Gravita

November 2024

# Gravita's Autumn Budget Report 2024

A considered opinion on the UK government's Autumn 2024 Budget and how it could affect you.

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# Foreword

14 years is a long time to wait, and the Chancellor kept us waiting for some time before she got down to the nitty gritty. One of the most hotly anticipated Budgets in recent years started with an announcement that it will raise £40 billion in tax, with the money used to "invest, invest, invest".

Before we got going, we had the slightly odd spectacle of the deputy speaker admonishing the Labour front bench for leaking parts of the Budget. Frankly, I'm not sure why the honourable members needed to know the details of the budget before anyone else, especially as they only thing that they seemed to get excited about was a reduction in duty on a pint of beer! But I digress...

Labour had promised pain, and they delivered, with extensive tax changes. As always, this Budget report contains a full analysis and what the changes mean for you.

One of the biggest increases for businesses is Employers' NI rising by 1.2% to 15% alongside a reduction in the threshold where employers start paying the tax – this raises £25 billion! This is accompanied by the scaling back of Business Asset Disposal Relief, and a newly introduced limit for the availability of Business Property Relief (BPR). Alongside its compatriot Agricultural Property Relief (APR), BPR is further scaled back with assets no longer taxed at 0% but 20% above a threshold of £1 million. Pensions will now fall withinside the scope of IHT with an effective tax rate of 67% in some cases.
Individuals, especially landlords and second homeowners, also have a lot of changes to understand. There is an increase to Capital Gains Tax on the sales of assets from 10% to 18% at the lower rate, and from 18% to 24% at the higher rate. If you buy a second home, the Stamp Duty Land Tax (SDLT) burden has gone up by 2%.

That is before we get to non-UK domiciled individuals, whose world is changing significantly and dramatically. The draft legislation is 103 pages long and will take time to understand in full. However, the concept of domicile is being scrapped and replaced with a residency-based regime.

As a summary, someone who has not been a tax resident in the UK before will be able to remit non-UK income and gains to the UK without suffering a UK tax charge for the first 4 years they are resident. After that, they will pay tax on their worldwide income and gains - (including those of an offshore trust that they have settled) at their prevailing rate of UK tax.

For a short time, they can remit previously unremitted income and gains to the UK that arose prior to April 2025 at a much-reduced rate of tax. Once they have been here for more than 10 of the last 20 years, their non-UK assets - including those held in an offshore trust that they settled and can benefit from - will fall within the scope of UK Inheritance Tax.

This is not popular, and the prospect of such changes, particularly those on IHT, have already driven many from the UK. I know many of our clients will be concerned about the changes and want to reiterate that our tax team are available to help you look at options and plan.

# Foreword

Was there any good news? Well, yes. Like many, I was wondering what I was if not a worker. It appears I am - which is a relief. I, like every other worker, was protected from any income tax, national insurance or VAT rises - unless of course you send your children to private school. Many will have had a significant pay rise with the increase in the national minimum wage. Further good news is that the freeze on income tax thresholds will be lifted from April 2028 (not a typo!). This, if it happens, will put more money in people's pockets, as the Chancellor promised in her speech – just not for 3 and half years!

And there was some good news for business too as the rate of corporation tax is staying the same, full expensing is being retained and the Government have released a corporate tax road map that goes some way to building on the Chancellor's promise of an 'end to short-termism'. This is all good news as business does love certainty.

But you cannot escape the fact that the UK was already paying more tax than it ever has before, and that burden has only got higher. The Chancellor will argue that working people were protected. Others will question how long it will be before the NI increases to business curtail investment in people, limit salary increases and discourage recruitment?

Regardless of which changes have impacted you or your business, we've been studying the legislation so that you don't have to. We welcome anyone who would like a discussion about their circumstances with one of our tax experts. Read on for the full analysis, or contact me: thomas.adcock@gravita.com, and I can put you in touch with the right person.

Thomas Adcock
**Partner, Tax**

# About Gravita

## Gravita is a team of high-calibre, pragmatic accountants.

We partner with fast-growing, established businesses who need skilled experts to help manage their growth ambitions.

As a Gravita client, you can expect innovative yet practical solutions to reach your goals, leaving us to take care of everything behind the scenes.

We are efficient, reliable and move at pace to let you get on with what really matters: growing your business.

## Our accreditations

Gravita is an ICAEW chartered accounting firm and an authorised training employer.

We're also part of DFK International, the 6th largest association worldwide of independent accounting firms and business advisors.

Our membership of DFK International enables our clients to operate with firms like Gravita all over across the world.

