HL FINANCIAL
Independent Financial Advice

AUTUMN BUDGET STATEMENT

30th October 2024

Welcome

As widely expected, the tax burden is set to rise for many

The Chancellor of the Exchequer, Rachel Reeves, delivered her maiden Autumn Budget Statement 2024 on Wednesday 30 October, alongside an updated economic forecast from the Office for Budget Responsibility. Three months after coming to power, she set out the government's taxing, borrowing and spending plans.

It is the first time the Labour party has had a chance to do this in 14 years. The Chancellor began by saying the Conservative party had presided over a period of economic decline that, she said, had left the country and its public services on its knees.

She said the way to turn the country's fortunes around was to 'invest, invest, invest', spending an extra £70bn a year. To do that, she needs money. And the money she intends to use will come from tax rises. Big tax rises. And the government also intends to borrow a lot more money.

The Chancellor set out plans to raise £40bn. She had promised not to put these rises on 'working people' without precisely defining who she meant. 'I know that this is a difficult choice,' she said. 'I do not take this decision lightly. We are asking businesses to contribute more, and I know that the impact of this measure will be felt beyond businesses, but in the circumstances that I have inherited, it is the right choice to make.' ◂

WHAT DOES THE AUTUMN BUDGET STATEMENT 2024 MEAN FOR YOU?
Our comprehensive Autumn Budget Statement 2024 guide looks at the pivotal announcements and what they could mean for your finances or business. If you want to find out more or to discuss how the announced measures might affect you, please contact us for further details.

> This Autumn Budget Statement 2024, the Chancellor said, introduces a sustainable path for public finances, with new fiscal rules and decisive actions on tax, welfare and spending at its core.

Contents

Main announcements from Chancellor Rachel Reeves at a glance

Key measures on tax, investments, pensions and property

What does the Autumn Budget Statement 2024 mean for your money? Chancellor Rachel Reeves delivered Labour's first Budget since 2010 on 30 October, after the party's return to power in July's general election. She announced tax rises worth £40bn, commenting that these would rebuild public services and stabilise the public finances. Our Guide to Autumn Statement 2024 summarises the key points announced.

ECONOMY

- Office for Budget Responsibility predicts the UK economy will grow by 1.1% this year, 2% next year and 1.8% in 2026
- Inflation is predicted to average 2.5% this year and 2.6% next year before falling to 2.3% in 2026
- The official definition of UK government debt loosened by including a wider range of financial assets, such as future student loan repayments

PERSONAL TAXATION

- Rates of Income Tax and National Insurance (NI) paid by employees, and of VAT, to remain unchanged
- Income Tax band thresholds to rise in line with inflation after 2028, preventing more people being dragged into higher bands as wages rise
- Basic rate Capital Gains Tax on profits from selling shares to increase from 10% to 18%, with the higher rate rising from 20% to 24%
- Rates on profits from selling additional property unchanged
- Inheritance Tax threshold freeze extended by further two years to 2030, with inherited pension pots also subject to the tax from 2027

WAGES, BENEFITS AND PENSIONS

- Legal minimum wage for over-21s to rise from £11.44 to £12.21 per hour from April
- Rate for 18 to 20-year-olds to go up from £8.60 to £10, as part of a long-term plan to move towards a 'single adult rate'
- Basic and new State Pension payments to go up by 4.1% next year due to the 'triple lock', more than working age benefits
- Eligibility widened for the allowance paid to full-time carers, by increasing the maximum earnings threshold from £151 to £195 a week

HOUSING

- Social housing providers to be allowed to increase rents above inflation under multi-year settlement, external
- Stamp duty surcharge, paid on second home purchases in England and Northern Ireland, to go up from 3% to 5%
- Current affordable homes budget, which runs until 2026, boosted by £500m

TRANSPORT

- 5p cut in fuel duty on petrol and diesel brought in by the Conservatives, due to end in April 2025, kept for another year
- £2 cap on single bus fares in England to rise to £3 from January
- Commitment to fund tunnelling work to take HS2 high-speed rail line to Euston station in central London
- Commitment to deliver upgrade to trans-Pennine rail line between York and Manchester, running via Leeds and Huddersfield
- Air Passenger Duty on flights by private jet to go up by 50%
- Extra £500m next year to repair potholes in England
- Vehicle Excise Duty paid by owners of all but the most efficient new petrol cars to double in their first year, to encourage shift to electric vehicles

BUSINESS TAXES

- Companies to pay NI at 15% on salaries above £5,000 from April, up from 13.8% on salaries above £9,100, raising an additional £25bn a year
- Employment Allowance – which allows smaller companies to reduce their NI liability – to increase from £5,000 to £10,500
- Tax paid by private equity managers on share of profits from successful deals to rise from up to 28% to up to 32% from April
- Main rate of Corporation Tax, paid by businesses on taxable profits over £250,000, to stay at 25% until next election

GOVERNMENT SPENDING AND PUBLIC SERVICES

- Extra £22.6bn for day-to-day spending on the NHS in England, and a £3.1bn boost to budget for investment
- £6.7bn allocated for education investment next year, with £1.4bn earmarked for rebuilding over 500 schools
- Defence spending to rise by £2.9bn next year

OTHER MEASURES

- £11.8bn allocated to compensate victims of the infected blood scandal, with £1.8bn set aside for wrongly prosecuted Post Office sub-postmasters
- Government to stop receiving surplus cash from pension scheme for mineworkers
- Extra spending in England will lead to £3.4bn more for Scotland, £1.7bn more for Wales and £1.5bn more for Northern Ireland in devolution payments

Chancellor Reeves emphasised that these adjustments aim to make the IHT system fairer, ensuring wealthier estates contribute more to public finances.

