

PEARSON MAY

CHARTERED ACCOUNTANTS & CHARTERED TAX ADVISERS

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AUTUMN BUDGET 2024

Chancellor Rachel Reeves delivered her Budget on Wednesday 30 October 2024, the first Labour Budget for almost 15 years. She pledged to 'invest, invest, invest' to drive growth and 'restore economic stability'. Ms Reeves said the Budget will raise a massive £40 billion in taxes, a significant proportion of which will be borne by businesses. We will take a look at a few of the main announcements in further detail below.

Employer's National Insurance hike

The Chancellor announced that the main rate of secondary Class 1 National Insurance Contributions (NICs) for employers will increase by 1.2%, to 15% from April 2025. As well as the rate increase, the earnings threshold above which employer's national insurance is payable on an individual's earnings will be cut from £9,100 to £5,000 per annum. This means that an extra £4,100 per employee will be subject to employer's NIC at 15%.

To attempt to soften the blow, the employment allowance, which allows companies to reduce their national insurance liability, will be increased from £5,000 to £10,500, also from 6 April 2025. Currently the employment allowance is only available to businesses whose total secondary Class 1 NIC liability is less than £100,000. This limit will be removed from April 2025. Some smaller businesses may find that their employer's NIC burden is reduced overall following these changes, but others will see a significant increase in their employer's NICs.

Capital Gains Tax (CGT) rates

From Budget Day, CGT is payable on profits from selling assets such as shares and commercial property at 18% (up from 10%) for gains falling into the taxpayer's basic rate band and 24% (up from 20%) at the higher or additional rate. This brings the rates in line with CGT on residential property disposals, which will remain at 18% for basic rate and 24% for higher rate taxpayers.

Business Asset Disposal Relief (BADR) offers a reduced CGT rate of 10% for qualifying business disposals, subject to a lifetime maximum of £1m. The lifetime limit will be maintained, however the rates applying to BADR will gradually increase from 10% to 14% on 6 April 2025 and to 18% on 6 April 2026.

Significant changes to Inheritance Tax (IHT)

The current Nil-Rate Band of £325,000 and the Residence Nil-Rate Band of £175,000, per individual, had been frozen by the previous Government until 5 April 2028. This will be extended for a further two years until 5 April 2030, bringing many more estates into the scope of IHT.

Currently, unused pension funds can be inherited tax free. From 6 April 2027, amounts accumulated in a pension pot will be included in the deceased's estate and could be subject to IHT at 40%.

The Chancellor also announced plans to reform Business Property Relief (BPR) and Agricultural Property Relief (APR). From 6 April 2026, the first £1m of combined business and agricultural assets will continue to attract IHT relief at 100% but for assets over £1m, the relief will be halved to 50%. Assets including AIM shares that qualify for BPR and/or APR will suffer IHT at an effective rate of 20%.

Other Announcements

- The tax regime relating to non-UK domiciled individuals is to be abolished. Broadly, from 6 April 2025, changes will be made to replace the remittance basis of taxation, which is based on domicile status, with a new tax regime based on residence.
- The Stamp Duty Land Tax (SDLT) surcharge levied on purchases of additional residential properties, such as second homes or buy-to-let properties, has been increased from 3% to 5% for transactions with an effective date (usually the date of completion) on or after 31 October 2024. Similar changes are made for companies and other non-natural persons purchasing residential property.
- Private school fees for education and vocational training will no longer benefit from VAT exemption and will be subject to VAT at the standard rate (20%). The change will apply to terms beginning on or after 1 January 2025 although certain prepayments made after 29 July 2024 will also be included.
- The Government will treat double cab pick-up vehicles with a payload of one tonne or more as cars for certain tax purposes. For purchases from 1 April 2025 for Corporation Tax, and 6 April 2025 for Income Tax, such vehicles will be treated as cars for the purposes of capital allowances, benefits in kind and some deductions from business profits.
- The National Living Wage (which applies to those aged 21 and over) will increase to £12.21 from 1 April 2025, with the National Minimum Wage increasing to £10.00 per hour for 18-20 year olds and to £7.55 for those aged 16-17 (and apprentices).

Further details of the announcements made in the Budget can be found in our Autumn Budget 2024 publication, available on our website or from any of our offices.

The above is for general guidance only and no action should be taken without obtaining specific advice.

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