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# Contents

# New Tax Rates at a glance

| | Proposed | |
|---|---|---|
| **Income Tax** | **2025/26** | **2024/25** |
| Basic Rate | 20%* | 20%* |
| - on income up to | 37,700 | 37,700 |
| Higher Rate | 40% | 40% |
| - on income up to | 125,140 | 125"140 |
| Additional Rate on excess | 45% | 45% |
| *The starting rate of 0%, for savings income only, had a limit of £5,000 in 2024/25 and this will continue in 2025/26. If an individual's taxable non-savings income is above this, that rate will not apply. | | |
| **Dividend Allowance** | 500 | 500 |
| **Tax rate on dividends above the Dividend Allowance** | | |
| •Basic Rate Taxpayer | 8.75% | 8.75% |
| •Higher Rate Taxpayer | 33.75% | 33.75% |
| •Additional rate Taxpayer | 39.35% | 39.35% |
| | £ | £ |
| Personal allowance (born after 5 April 1938) | 12,570** | 12,570** |
| **Personal Savings Allowance** | | |
| •Basic Rate Taxpayer | 1,000 | 1,000 |
| •Higher Rate Taxpayer | 500 | 500 |
| •Additional rate Taxpayer | - | - |
| **Married couple's allowance (born before 6 April 1938)** | | |
| Maximum | 11,270 | 11,080 |
| Minimum | 4,360 | 4,280 |
| Married couple's allowance is reduced by half of the excess of income over £37,700 (£37,000 in 2024/25). | | |
| Blind person's relief | 3,130 | 3,070 |
| Marriage Allowance | 1,260*** | 1,260*** |
| Maximum Enterprise Investment Relief | 1,000,000**** | 1,000,000**** |

** This allowance reduces where the income is above £100,000 – by £1 for every £2 of income above the £100,000 limit. This reduction applies irrespective of age.
*** This transferable allowance is available to married couples and civil partners born after 5 April 1935. A non-taxpayer or a basic rate taxpayer can transfer up to this amount of their personal allowance to their spouse or civil partner. The recipient must be a basic rate taxpayer. The relief is given at 20%.
**** £2m if amounts over £1m are invested in knowledge-intensive companies.

| | | |
|---|---|---|
| **Corporation Tax** | 2023/24 | 2022/23 |
| **Main rate** | 25% | 25% |
| **Capital Gains Tax** | £ | £ |
| **Annual Exemption for individuals** | 3,000 | 3,000 |
| **Value Added Tax** | | |
| **VAT Registration Threshold** | 85,000 | 85,000 |
| Inheritance Tax | | |
| **Rate** | 40%***** | 40%***** |
| **Nil Rate Band** | 325,000 | 325,000 |
| **Residence Nil Rate Band** | 175,000 | 175,000 |
| ***** 36% where 10% or more of the deceased person's net estate is left to charity | | |
| **Maximum Personal Pension Contribution** | 40,000 | 40,000 |

# Employment Tax

## 01
## National Insurance Contributions (NIC) rates and thresholds

The Lower Earnings Limit (LEL) and the Small Profits Threshold (SPT) will both increase by the September 2024 CPI rate of 1.7% to £6500 (£125 per week) and £6845 respectively from 2025-26.

For those paying voluntarily, Class 2 and Class 3 NICs will also both increase by September CPI of 1.7% in 2025-26. The main Class 2 rate will be £3.50 per week, and the Class 3 rate will be £17.75 per week.

From 6th April 2025, the threshold for Employers (secondary) Class 1 contributions will fall from £9100 to £5000, and the rate payable will increase by 1.7% to 15%, in line with the September CPI rate. This rate will be frozen until 5th April 2028 and then will rise in line with the CPI each year after that.

The Employment Allowance will also increase from £5000 to £10,500. The restriction that currently applies to the Employment Allowance, where only employers who have incurred a secondary Class 1 National Insurance contributions liability of less than £100,000 in the previous tax year are able to claim, will be removed. Eligible employers will be able to reduce their National Insurance contributions liabilities by up to £10,500 per year. To be an eligible employer, if the employer is a limited company and only employs directors, the conditions include there being at least two directors who earn more than the secondary threshold for class 1 NIC.

### GRAVITA TAX REACTION

This is the big one! It was announced that this raises an extra £25 billion for the Exchequer. In anyone's books, that is a lot of money! And as it works like income tax, there is very little that business can do about it.

Of course, the increase in the rate of NIC paid by employers had been widely anticipated in the days leading up to the Budget announcement, although reducing the threshold was more of a surprise.

For an employer paying NIC on an employee earning £50,000 per year, the increase NIC payable will be more than £1,000 each year. The employee will not feel it, but how long will it be before the impact is felt as employers think more carefully about pay rises, bonuses or even recruiting?

Small businesses may find that the increase in the Employment Allowance alleviates some of the cost. However, for the traditional one-man band company, this means a rethink in the usual remuneration planning - where often the salary has been set around the £10,000 mark for obvious reasons. These types of businesses are not eligible for the Employment Allowance, and so it will be time to refresh this approach, even if it is simply to reduce the administrative burden of needing to run a payroll.