Inheritance Tax

Departure from previous rules where pensions were excluded from calculations

In a significant shift announced by Chancellor Rachel Reeves, inherited pensions will become subject to Inheritance Tax (IHT) from April 2027. This marks a departure from previous rules where pensions were excluded from IHT calculations. Currently, pensions are usually passed on tax-free if you die under the age of 75 – or taxed at the beneficiaries' marginal rate of Income Tax if you die over 75 – but in most cases, pensions don't attract IHT.

This announcement is expected to impact roughly 8% of estates annually, as those who have heavily saved in pensions to lower their IHT liabilities may now face new tax burdens.

Additionally, the IHT tax-free threshold remains frozen at £325,000 (your property, money and possessions) until 2030. If your assets include the family home that you're giving away to children or grandchildren, you also receive up to a £175,000 residence nil rate band. As property and asset values rise, more estates will likely fall above this threshold, incurring IHT at the standard 40% rate.

Chancellor Reeves emphasised that these adjustments aim to make the IHT system fairer, ensuring wealthier estates contribute more to public finances. Also, starting April 2026, reductions in agricultural and business property relief will be introduced. The first £1 million of such assets will remain tax-free, with a 20% IHT levied beyond that, including on Aim shares.

Retirees may need to reassess their long-term financial plans, as defined contribution pension funds could attract up to 40% IHT. Despite these changes, no adjustments to existing gifting rules were announced. ◂

“Chancellor Reeves emphasised that these adjustments aim to make the IHT system fairer, ensuring wealthier estates contribute more to public finances. Also, starting April 2026, reductions in agricultural and business property relief will be introduced.”

Capital Gains Tax

Higher taxes on profits from selling assets like shares

As part of a broader tax-raising initiative, the Chancellor, Rachel Reeves, confirmed that the lower Capital Gains Tax (CGT) rate will rise from 10% to 18%, while the higher rate will increase from 20% to 24%. This change means you might face higher taxes on profits from selling assets like shares. Previously, those with gains above the threshold had to pay 20% on profits from assets such as shares, or 24% from selling additional property. Rates on residential property will remain at 18% and 24%, respectively.

'We need to drive growth, promote entrepreneurship and support wealth creation, while raising the revenue required to fund our public services and restore our public finances,' Reeves said.

'This means the UK will still have the lowest capital gains tax rate of any European G7 economy.'

CGT is paid on profits of more than £3,000 (2024/25) made when an asset is sold, and rates depend on how much you usually pay in Income Tax, and how large the gain is.

The Chancellor also announced that the CGT charged on carried interest would rise to 32% from 28%, saying that the fund management industry provided 'a vital contribution to our economy but... there needs to be a fairer approach to the way carried interest is taxed.' She said that in order to encourage entrepreneurs to invest in their businesses, the lifetime limit for Business Asset Disposal Relief would be kept at £1 million and would remain at 10% this year, rising to 14% in April 2025 and 18% in 2026/27.

'The OBR say these measures will raise 2.5 billion pounds by the end of the forecast,' the Chancellor said. CGT raised 15 billion pounds in the last financial year, and is currently worth around 4% of receipts from all taxes on income. CGT is not normally payable when a person sells their primary residence, but is payable if on the sale of second properties. ◂

National Insurance Contributions

Employers will have to pay 15p in NIC for every £1 paid to an employee

The Chancellor, Rachel Reeves, announced the government is to increase the rate of employer National Insurance Contributions (NICs) by 1.2 percentage points to 15% from 6 April 2025, which will raise £25bn in tax. This will mean employers will have to pay 15p in NIC for every £1 paid to an employee. In addition, the NIC per-employee secondary threshold at which employers start to pay NI will be reduced from £9,100 per year to £5,000 per year.

The Chancellor said she was 'taking the difficult decision to increase the rate to repair the public finances and help raise the revenue required to increase funding for public services.'

While she recognised this was an additional cost to businesses, the Chancellor also said, 'Successful businesses depend on successful schools, and healthy businesses depend on a healthy NHS.' However, the Chancellor announced that the Employment Allowance would be raised, which she said would mean more small employers pay no NI, and around one million would pay the same or less. The allowance will increase from £5,000 to £10,500.

The government will also expand the Employment Allowance by removing the £100,000 eligibility threshold, to simplify and reform employer NICs so that all eligible employers will benefit. ◂

Non-dom regime

Scrapped from April 2025 and replaced with a new residence-based regime

Domicile status will be removed from the tax system next year, Chancellor Rachel Reeves announced during the Autumn Budget Statement 2024. In her speech, she labelled domicile status as an 'outdated concept'.

Instead, the Chancellor said she will introduce a 'simpler' residence-based scheme with considerations for workers coming to the UK on a temporary basis. According to the Office for Budget Responsibility, the measures will raise £12.7bn over the next five years. This applies to a UK resident whose permanent home – or domicile – for tax purposes is outside the UK.

Reeves said she will introduce a new, residence-based scheme with 'internationally competitive arrangements' for those coming to the UK on a temporary basis.

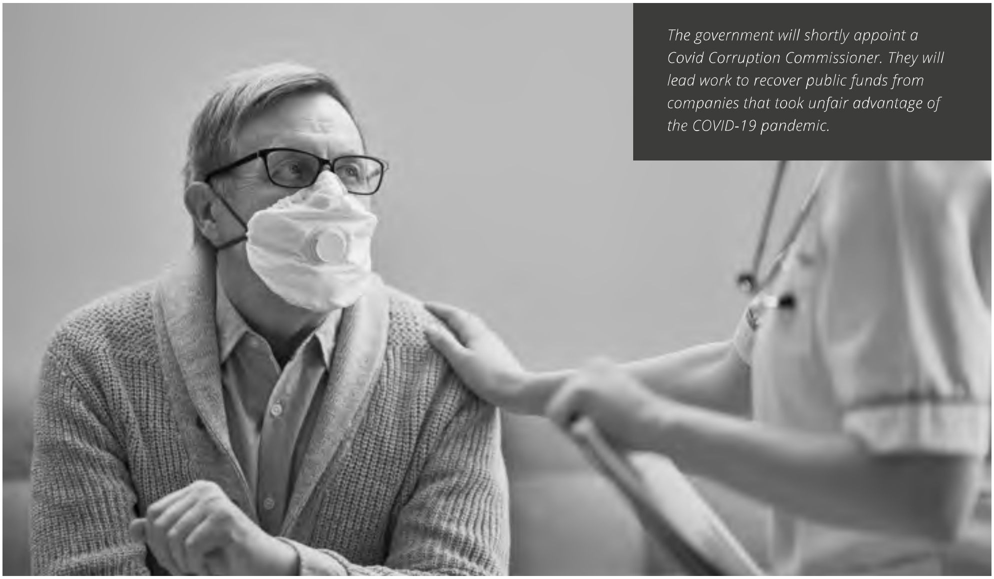
'We will also extend the temporary repatriation relief to three years, and expand its scope, bringing billions of pounds of new funds into Britain.'

