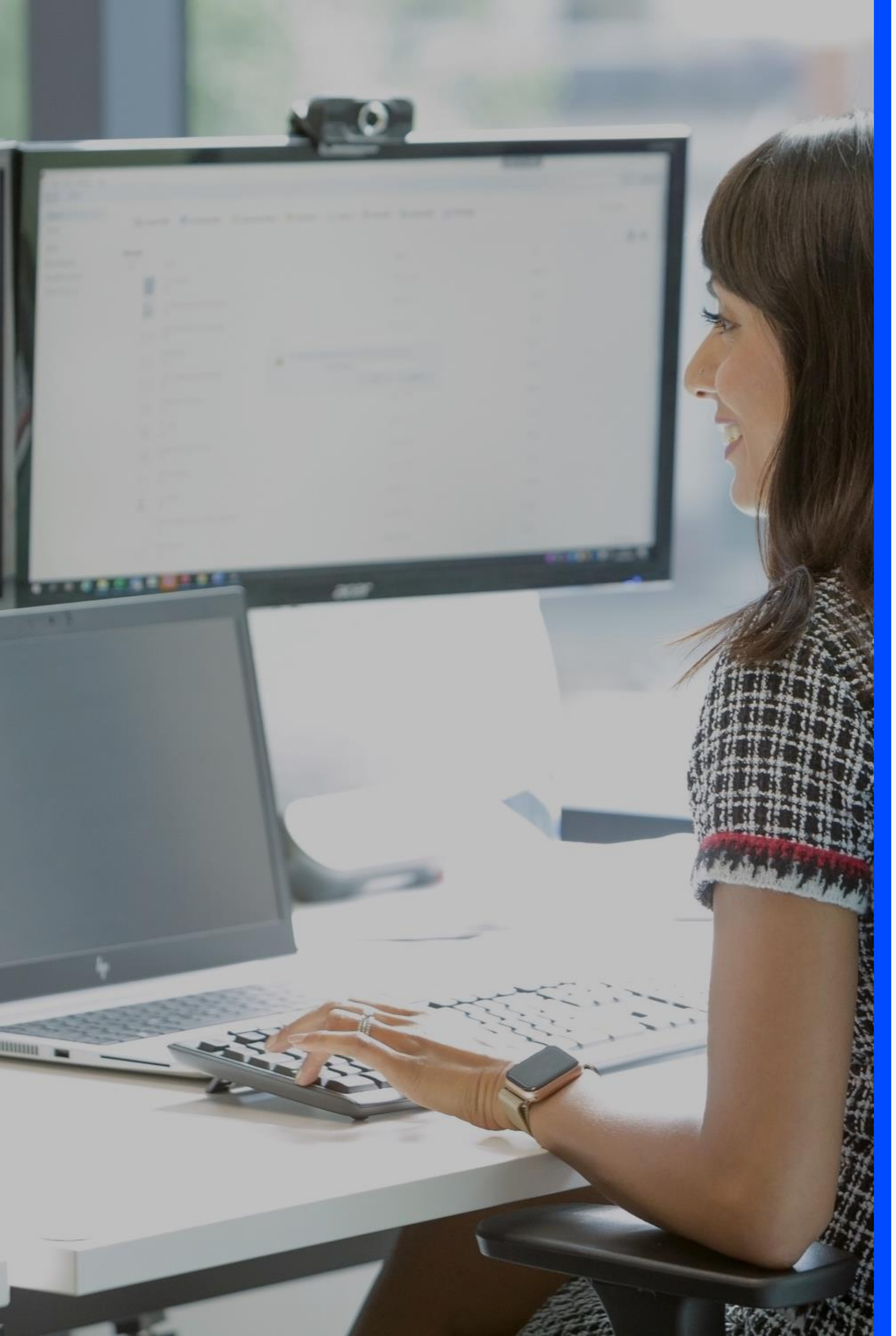
- For trusts with a non-domiciled settlor who is long-term resident, excluded property becomes relevant property on 6 April 2025. IHT charges will apply on exits from that date, and on future 10-year anniversaries of the trust's creation
- If a settlor leaves the UK and ceases to be long-term resident, the relevant property will become excluded property and an exit charge may apply