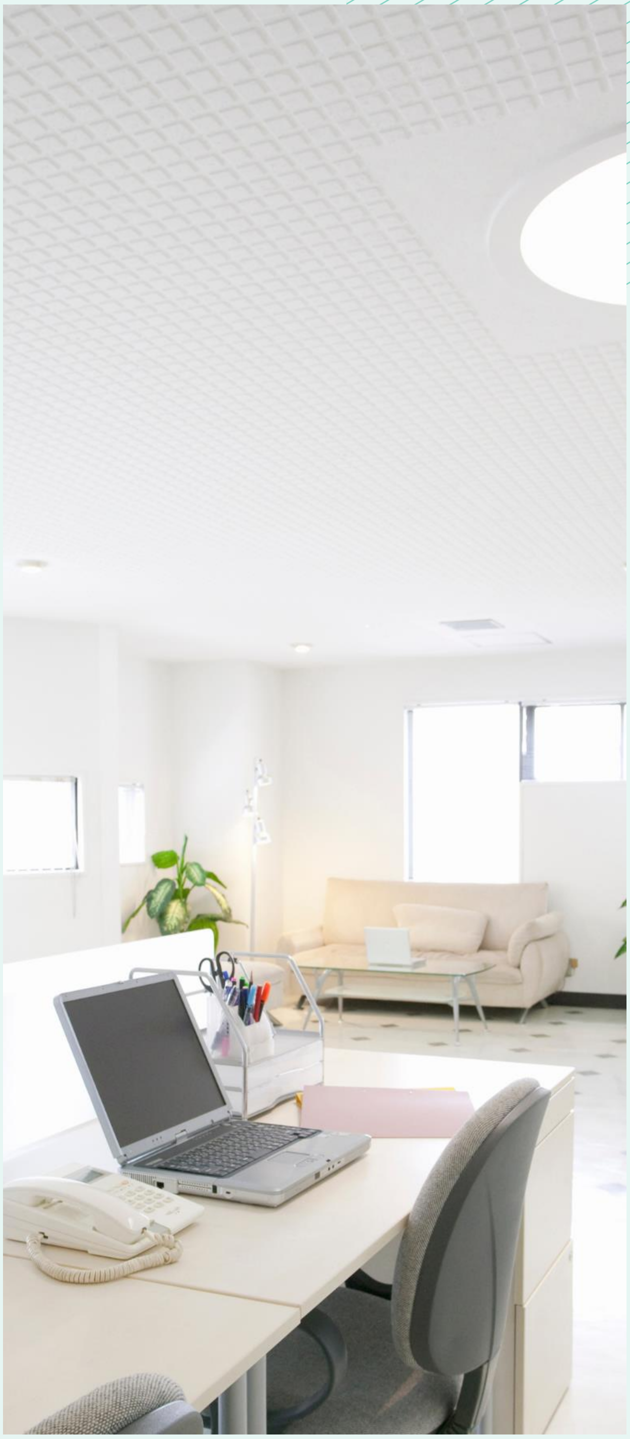
# Employment Tax

02

## Extension of National Insurance Contributions relief for hiring veterans

The government is extending the employer National Insurance contributions relief for employers hiring qualifying veterans for a further year from 6th April 2025 until 5th April 2026.

As a result of this, businesses will continue to pay no Employer's National Insurance contributions 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.



# Non-doms

01

## Reform of non-dom regime

As expected, the Chancellor will be implementing the reform of the non-dom regime that was announced by her predecessor in the Spring – with a few little tweaks of course.  The new regime will apply from 6th April 2025.

GRAVITA TAX REACTION

This is, of course, very good news as it provides time for those affected by the reforms to make changes where possible.

Less good news is that the draft legislation is 103 pages long!  It will therefore take time to decipher the intricacies of the law.

Currently, individuals who are not UK domiciled and who have been UK tax resident for less than 15 of the last 20 tax years are eligible to claim the Remittance Basis of taxation, which exempts their foreign income and gains from UK income tax and CGT, as long as it is not remitted to the UK. This regime is not compulsory and can be opted in or out of on an annual basis. Those claiming it lose their tax-free personal allowance and once they have been tax resident in the UK for more than seven of the last nine tax years, they must pay to benefit from the remittance basis.

From 6th April 2025, the non-dom system will be replaced with a residence-based regime where 'qualifying new resident' individuals will not pay UK tax on any Foreign Income and Gains (FIG) arising in their first four years of tax residence.

Qualifying new residents are broadly defined as those that have not been tax resident in the UK in any of the previous ten UK tax years.  Tax residence is determined under the UK Statutory Residence Test.

Importantly, a year of tax residence is counted even if it is a split year, or you are treaty non-resident because of the application of a double tax treaty.

Individuals can choose to opt in and out of the new system on an annual basis during the four years, and those who opt in will lose their tax-free personal allowance in that year.

GRAVITA TAX REACTION

The loss of the tax-free personal allowance for those who opt in could cost up to £5,000 in additional tax for those earning less than £100,000, but for anyone earning more than that, this regime carries no downside that we can see. This could be a fantastic opportunity for short term visitors who find themselves temporarily in the UK. The freedom to remit as much or as little as they wish, tax free, during that time may provide a welcome boost to the economy.

# Non-doms

After four years of residency, if the individual remains a UK tax resident, they will be subject to UK taxes on their worldwide income and gains.

GRAVITA TAX REACTION

This could potentially prevent wealthy non-UK individuals from staying here long term as 45% is still viewed as a punitively high tax rate by many.

Individuals who leave the UK temporarily during the four-year period will still be able to make a claim under the regime for any qualifying tax years remaining upon their return to the UK. Equally, those who have currently been in the UK for less than four years will be able to take advantage of the rules until the end of their fourth year of UK tax residence.

The draft legislation requires that the taxpayer makes a claim in a tax return for the relief to apply. The individual must include the income or gain that they are claiming the relief against within the tax return.

GRAVITA TAX REACTION

The reporting requirement is very different from the current remittance basis regime. Under the current regime, a person who wishes to claim the remittance basis need only tick a box and state that they are making the claim against a £1 of overseas income or gain. The new regime appears to require the claimant to tell HMRC what the source is and the amount of the income or gain.

Moreover, the claim must be made within 12 months of the 31st January following the year of the return – which is the usual deadline for amending a tax return.