Offshore trusts will no longer be able to be used to shelter assets from Inheritance Tax, and there will be transitional arrangements in place for people who have made plans based on current rules.

The planned 50% reduction for foreign income in the first year of the new regime will be removed. ◂

Public spending

Value for money and making compensation payments



The government will shortly appoint a Covid Corruption Commissioner. They will lead work to recover public funds from companies that took unfair advantage of the COVID-19 pandemic.

BARNETT

The devolved governments will receive an additional £6.6 billion through the operation of the Barnett formula in 2025/26. This includes £3.4 billion for the Scottish Government, £1.7 billion for the Welsh Government and £1.5 billion for the Northern Ireland Executive. This will enable substantial investment into schools, housing, health and social care, and transport across Scotland, Wales and Northern Ireland.

OFFICE FOR VALUE FOR MONEY

The government is formally launching the Office for Value for Money, with the appointment of an independent Chair. The Office will support Phase 2 of the Spending Review conducting an assessment of where and how to root out waste and inefficiency, undertaking value for money studies in specific high-risk areas of cross-departmental spending and scrutinising investment proposals to ensure they offer value for money.

APPOINTMENT OF COVID CORRUPTION COMMISSIONER

The government will shortly appoint a Covid Corruption Commissioner. They will lead work to recover public funds from companies that took unfair advantage of the COVID-19 pandemic.

MAKING COMPENSATION PAYMENTS TO VICTIMS OF THE POST OFFICE HORIZON IT SCANDAL

The government is providing around £1.8 billion in funding for compensation payments to victims of the Horizon IT Scandal, between 2024/25 and 2027/28. This is in addition to £0.2 billion in previous years provided by the government and the Post Office.

MAKING COMPENSATION PAYMENTS TO VICTIMS OF THE INFECTED BLOOD SCANDAL

The government has set out plans to compensate victims of the infected blood scandal. The Budget provides £11.8 billion of funding for compensation.

FINANCIAL ASSISTANCE TO UKRAINE (EXTRAORDINARY REVENUE ACCELERATION)

The government will provide Ukraine with £2.26 billion ($3 billion) of budgetary support earmarked for military procurement as part of the G7's $50 billion 'Extraordinary Revenue Acceleration (ERA)' Loans for Ukraine scheme, intended to support Ukraine in the war against Russia's illegal invasion.

NATWEST SHAREHOLDING

The government will fully exit the NatWest shareholding and intends to do so by 2025/26 utilising a range of disposal methods, subject to market conditions and achieving value for money for taxpayers. The ongoing trading plan continues to support this objective, having now generated over £8.6 billion of proceeds since launch and reduced the government's shareholding to below 16% on 7 October 2024. In total, the government has raised over £19.1 billion of proceeds from sales of the NatWest shareholding to date. ◂

Closing the tax gap

Ensuring fair taxation and enhancing economic stability

INVESTING IN ADDITIONAL HMRC COMPLIANCE STAFF

As announced in July, the government will invest £1.4 billion over the next five years to recruit an additional 5,000 HMRC compliance staff, raising £2.7 billion per year in additional revenue by2029/30.

INVESTING IN ADDITIONAL HMRC DEBT MANAGEMENT STAFF

The government will invest £262 million over the next five years to fund 1,800 HMRC debt management staff, raising £2 billion per year in additional revenue by 2029/30.

MODERNISING HMRC DEBT MANAGEMENT IT SYSTEMS

The government will invest £154 million to modernise HMRC's debt management case system.

INVESTING TO ACQUIRE CREDIT REFERENCE AGENCY DATA FOR HMRC

The government will invest £12 million to acquire further credit reference agency data to enable HMRC to better target their debt collection activities.

MODERNISING VOLUNTARY SELF ASSESSMENT PRE-PAYMENT VIA THE HMRC APP

The government will invest £16 million to modernise HMRC's app to allow Income Tax Self Assessment taxpayers to make voluntary advance payments in instalments.

INHERITANCE TAX DIGITALISATION

The government will invest £52 million to digitalise the Inheritance Tax service from 2027/28 to provide a modern, easy-to-use system, making returns and paying tax simpler and quicker.

DIGITALISATION OF INDIVIDUAL SAVINGS ACCOUNTS

Digital reporting for Individual Savings Account (ISA) managers will be mandatory from 6 April 2027. Draft legislation will be published for a technical consultation in 2025 .

PRE-POPULATING SELF ASSESSMENT TAX RETURNS WITH CHILD BENEFIT DATA (FOR THE PURPOSES OF THE HIGH INCOME CHILD BENEFIT CHARGE)

The government will invest £4 million to enable HMRC to pre-populate Self Assessment tax returns with Child Benefit data to ensure the High Income Child Benefit Charge (HIBC) is accurately calculated and reported.

CONFIRMING PLANS TO MANDATE THE REPORTING OF BENEFITS IN KIND VIA PAYROLL SOFTWARE FROM APRIL 2026

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 National Insurance contributions (NICs).