03

Inheritance tax

Inheritance tax

- £325,000 nil rate band and £175,000 residence nil rate band continue unaltered and are frozen for a further two years until 5 April 2030
- Estate valuation after which residence nil rate band begins to be tapered, also remains the same at £2million.
- Business property relief (BPR) and agricultural property relief (APR) reformed from 6 April 2026:
  - £1m limit to combined death estate value of business and agricultural property, which will receive 0% tax rate
  - Above £1m value limit, IHT charged on death estate relievable business and agricultural assets with 50% relief – so 20% effective tax rate
  - Business relief available at 50% (20% effective death rate) on AIM shares – down from 100%
- Unused pension pots and death benefits payable from a pot will be brought within IHT in death estates from 6 April 2027 – technical consultation underway. Pension scheme administrators will become liable for reporting and paying the IHT
- APR will cover land managed under an environmental agreement with UK Government and related bodies
- Excluded property settled on trust will come within IHT along with the personally-owned estate of a (formerly non-domiciled) long-term UK resident individual. (Details in our *Non-dom tax regime* slides)



04

Capital gains tax

Capital gains tax

Change to headline rates of CGT

- Basic rate of CGT increased from 10% to 18% from 30 October 2024
- Higher rate of CGT increased from 20% to 24% from 30 October 2024
- No changes to residential property rates (already in line with above)
- Rates applicable to trusts and personal representatives increased from 20% to 24% from 30 October 2024
- Rate applicable to carried interest (basic and higher) unified and increased to 32% from 6 April 2025. A revised regime within income tax will apply from 6 April 2026

Changes to business asset disposal relief (BADR)

- Lifetime limit for BADR remains the same at £1m
- Flat rate of tax on BADR-qualifying disposals increased from 10% to 14% for disposals from 6 April 2025
- Flat rate of tax on BADR qualifying disposals increased further from 14% to 18% for disposals from 6 April 2026

Changes to investors' relief (IR)

- Lifetime limit for IR reduced from £10m to £1m for disposals on or after 30 October 2024
- Flat rate of tax on IR-qualifying disposals increased from 10% to 14% from 6 April 2025 and on to 18% from 6 April 2026 (same as for BADR)

Capital gains tax: anti-avoidance

- Anti-forestalling rules apply to contracts entered into prior to 30 October but completed thereafter
- In addition, rules introduced to stop shareholders electing out of the normal share-for-share exchange rules so as to try to crystallise a gain at old rates

Employee ownership trusts (EOTs)

- Disposals of shares in qualifying trading companies to an EOT can qualify for a 0% rate of tax
- Relief is subject to various conditions and can be clawed back if these are broken

- The window for clawback has been extended from two years to four years
- A number of technical changes will:
  - Restrict former owners from retaining control of the company post-sale by virtue of control of the EOT
  - Require that the trustees of a qualifying EOT be UK-resident at the time of disposal to the EOT
  - Require that the consideration paid on disposal of shares to the trustees does not exceed market value
  - Require individuals to provide additional information to HMRC at the point of claiming the relief
  - Provide legislative certainty over the distributions tax treatment of contributions paid to the trustees of an EOT in order to repay the former owner for their shares by introducing a specific relief which covers such contributions
  - Make a small adjustment to the conditions for obtaining income tax relief on annual bonuses made to employees of EOT-owned companies, to allow for directors to be excluded from the bonus award

Carried interest [1/2]