Not only will this increase the compliance burden on those wishing to make a claim – potentially significantly – it may also mean that some people who would otherwise qualify will miss out on doing so because they may not be aware of it. Unfortunately, HMRC have also stated that if a taxpayer wishes to make a claim outside of that window, they will not be able to do so if they or someone acting on their behalf had not made the claim because they had acted carelessly or deliberately.

Unlike the current system, there will be no need to track the movement of FIG within accounts and investments, significantly reducing the admin burden currently placed on those using the Remittance Basis.

GRAVITA TAX REACTION

Reducing the amount of admin required is always welcome!

# Non-doms

A three-year Temporary Repatriation Facility enabling those that previously claimed the remittance basis to remit previously untaxed FIG at a reduced rate of 12% for the first two years and 15% for the third year is being introduced. This will be known as the TRF charge. Importantly, this facility also applies to previously untaxed FIG held within trust structures.

To enable a smooth transition to the new regime, there will be some relaxation of the current mixed fund ordering rules to ensure that it is simple for existing non-doms to take advantage of the Temporary Repatriation Facility and to bring money into the UK during the transitional period.

From 2028-29 the remittance of pre–April 2025 FIG will be taxed at normal rates under the old remittance basis rules.

Again, a claim for the relief will need to be made in a tax return and the taxpayer will need to designate the amount against which they are making the claim.

**GRAVITA TAX REACTION**

The previous Chancellor announced a two-year facility. Three is better than two and so this is good news. As is the simplification of the mixed fund ordering rules.

However, the previous government had also announced that there would be a 50% reduction in the amount of foreign income (not gains) chargeable to tax. This will not be going ahead, which is disappointing. It did look too good to be true though.

## 02
## Capital Gains Tax - Rebasing

Where a taxpayer that has never been domiciled or deemed domiciled in the UK, sells a non-UK asset on or after 6th April 2025, they will be able to rebase that asset to its April 2017 market value as long as they held the asset prior to that date and have made a claim to the remittance basis in a tax year prior to 2025-26.

**GRAVITA TAX REACTION**

It was previously thought that they would opt for April 2019, but they have gone for 2017 instead. It is not immediately clear why – we would be interested in your views. Clearly this opens an opportunity, particularly where the asset had increased significantly in value up to April 2017 and has somewhat stagnated since then.

## 03
## Overseas Workday Relief

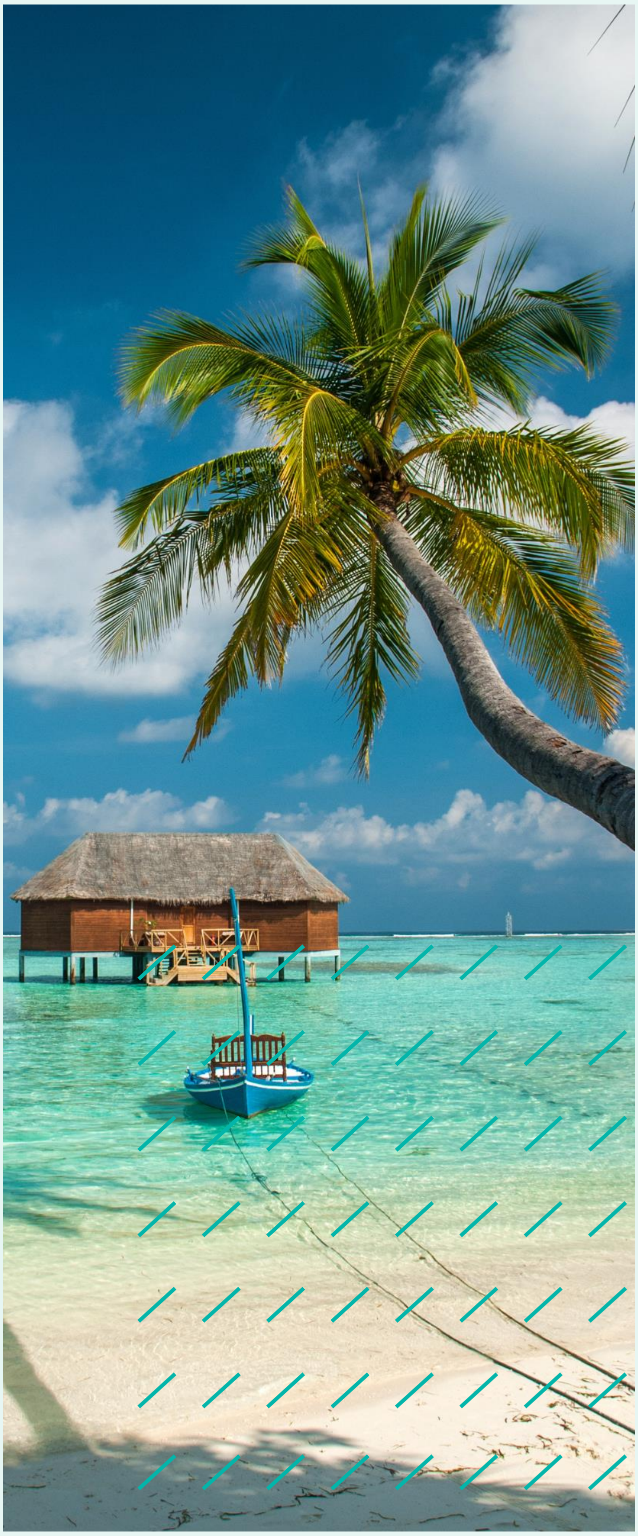
Overseas Workday Relief will be retained, although there will be changes – firstly it will be extending to cover a 4-year period to align with the new FIG regime. The requirement to keep the income offshore will also be removed, again to bring this in line with the removal of the remittance basis.