MAKING TAX DIGITAL FOR INCOME TAX SELF ASSESSMENT

The government is committed to delivering Making Tax Digital (MTD) for Income Tax Self Assessment. The government will expand the rollout of MTD 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.

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, this 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. The government is publishing a policy paper alongside the Budget that provides further information on this measure.

CHANGING LATE PAYMENT INTEREST RATES ON UNPAID TAX LIABILITIES

The government will increase the late payment interest rate charged by HMRC on unpaid tax liabilities by 1.5 percentage points. This measure will take effect from 6 April 2025.

The government will invest £52 million to digitalise the Inheritance Tax service from 2027/28 to provide a modern, easy-to-use system, making returns and paying tax simpler and quicker.

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.

CHARITY COMPLIANCE MEASURES

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.

CHANGES TO TAX RULES ON 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 avoidance of tax. Changes will come into effect from 30 October 2024 and will be legislated for through Finance Bill 2024/25.

CLOSE COMPANY LOANS TO SHAREHOLDERS

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. This change will apply from 30 October 2024.

REDUCING TAX-FREE OVERSEAS TRANSFERS OF TAX RELIEVED UK PENSIONS

The government will remove the exclusion from the Overseas Transfer Charge for transfers to Qualifying Recognised Overseas Pension Schemes in the European Economic Area (EEA) or Gibraltar from 30 October 2024 to address the risk of individuals receiving double tax-free allowances.

TACKLING 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.

DETERRING TAX FRAUD

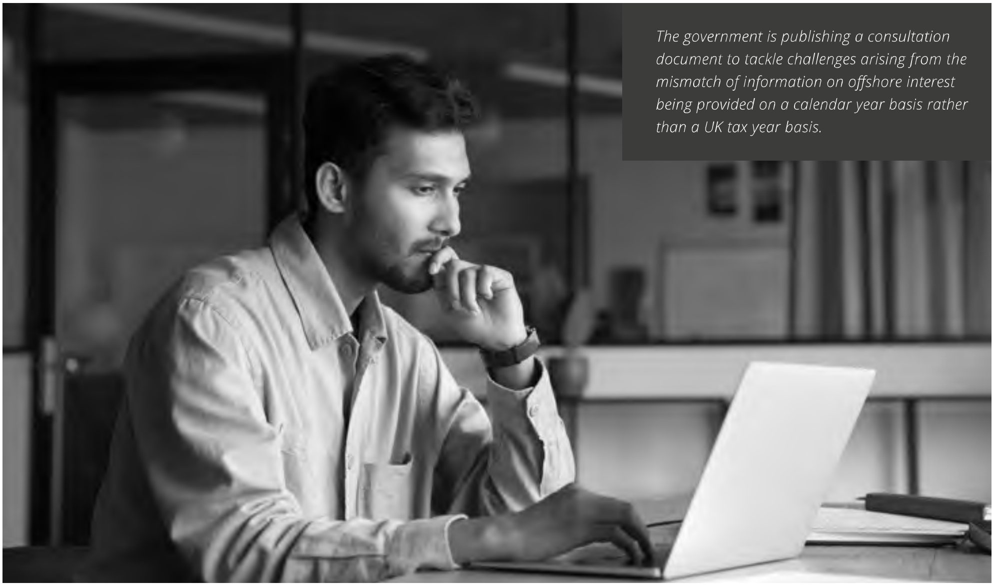
The government will expand HMRC's counter-fraud capability to address high value and high harm tax fraud.

REWARDS FOR INFORMANTS

The government will strengthen HMRC's scheme for rewarding informants, to encourage reporting of high value tax fraud and avoidance.

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.



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.

OFFSHORE TAX COMPLIANCE

The government is committed to tackling offshore non-compliance as part of the ambition to close the tax gap and is committing additional resources, including the scaling up of compliance activity to tackle serious offshore non-compliance including fraud by wealthy customers and intermediaries, corporates they control and other connected entities.

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 views on 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.

UK REPORTING FOR THE CRYPTOASSET REPORTING FRAMEWORK AND AMENDMENTS TO THE COMMON REPORTING STANDARD

The government is publishing a summary of responses to the consultation on the implementation of the Cryptoasset Reporting Framework (CARF) and amendments to Common Reporting Standard. This includes a decision to extend the CARF's reporting requirements to UK users. The government will legislate in Finance Bill 2024/25 and has published draft regulations to implement the revised rules.

TAXATION OF EMPLOYEE OWNERSHIP TRUSTS AND EMPLOYEE BENEFIT TRUSTS

The government is introducing a package of reforms 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. The changes will take effect from 30 October 2024.

HIDDEN ECONOMY: EXPANDING TAX CONDITIONALITY TO NEW SECTORS

The government is publishing a consultation on whether to make the renewal of further public sector licences conditional on applicants demonstrating they are appropriately registered for tax.

CONSULTATION ON NEW WAYS TO TACKLE TAX NON-COMPLIANCE

The government is publishing a consultation on reforming HMRC's correction powers, exploring changes to HMRC's existing powers and processes, and a potential new power to require taxpayers to correct mistakes themselves.

RESPONSE TO THE CALL FOR EVIDENCE ON HMRC POWERS, PENALTIES AND SAFEGUARDS

The government is publishing a summary of responses to the call for evidence 'The Tax Administration Framework Review: enquiry and assessment powers, penalties, safeguards'.

SIMPLIFYING AND IMPROVING TAX ADMINISTRATION

The government will engage with stakeholders before introducing a set of measures to simplify tax administration and improve customer experience in the spring.

REQUIREMENTS FOR EUROPEAN ECONOMIC AREA OVERSEAS PENSION SCHEMES

The government will bring in line the conditions of Overseas Pension Schemes (OPS) and Recognised Overseas Pension Schemes (ROPS) established in the EEA with OPS and ROPS established in the rest of the world from 6 April 2025. ◄

Personal Tax and Savings

Unlocking tax efficiency and maximising revenue potential

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.