- Tax reform from 6 April 2026 where all carried interest will be taxed with ‘income tax’ framework
- The Government’s view is that carried interest should, in principle, be taxed as a reward for the provision of investment management services
- The basic rule will be that an individual is liable to income tax and Class 4 NICs in respect of carried interest they receive as if they were carrying on a trade for that tax year and the carried interest constituted profits from that trade
- Where an individual receives qualifying carried interest, the amount of trading profits which would otherwise be brought into charge will be multiplied by 72.5%. The net amount, after applying the 72.5% multiplier, will be the amount brought into charge as trading profits and taxed at the individual’s applicable marginal rate of income tax (plus NICs)
- As an ‘interim step’, CGT rates increase to 32% from 6 April 2025

Carried interest [2/2]

Removal of ERS exclusion

- Current rules provide for an exclusion for carried interest which arises in respect of an ‘employment related security’
- The Government will therefore legislate to remove the ERS exclusion, ensuring the IBCI rules apply fairly to all fund managers who receive carried interest

Next steps

- The Government intends to establish a working group with stakeholders to explore points of technical detail in connection with the policy set out in this chapter ahead of publication of draft legislation during 2025

05

Corporate taxes

Corporate taxes

- No changes to:
    - Corporation tax rates
    - R&D reliefs (minor technical corrections aside and consultation of advance clearances)
    - Capital allowances

- Minor administrative changes to Audio-Visual and Video Games Expenditure Credit regimes
- AVEC rate of 39% to apply to expenditure incurred after 1 January 2025

- Government to consult on abolishing the (arguably generous) transfer pricing exemption for medium-sized businesses
- Consultations also on land remediation relief, permanent establishments & DPT

- Further anti-avoidance rules designed to stop arrangements seeking to circumvent the loans to participators provisions (section 455 tax), particularly using group arrangements

Picture by Kirsty O'Connor / Treasury

06

Property taxes

Property taxes

- The stamp duty land tax (SDLT) surcharge for the purchase of second homes and acquisitions by non-natural persons to increase from 3% to 5% with immediate effect
- Flat rate for non-natural purchases buying (ATED related) residential property over £500,000 (which does not otherwise qualify for relief) correspondingly increased from 15% to 17%
- Transitional rules for contracts exchanged before 31 October 2024 but not completed or substantially performed

- Rules for six or more residential properties purchased together remain unchanged

- Confirmation of abolition of furnished holiday lettings (FHL) regime from 6 April 2025
- ATED charges increased by 1.7% from April 2025. (ATED = annual tax on enveloped dwellings)

- No NIC on rental income!

Property tax: business rates

- Consultation on reform of business rates to increase fairness and incentivise investment
- From 2025/26, small business multiplier frozen and English local authorities to be fully compensated for loss of income
- From 2026/27, lower business rates multipliers for high street, hospitality and leisure properties. However, higher multipliers for most valuable properties

07

Any other business

Other points

EIS & VCT

- The two highly popular business investment schemes, the Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) were originally due to end on 6 April 2025
- The previous Government announced in a policy paper last Autumn that they would be extended into 2035
- The new Government has now confirmed its commitment to the reliefs and their extension

High Income Child Benefit Charge (HICBC)

- Scrapping reform to base the HICBC on household income
- Government to allow employed individuals to pay HICBC through tax code from 2025

Late payment interest rates on unpaid tax liabilities

- From 6 April 2025, the Government will increase the late payment interest rate charged by HMRC on unpaid tax liabilities by 1.5%

General anti-avoidance measures

- Consultation on new HMRC powers focussed on promoters of tax avoidance schemes
- Future legislation to make agencies responsible for accounting for PAYE on payments made to workers supplied via umbrella companies, effective from April 2026
- Mandatory registration of tax advisers from the same date
- Enhancing HMRC powers to deal with tax advisers who facilitate “non-compliance”
- Government considering options to strengthen the regulatory framework of the tax advice market
- Consultation on HMRC’s right to acquire and use third party data

VAT

- VAT to be introduced on private school fees from 1 January 2025
- Prepayments made after 29 July 2024 relating to post 1 January 2025 terms also subject to the 20% rate

- Private schools to lose business rates relief from April 2025

Thank you

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