However, the amount claimed annually will be limited to the lower of £300,000 or 30% of the employee's net employment income.

Furthermore, individuals will not be able to claim income tax relief on chargeable overseas earnings for income earned on or after 6th April 2025. This relief applied to earnings relating to a foreign employment carried out wholly abroad for those who do not qualify for Overseas Workday Relief.

# Non-doms

These earnings will continue to be taxable on the remittance basis if brought to the UK after 6th April 2025 and are eligible for the TRF. The exemption to travel costs incurred by non-domiciled employees that are paid for by employers when they come to work in the UK and any business-related travel within the time limit of five years will be reduced to four years, again to align with the 4-year foreign income and gains regime.



GRAVITA TAX REACTION

Winners and losers here. It makes sense to align the rules with the FIG regime and extend the eligibility period to four years, but that means losing one year of the exemption for travel costs. This is also going to affect those spending more than 30% of their time overseas and could just tempt them to spend 100% of their time overseas and depart the UK entirely. But reducing the amount of admin and complications with segregating overseas income will simplify life for many individuals.

## 04
## PAYE

Employers or their agents will no longer be required to wait for HMRC to approve their application for a direction to operate PAYE on the proportion of an employee's employment income for work carried out in the UK.

GRAVITA TAX REACTION

This is good news – HMRC have been rather slow at processing section 690 agreements (as they are called) in recent months!

# Non-doms

04

## Changes to Offshore Trusts

From 6th April 2025, non-UK assets held by offshore trusts will fall within the UK IHT regime for trusts where the settlor is a long-term resident (LTR). A long-term resident is someone who has been tax resident in the UK for at least 10 of the last 20 UK tax years and they remain so for between 3 and 10 years of leaving the UK depending on how long they were tax resident in the UK for.

### GRAVITA TAX REACTION

This is exactly what many non-doms were fearing since the March 2024 announcement. In simple terms, non-UK assets (including shares in offshore companies that hold non-residential property) held by offshore trusts that were settled by non-doms were outside of UK IHT forever – they qualified as what is called excluded property. This will no longer be the case. This will dramatically increase the tax exposure of those structures as well as the reporting obligations. This will include the necessity to pay both Periodic (10 year) and Exit charges in relation to assets which had previously been excluded from the regime.

Furthermore, if the settlor loses their long-term UK resident status, this could result in assets within the trust ceasing to be relevant property. Under general principles, that would trigger an immediate Exit charge (currently at around 6%) if this happens post April 2025.

Thankfully we have until April 2025 to look at changing these structures.

Settlors of settlor interested offshore trusts who have been tax resident in the UK for more than 4 years will be chargeable to UK tax on FIG that arises within those trusts after 6th April 2025, irrespective of when the Trust was established. Where the distributions and benefits are made to beneficiaries and settlors within the qualifying four-year FIG regime, they will not pay UK taxes on these, but benefits will not be matched to trust income and gains. This means that the income and gains will still be accumulated in the trust and can be matched to future distributions. There is also legislation that prevents onward gifting.

### GRAVITA TAX REACTION

This will only affect settlor interested trusts, and in all honesty, the Protected Trust regime always did seem to be too good to be true. The Government have now realised that too. The current protection, which shelters these income and gains from UK tax will remain for accumulated income and gains that arose prior to that date, unless distributions or benefits are provided to UK tax residents who have been here for more than four years. They will not be covered by the remittance basis if the distributions are made to them overseas. Distributions from an overseas trust in the transitional period will benefit from the TRF which is good news. This could be highly advantageous, allowing accumulated FIG to be washed out of the trust very cheaply.

# Non-doms

## 05
## Ex-pats

We often only think about these changes in the context of non-doms but there is another class of people that these rules affect – ex-pats.  British people who have left the UK to live elsewhere are perhaps the unexpected winners here.  Once they have been outside the UK for more than 10 consecutive years, they will no longer be subject to UK IHT on non-UK assets.

# Income Tax

01

## Income tax rates

There will be no changes to the current Basic Rate, Higher Rate or Additional rate thresholds f or income tax, which remain respectively at £1 - £37,700, £37,701 - £125,140 and in excess of £125,401, and no change to the current income tax rates f or savings (0%, 20%, 40% and 45), dividends (8.75%, 33.75% and 39.35%) and non-savings (20%, 40% and 45%).

There will be no increase to the Personal Allowance this coming April, which remains at £12,570. The income limit for the personal allowance remains unchanged at £100,000.

All of this will remain fixed until 5th April 2028.

### GRAVITA TAX REACTION

These thresholds have all been fixed since 6th April 2021. They are the ultimate stealth tax because as salaries increase, those who may previously have been covered by the personal allowance begin to pay tax, and those already paying tax may find themselves pushed into higher rates.

The Chancellor announced that the freeze will be lifted in April 2028 when the thresholds will begin to rise in line with inflation. It will not escape anyone's notice that this is 3 and half years away which is an enormous amount of time in politics. It will be interesting to see if they hold to this.