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.

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 2025/26. 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.

CHANGES TO THE TAXATION OF NON-UK DOMICILED INDIVIDUALS

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, which will take effect from 6 April 2025. 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.

INHERITANCE TAX: 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. This will restore the principle that pensions should not be a vehicle for the accumulation of capital sums for the purposes of inheritance, as was the case prior to the 2015 pensions reforms.

INHERITANCE TAX: EXTENSION OF AGRICULTURAL PROPERTY RELIEF TO ENVIRONMENTAL LAND MANAGEMENT

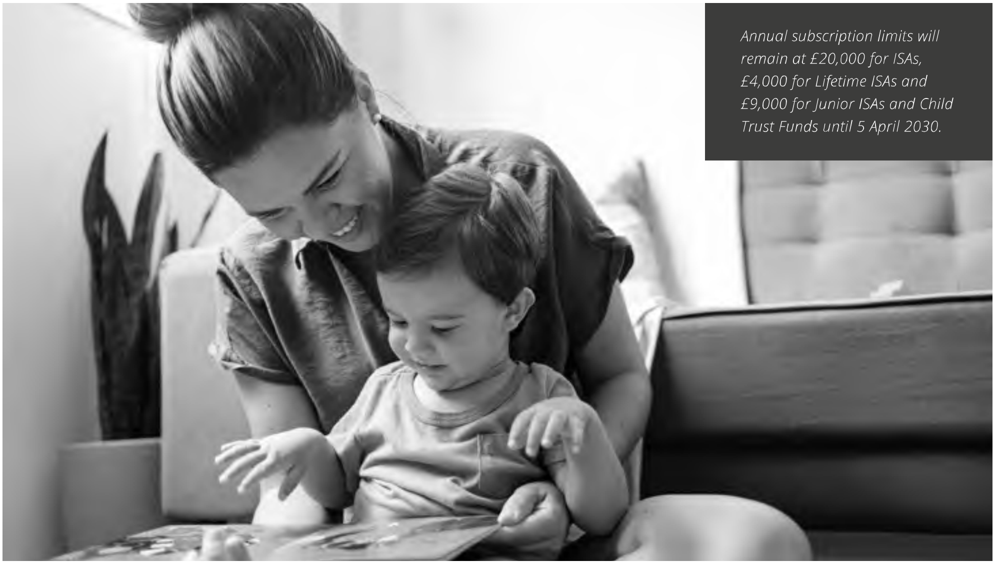
The government confirms it will extend the existing scope of agricultural property relief from 6 April 2025 to land managed under an environmental agreement with, or on behalf of, the UK government, devolved governments, public bodies, local authorities or approved responsible bodies.

INHERITANCE TAX: AGRICULTURAL PROPERTY RELIEF AND BUSINESS PROPERTY RELIEF

The government will reform these Inheritance Tax reliefs from 6 April 2026. In addition to existing nil rate bands and exemptions, the current 100% rates of relief will continue for the first £1 million of combined agricultural and business property to help protect family businesses and farms. The rate of relief will be 50% thereafter, and in all circumstances for quoted shares designated as 'not listed' on the markets of recognised stock exchanges, such as AIM.

INHERITANCE TAX: NIL RATE BAND AND RESIDENCE NIL RATE BAND

The Inheritance Tax nil rate bands are already set at current levels until 5 April 2028 and will stay fixed at these levels for a further two years until 5 April 2030. The nil rate band will continue at £325,000, the residence nil rate band will continue at £175,000 and the residence nil rate band taper will continue to start at £2 million. Qualifying estates can continue to pass on up to £500,000 and the qualifying estate of a surviving spouse or registered civil partner can continue to pass on up to £1 million without an Inheritance Tax liability.



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.

UPRATING QUALIFYING CARE RELIEF 2025/26

The government will uprate Qualifying Care Relief, the amount of Income Tax relief available to foster carers and shared lives carers, by the September 2024 CPI rate of 1.7% from 6 April 2025.

UPRATING MARRIED COUPLE'S ALLOWANCE AND BLIND PERSON'S ALLOWANCE 2025/26

The government will uprate the Married Couple's Allowance and the Blind Person's Allowance by the September 2024 CPI rate of 1.7% from 6 April 2025.

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.

FREEZE 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.

HELP TO SAVE EXTENSION AND REFORM

The government will extend the current Help to Save scheme until 5 April 2027. With effect from 6 April 2025, eligibility will be extended to all Universal Credit claimants who are in work. A delivery consultation, including details of a reformed and improved scheme, has been published alongside the Budget.

BRITISH ISA

The government will not proceed with the British ISA due to mixed responses to the consultation launched in March 2024.

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.

EMPLOYMENT RELATED SECURITIES CHANGES

Consequential to the Neonatal Care (Leave and Pay) Act – From 6 April 2025, the notice an employer must provide to an employee under a Share Incentive Plan regarding the possible effect of deductions from salary on entitlement to social security benefits and statutory payments must refer to statutory neonatal care pay. This will be legislated for in Finance Bill 2024/25.

> "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."

LOAN CHARGE REVIEW

The government will commission an independent review of the Loan Charge to help bring the matter to a close for those affected whilst ensuring fairness for all taxpayers. The Exchequer Secretary will set out further details about the review in due course. ◂

Business and International Tax

Unlocking private sector investment for infrastructure and net zero transition over the long term

CAPITAL GAINS TAX RATES

The lower and higher main rates of Capital Gains Tax will increase to 18% and 24% respectively for disposals made on or after 30 October 2024. The rate for Business Asset Disposal Relief and Investors' Relief will increase to 14% from 6 April 2025, and will increase again to match the lower main rate at 18% from 6 April 2026. The new rates will be legislated in Finance Bill 2024/25.

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. This will be legislated in Finance Bill 2024/25.

CARRIED INTEREST TAXATION REFORM

The government will reform the way carried interest is taxed, ensuring that this is in line with the economic characteristics of the reward. 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. The government will also consult on introducing further conditions of access into the regime.

VAT ON PRIVATE SCHOOL FEES

From 1 January 2025, to secure additional funding to help deliver the government's commitments relating to education and young people, 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. The government has published a response to its technical consultation on this policy. 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.

The government greatly values the contribution of our diplomatic staff and serving military personnel. The Continuity of Education Allowance (CEA) provides clearly defined financial support to ensure that the need for frequent mobility, which often involves an overseas posting, does not interfere with the education of their children.

Ahead of the VAT changes on 1 January, the MOD and the FCDO will increase the funding allocated to the CEA to account for the impact of any private school fee increases on the proportion of fees covered by the CEA in line with how the allowance normally operates. The MOD and FCDO will set out further details shortly.

BUSINESS RATES: REMOVING CHARITABLE RATE RELIEF FROM PRIVATE SCHOOLS

As announced on 29 July 2024, private schools in England will no longer be eligible for charitable rate relief. The Ministry of Housing, Communities and Local Government (MHCLG) will bring forward primary legislation to amend the Local Government Finance Act 1988 to end relief eligibility for private schools. This change is intended to take effect from April 2025, subject to Parliamentary process. Private schools which are 'wholly or mainly' concerned with providing full-time education to pupils with an Education, Health and Care Plan will remain eligible for relief.

BUSINESS RATES: RETAIL, HOSPITALITY AND LEISURE RELIEF

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.

BUSINESS RATES: MULTIPLIERS

For 2025/26, the small business multiplier in England will be frozen at 49.9p. The government will lay secondary legislation to freeze the small business multiplier. The standard multiplier will be uprated by the September 2024 CPI rate to 55.5p.

BUSINESS RATES: SECTORAL MULTIPLIERS

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.

BUSINESS RATES REFORM

A discussion paper has been published setting the direction of travel for transforming the business rates system and inviting industry to a dialogue about future reforms.

BUSINESS RATES: DISCLOSURE CONSULTATION SUMMARY OF RESPONSES

The Valuation Office Agency (VOA) is publishing a response to the March 2023 Consultation on Disclosure, which sets out the next steps on increasing the transparency of business rates valuations by disclosing more information.

STAMP DUTY LAND TAX: INCREASE TO THE HIGHER RATES ON ADDITIONAL DWELLINGS

From 31 October 2024, the Higher Rates for Additional Dwellings (HRAD) surcharge on Stamp Duty Land Tax (SDLT) will be increased by 2 percentage points from 3%

The main rates of the Climate Change Levy (CCL) for gas, electricity and solid fuels will be uprated in line with Retail Price Index (RPI) in 2026/27.

to 5%. Increasing HRAD ensures that those looking to move home, or purchase their first property, have a comparative advantage over second home buyers, landlords and businesses purchasing residential property.

This is expected to result in 130,000 additional transactions over the next five years by first-time buyers and other people buying a primary residence. This surcharge is also paid by non-UK residents purchasing additional property.

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%.

ENERGY PROFITS LEVY

From 1 November 2024, the Energy Profits Levy (EPL) rate will rise by 3 percentage points to 38%, the investment allowance will be abolished and the rate of the decarbonisation allowance will be set at 66% so its cash value is maintained. To provide certainty and to support a stable energy transition, the government will make no additional changes to tax relief available within EPL. The levy will end on 31 March 2030. The government will legislate for these measures in Finance Bill 2024/25. To support long-term stability and predictability in the oil and gas fiscal regime, the government will publish a consultation in early 2025 on how the taxation of oil and gas profits will respond to price shocks after the EPL ends. The government will also continue to have regular engagement with the sector to understand the evolving context of oil and gas investment, supported by bi-annual fiscal forums.

RELIEF FOR PAYMENTS MADE INTO A CARBON CAPTURE USAGE AND STORAGE DECOMMISSIONING FUND

The government will legislate in Finance Bill 2024/25 to provide relief for payments oil and gas companies make into decommissioning funds in relation to assets sold for use in Carbon Capture Usage and Storage, maintaining the tax treatment had these assets instead been decommissioned. This legislation will also remove receipts from the sale of these assets from the scope of the EPL.

CONSULTATION ON ASSESSING EFFECTS OF SCOPE 3 EMISSIONS FROM OFFSHORE OIL AND GAS PRODUCTION AND DEVELOPMENT PROJECTS

The government is publishing a consultation on new environmental guidance for assessing end-use emissions related to oil and gas projects. This consultation seeks to provide stability for the oil and gas industry, support investment, protect jobs and ensure a fair, orderly and prosperous transition in the North Sea in line with our climate and legal obligations.

CLIMATE CHANGE LEVY MAIN AND REDUCED 2026/27 RATES

The main rates of the Climate Change Levy (CCL) for gas, electricity and solid fuels will be uprated in line with Retail Price Index (RPI) in 2026/27. The main rate for liquefied petroleum gas will continue to be frozen. The reduced rates of CCL will remain at an unchanged fixed percentage of the main rates.

CARBON PRICE SUPPORT 2026/27 RATES

The government will maintain Carbon Price Support rates in Great Britain at a level equivalent to £18 per tonne of CO_2 in 2026/27.

CARBON BORDER ADJUSTMENT MECHANISM: GOVERNMENT RESPONSE PUBLICATION

The government has published its response to the March 2024 consultation on the introduction of a UK carbon border adjustment mechanism (CBAM). The response confirms that the UK CBAM will be introduced on 1 January 2027, placing a carbon price on goods that are at risk of carbon leakage imported to the UK from the aluminium, cement, fertiliser, hydrogen and iron & steel sectors. Products from the glass and ceramics sectors will not be in scope of the UK CBAM from 2027 as previously proposed. The registration threshold will be set at £50,000, retaining over 99% of imported emissions within the scope of the CBAM, while removing over 80% of otherwise registrable businesses. Over 70% of those removed from the CBAM altogether by this threshold are micro, small or medium-sized businesses.