02

## Starting rate for savings

Across the UK, the 0% band for the starting rate for savings income at its current value of £5,000 will be retained for the 2025-26 tax year. This only applies to individuals who have employment or pension income of less than £17,570.

### GRAVITA TAX REACTION

This is good news as it was felt that reliefs like this would be abolished in the Chancellor's hunt for money.

03

## Reducing tax-free overseas transfers of tax relieved UK pensions - QROPS

From 30th October 2024 the exclusion from the Overseas Transfer Charge (OTC) of transfers to Qualifying Recognised Overseas Pension Schemes (QROPS) established in the European Economic Area (EEA) and Gibraltar, where the member is resident in the UK or an EEA state, will be removed.

This means that pension transfers from tax relieved UK pensions to QROPS in the EEA and Gibraltar will now be subject to a 25% charge, unless another exclusion applies, bringing their treatment in line with transfers to QROPS established in the rest of the world.

# Income Tax

In addition, from 6th April 2025, the conditions required for a scheme to be treated as an Overseas Pension Schemes (OPS) and Recognised Overseas Pension Schemes (ROPS) established in the EEA will be brought in line with those for OPS and ROPS established in the rest of the world. These are required to be regulated by a regulator of pension schemes in the relevant country, and ROPS established in the EEA must be established in a country with which the UK has either a Double Tax Agreement which allows for exchange of information or a Tax Information Exchange Agreement. There will also be the requirement for these to have a scheme administrator of registered pension schemes who is UK resident from the same date.

GRAVITA TAX REACTION

With the announced changes on UK pensions now being subject to IHT, one avenue of escape would have been to potentially transfer your UK pension to a QROPS as you leave the UK to live somewhere else. This looks perhaps less attractive now that a 25% tax rate is being applied to the transfer even where it is to an EEA or Gibraltar administered scheme.

04

## Clarification of taxable status of Statutory Neonatal Care Pay (SNCP)

From the date of Royal Assent, Statutory Neonatal Care Pay will be taxable as social security income. This provides a clarification to the current legislation and brings the taxation of SNCP in line with Statutory Maternity Pay (SMP).

05

## Employment Related Securities (ERS) changes — consequential to the Neonatal Care (Leave and Pay) Act 2023

From 6th April 2024, legislation will apply to ensure that 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 will also refer to Statutory Neonatal Care Pay.

06

## Carried interest taxation reform

The government will reform the way carried interest is taxed, ensuring that from 6th April 2026 this is in line with the economic characteristics of the reward i.e. that it is brought within the income tax framework, with a 72.5% multiplier applied to qualifying carried interest that is brought into charge.

As an interim step, the government will introduce legislation in Finance Bill 2024-25 to increase the Capital Gains Tax rate for carried interest to 32% from 6th April 2025.

# Income Tax

**GRAVITA TAX REACTION**

Carry is a share of profits allocated to an investment manager in respect to the underlying performance of the assets that they are managing. Typically, it only exists in the private equity and fund management world. The argument has always gone that as the share of profit is directly connected with share in the underlying asset that the payment is capital in nature and therefore attracts Capital Gains Tax. More importantly, this is the view that the US takes, and people involved in this industry are seen to be globally mobile i.e. they can live wherever they want.

There is also the view that carried interest is simply a disguised bonus and should be taxed as income. And in fact, the law includes provisions so that when certain conditions are not met, that is exactly how it is treated.

Labour have sided with the 'disguised remuneration' lobby and have brought carry, under its current definition, into the charge to income tax, albeit with a 27.5% relief.

It will be interesting to see what effect this will have on the market. Will they leave or will they accept the increase in tax and work with the Government on a softer definition of carry. Time will tell.

## 07
## Abolition of Furnished Holiday Lets (FHL) tax regime

As announced over the summer, the Finance Bill 2024-25 will confirm the abolition of the FHL regime.

From April 2025, income and gains from a FHL will form part of the person's (standard) UK or overseas property business.

Historically, FHLs have been subject to more beneficial tax treatment than other types of property, entitled to full relief for interest cost, able to claim capital allowances and eligible for Business Asset Disposal Relief (BADR). Strict conditions applied to qualify as an FHL, including a minimum period of occupation each year and a restriction on how long a single tenant could occupy the property.

From 2024-25, these will simply be taxed in the same way as any other let property.

**GRAVITA TAX REACTION**

These changes have been made, we are told, to promote fairness. Unfortunately, the changes do not account for the fact that for many FHL landlords, these short term lets involve a lot more work as well as risks and exposure to seasonality. Losing the benefit of lower taxes may deter landlords from making properties available as holiday lets, which could drive up the cost of staycations as the supply of available properties dries up.

# Income Tax

GRAVITA TAX REACTION

It is already expensive to holiday in the UK, and hopping on a plane will become even more attractive if UK prices continue to rise. In addition, by increasing CGT rates, rather than free up supply on the market this could see landlords becoming less likely to sell their properties.

For those wanting to sell, providing the FHL business has ceased fully before 5th April 2025, there will still be the ability to claim BADR on a sale within 3 years of cessation.

08

## Uprating Qualifying Care Relief

From 6th April Qualifying Care Relief (income tax relief available to foster carers and shared lives carers) will be increased by the September 2024 CPI rate of 1.7%.