AIR PASSENGER DUTY RATES 2026/27

For 2026/27, the government will increase rates of Air Passenger Duty (APD). This equates to £1 more for those taking domestic flights in economy class, £2 more for those flying to short-haul destinations in economy class, £12 for long-haul destinations, and relatively more for premium economy and business class passengers. The higher rate, which currently applies to larger private jets, will rise by a further 50% in 2026/27. From 2027/28 onwards, all rates will be uprated by forecast RPI and rounded to the nearest penny. The government is also consulting on extending the scope of the APD higher rate to capture all passengers travelling in private jets already within the APD regime.

FUEL DUTY RATES 2025/26

The government will freeze fuel duty rates for 2025/26, a tax cut worth £3 billion over 2025/26 which represents a £59 saving for the average car driver. The temporary 5p cut in fuel duty rates will be extended by 12 months and will expire on 22 March 2026. The planned inflation increase for 2025/26 will also not take place.

COMPANY CAR TAX RATES 2028/29 AND 2029/30

The government is setting rates for Company Car Tax (CCT) for 2028/2029 and 2029/30 to provide long-term certainty for taxpayers and industry. CCT rates will continue to strongly incentivise the take-up of electric vehicles, while rates for hybrid vehicles will be increased to align more closely with rates for internal combustion engine (ICE) vehicles, to focus support on electric vehicles.

- Appropriate Percentages (APs) for zero emission and electric vehicles will increase by 2 percentage points 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 point per 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.

VEHICLE EXCISE DUTY RATES FOR CARS, VANS AND MOTORCYCLES

The government will uprate standard Vehicle Excise Duty (VED) rates for cars, vans and motorcycles, excluding first-year rates for cars, in line with the RPI from 1 April 2025.

VED FIRST-YEAR RATES

The government will change the VED First-Year Rates for new cars registered on or after 1 April 2025 to strengthen incentives to purchase zero emission and electric cars, by widening the differentials between zero emission, hybrid and internal combustion engine (ICE) cars.

- Zero-emission cars will pay the lowest first-year rate at £10 until 2029/30.
- Rates for cars emitting 1-50 g/km of CO2, including hybrid vehicles, will increase to £110 for 2025/26.
- Rates for cars emitting 51-75 g/km of CO2, including hybrid vehicles, will increase to £130 for 2025/26.
- All other rates for cars emitting 76 g/km of CO2 and above will double from their current level for 2025/26.

These changes will apply from 1 April 2025.

VED EXPENSIVE CAR SUPPLEMENT

The government recognises the disproportionate impact of the current VED Expensive Car Supplement threshold for those purchasing zero-emission cars and will consider raising the threshold for zero-emission cars only at a future fiscal event to make it easier to buy electric cars.

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.

ALCOHOL DUTY

The government will support pubs and the wider on-trade by cutting alcohol duty rates on draught products below 8.5% alcohol by volume (ABV) by 1.7%, so that an average ABV strength pint will pay 1p less in duty. The government will also increase the discount provided to small producers for non-draught products, and maintain the cash discount provided to small producers for draught products, increasing the relative value of Small Producer Relief. Alcohol duty rates on non-draught alcoholic products will increase in line with RPI inflation. These measures will take effect from 1 February 2025. The current temporary wine easement will also end as planned on 1 February 2025.

GUEST BEERS CONSULTATION

The government will consult on ways to ensure that small brewers can retain and expand their access to UK pubs, and maximise drinkers' choice, including through provisions to enable more 'guest beers'.

SPIRIT DRINKS VERIFICATION SCHEME INVESTMENT AND CONSULTATION

The government will consult with industry to improve the Spirit Drinks Verification Scheme (SDVS) and make an investment of up to £5 million to support the SDVS.

ALCOHOL DUTY STAMPS SCHEME: ABOLITION

The Alcohol Duty Stamps Scheme will end following a review by HMRC. The government will introduce legislation in Finance Bill 2024/25 to end the Scheme from 1 May 2025.

SOFT DRINKS INDUSTRY LEVY

To protect its real terms value, the Soft Drinks Industry Levy (SDIL) will be increased, over the next five years, to reflect the 27% CPI inflation between 2018 and 2024. Annual rate increases will occur on 1 April, starting on 1 April 2025, and will also reflect future yearly CPI increases.

The government will discuss widening the use of advance clearances in Research & Development reliefs with stakeholders, with the intention to consult on lead options in spring 2025.

SOFT DRINKS INDUSTRY LEVY REVIEW

To ensure the SDIL continues to encourage reformulation to help tackle obesity, the government will review the current SDIL sugar content thresholds and the current exemptions for milk-based and milk substitute drinks. Contributions from all interested stakeholders are welcomed as part of this review.

TOBACCO DUTY RATES

The government will renew the tobacco duty escalator at RPI+2% on all tobacco products until the end of this Parliament. To reduce the gap with cigarette duty, the rate on hand-rolling tobacco will increase by a further 10% this year. These changes will take effect from 6pm on 30 October 2024 and will be included in Finance Bill 2024/25.

VAPING PRODUCTS DUTY

A flat-rate excise duty on all vaping liquid will be introduced from 1 October 2026 at £2.20 per 10ml vaping liquid, accompanied by an equivalent one-off increase of £2.20 per 100 cigarettes / 50g of tobacco in tobacco duty to maintain the financial incentive to switch from tobacco to vaping.

GAMING DUTY BANDS

The Gross Gaming Yield bandings for gaming duty will be frozen from 1 April 2025 until 31 March 2026.