09

## Uprating Married Couple's Allowance and Blind Person's Allowance

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

10

## 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.

11

## Help to Save extension and reform

The government will extend the Help to Save scheme for a further 2 years, from April 2025.

The last date a qualifying account can be opened under the current scheme will be 5th April 2027. From 6th April 2025, the eligibility of the scheme will be extended to all individuals in receipt of Universal Credit earnings of £1 or more.

The government has also launched a consultation on the most effective way to deliver the new scheme which will include details of the design, following the responses received from a previous consultation published in April 2023.

# Income Tax

## 12
## ISA, Junior ISA, Lifetime ISA and Child Trust Fund annual subscription limits

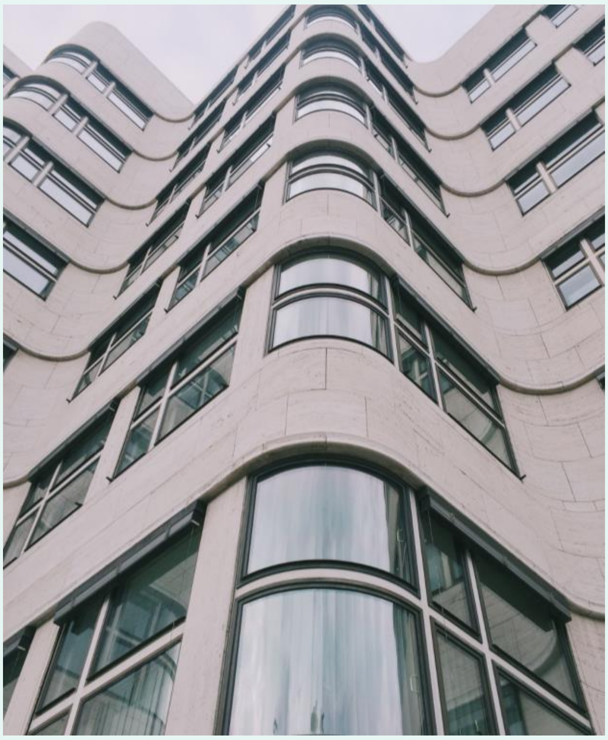
The annual subscription limits for ISAs of all types will not change, remaining frozen until April 2030 at the following levels:

- ISAs - £20,000
- Junior ISAs - £9,000
- Lifetime ISAs - £4,000
- Child Trust Funds - £9,000

These measures will apply to the whole of the UK.

### GRAVITA TAX REACTION

Whilst not really a stealth tax in the same way as some of the allowances and rates that have been frozen, leaving these unchanged for another 6 years is unlikely to reflect the inflation that we might expect in all other aspects of life during that time.  It will be interesting to see if the schemes are still considered fit for purpose in 2030.



## 13
## Digitalisation of ISAs limit

Digital reporting for ISA managers will be mandatory from April 2027.

## 14
## British ISA

The government will not proceed with the British ISA which had been announced in the Conservative Party's Spring Budget of 2024.

### GRAVITA TAX REACTION

No great surprise here!

# Income Tax

## 15

## High-Income Child Benefit Charge (HICBC) reform, simplification and targeting of economic support to households

The government will not proceed with the reform to base the High-Income Child Benefit Charge (HICBC) on household incomes. Instead, to make it easier for all taxpayers to get their HICBC right, the government will allow employed individuals to report Child Benefit payments through their tax code from 2025 and pre-prepopulate Self-Assessment tax returns with Child Benefit data for those not using this service.

The government will also explore how better data use and sharing across government departments can improve the targeting of economic support to households, especially in times of crisis.

**GRAVITA TAX REACTION**

This is a real shame because reforming the way the HICBC is run was already long overdue. The current legislation which will now continue does not operate in a way which treats families fairly nor does it account for the nuances of modern life or respect the privacy of each party to a couple.

## 16

## Employment Related Securities (ERS) changes — consequential to the Neonatal Care (Leave and Pay) Act 2023

From 6th April 2024, legislation will apply to ensure that 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 will also refer to Statutory Neonatal Care Pay.

## 17

## Carried interest taxation reform

The government will reform the way carried interest is taxed, ensuring that from 6th April 2026 this is in line with the economic characteristics of the reward i.e. that it is brought within the income tax framework, with a 72.5% multiplier applied to qualifying carried interest that is brought into charge.

As an interim step, the government will introduce legislation in Finance Bill 2024-25 to increase the Capital Gains Tax rate for carried interest to 32% from 6th April 2025.

# Income Tax

## 18
## Employee Ownership Trusts

The Government has confirmed that not only will these continue to exist but that the results from the recent consultation will be made law effective from 30th October 2024.

### GRAVITA TAX REACTION

This is very good news for business owners who want to transfer their business to their employees to further incentivise and engage them.  EOTs come with many benefits for both the seller and the employee and are well worth considering in detail if you are looking at a succession plan for your business.

# Capital Gains Tax

## 01
## Changes to the Capital Gains Tax (CGT) rates

From 31st October 2024, the main rates of CGT will increase from 10% (basic rate taxpayers) and 20% (higher and additional rate taxpayers) to 18% and 24% respectively – i.e. in line with current rates payable on the disposal of UK residential property.