INDEPENDENT FILM TAX CREDIT

From 1 April 2025, UK films with budgets under £15 million and a UK lead writer or director will be able to claim an enhanced 53% rate of Audio-Visual Expenditure Credit, known as the Independent Film Tax Credit. Expenditure incurred from after 1 April 2024 on films that began principal photography on or after 1 April 2024 is eligible. This measure was announced at Spring Budget 2024 and has been legislated.

THEATRE TAX RELIEF, ORCHESTRA TAX RELIEF AND MUSEUMS AND GALLERIES EXHIBITIONS TAX RELIEF: 45% / 40% RATES FROM 1 APRIL 2025

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. These rates apply UK-wide. This measure was announced at Spring Budget 2024 and has been legislated.

RESEARCH & DEVELOPMENT TAX RELIEFS: IMPROVING ADMINISTRATION

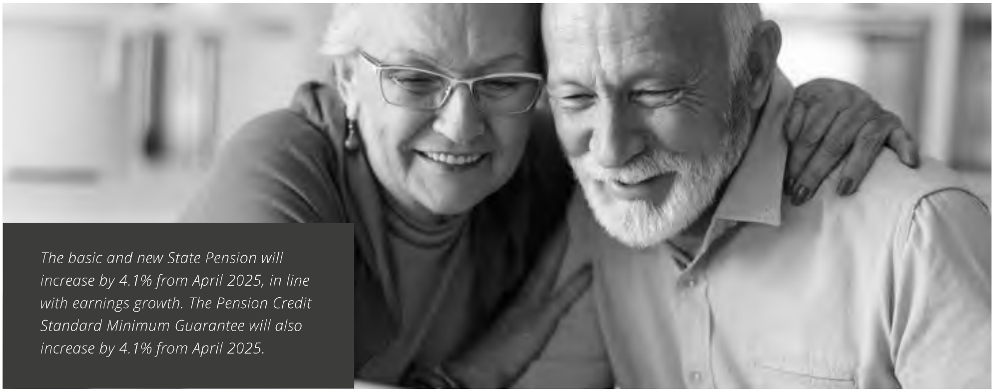
The government will discuss widening the use of advance clearances in Research & Development reliefs with stakeholders, with the intention to consult on lead options in spring 2025. The government has also published a document setting out further information on the scale and characteristics of error and fraud up to 2023/24, the policy and operational changes that have been made to address this, and further data on customer experience.

ADVANCE TAX CERTAINTY FOR MAJOR PROJECTS

The government will launch a consultation in spring 2025 to develop a new process that will give investors in major projects increased tax certainty in advance.

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 chargepoints, to 31 March 2026 for Corporation Tax purposes and to 5 April 2026 for Income Tax purposes. ◄



The basic and new State Pension will increase by 4.1% from April 2025, in line with earnings growth. The Pension Credit Standard Minimum Guarantee will also increase by 4.1% from April 2025.

Welfare and labour markets

Balancing welfare policies and labour dynamics

WELFARE CAP REFORM

The government is setting a new welfare cap in its fiscal framework and has reset the cap for 2029/30. The margin has been revised and, to support ongoing spending control and to strengthen accountability, the Department for Work and Pensions will publish an annual report on welfare spending.

UNIVERSAL CREDIT: MOVING EMPLOYMENT AND SUPPORT ALLOWANCE CLAIMANTS ONTO UNIVERSAL CREDIT SOONER

The government will migrate Employment and Support Allowance claimants to Universal Credit from September 2024 instead of 2028. This move will bring more people into a modern benefit regime, continuing to ensure they are supported to look for and move into work.

TARGETING WINTER FUEL PAYMENTS

As announced in July 2024, the Winter Fuel Payment will be targeted to those in receipt of Pension Credit or certain other income-related benefits from winter 2024/25, saving an average £1.5 billion of taxpayers' money each year. The Winter Fuel Payment continues to be worth £200 for eligible households, or £300 for eligible households with someone aged over 80.

ENHANCING PENSION CREDIT TAKE-UP FOR NEW CLAIMS TO HOUSING BENEFIT

The government aims to maximise Pension Credit take-up and ensure those eligible for this benefit are receiving it. There has been a significant increase in Pension Credit claims following the announcement to target Winter Fuel Payments. The government is optimising the use of Housing Benefit data and individuals applying for Housing Benefit from Spring 2025 will be proactively encouraged to apply for Pension Credit. The government is contacting 120,000 pensioners currently in receipt of Housing Benefit inviting them to claim Pension Credit too.

BRINGING TOGETHER THE ADMINISTRATION OF HOUSING BENEFIT AND PENSION CREDIT

The administration of Pension Credit and Housing Benefit will be brought together for new claimants from 2026. This is two years earlier than previously announced, and will support more people to receive the benefits that they are entitled to.

NATIONAL LIVING WAGE INCREASE

From April 2025, the National Living Wage will increase to £12.21 per hour for all eligible employees, and the National Minimum Wage for 18 to 20-year-olds will increase to £10.00 per hour for all eligible workers. The government is also increasing the minimum wages for Under-18s and Apprentices to £7.55 per hour, and the Accommodation Offset rate will increase to £10.66 a day.

STATE PENSION AND PENSION CREDIT UPRATING FOR 2025/26

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% from April 2025, in line with earnings growth. The Pension Credit Standard Minimum Guarantee will also increase by 4.1% from April 2025.

DWP AND HMRC WORKING-AGE BENEFITS UPRATING FOR 2025/26

The government will uprate working-age benefits by September 2024 CPI of 1.7% from April 2025. This will see around 5.7 million families on Universal Credit receive a further £150 on average in 2025/26.

GET BRITAIN WORKING WHITE PAPER

The government will shortly publish the Get Britain Working White Paper, which will set out its £240 million investment to trail new ways of getting people back into work. The government will test new approaches and collect robust evidence on how to tackle the root causes of ill-health-related inactivity, support young people who are 'not in education, employment or training' (NEET), and help people to develop their careers. ◄

If you want to explore how the recently announced measures might affect your finances or business, please contact us.

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