### GRAVITA TAX REACTION

Increases to CGT rates were widely expected. In all honesty, it could have been a lot worse. Some had expected the rates to be brought into line with income tax rates, potentially with the reintroduction of some form of indexation or taper relief. Limiting PPR relief had also been rumoured, as had the abolition of the CGT uplift on death. But, as it stands increasing the main rate of CGT by a few percentage points and not touching the rates on disposals of non PPR residential properties seems more palatable than it could have been!

## 02
## Business Asset Disposal Relief (BADR)

The BADR allowance of £1 million remains unchanged. However, the rate of CGT payable on qualifying disposals will increase from 10% to 14% for disposals made on or after 6th April 2025, and from 14% to 18% for disposals made on or after 6th April 2026. These rates and allowances will also apply to Investors Relief.

### GRAVITA TAX REACTION

Again, it feels like it could have been worse. And the fact that the rate is not due to change for 6 months give those who were minded to crystallise their gains time to plan over the coming months. This may encourage those coming out of the FHL regime to dispose of their properties in less than the permitted 3 years.

## 03
## Close company shareholders — anti avoidance measure

With immediate effected, changes will be made to prevent avoidance of the Section 455 (CTA 2010) charge which is levied on Loans to Participators. The new measures are designed to ensure that that the Targeted Anti-Avoidance Rule (TAAR) remains robust and effective.

The change repeals the relief for return payments made post 30th October 2024 where the TAAR has applied and moves the related legislation together for clarity. This has been done primarily to prevent arrangements from being put in place which use group companies to move loans around associated companies to avoid the charge.

# Capital Gains Tax

04

## Changes to tax rules on liquidations of Limited Liability Partnerships (LLP)

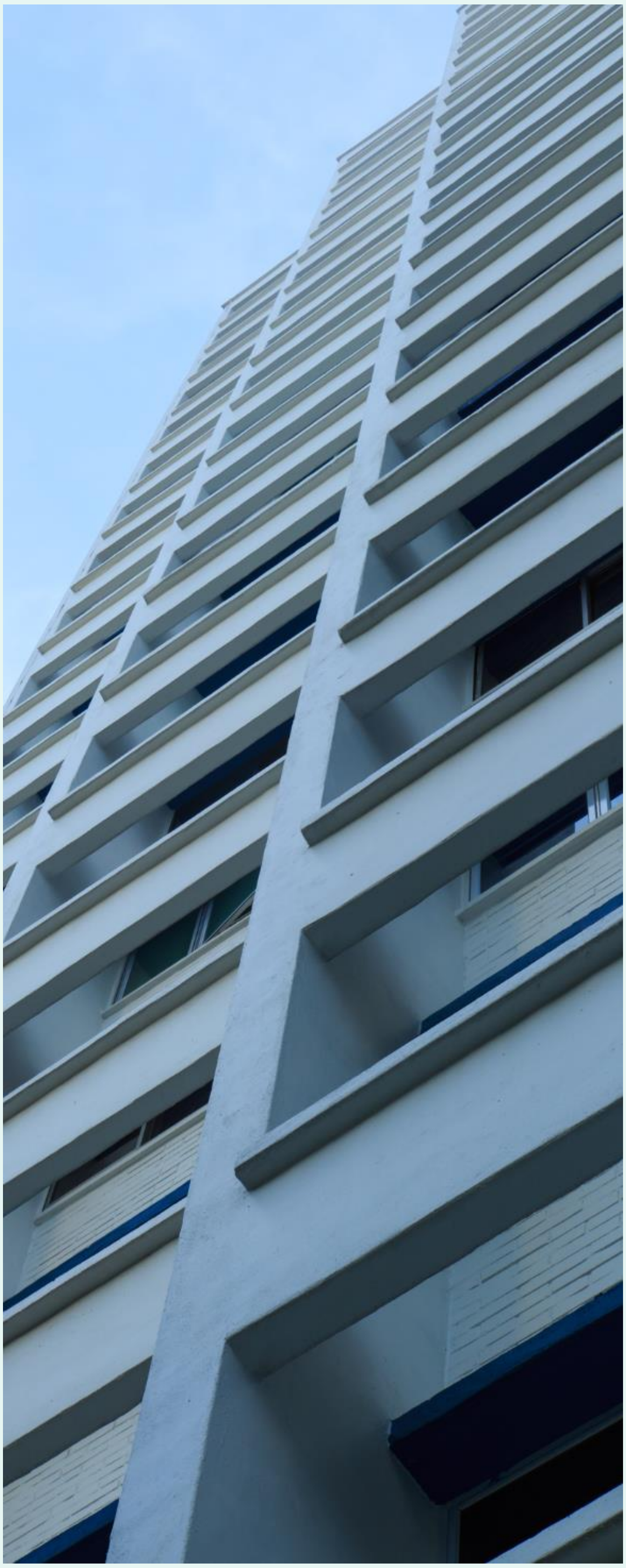
For liquidations of LLPs commencing on or after 30 October 2024, capital gains tax treatment will change. A charge to CGT will arise where the LLP is liquidated, and assets are disposed of to the contributing member, or a person connected to them.

Currently, LLPs is treated as transparent and so when assets are contributed to the LLP, there is no charge to CGT because there is no deemed change of ownership and therefore no CGT event.

The new legislation will deem that that a disposal arises when an LLP is liquidated/ The amount of chargeable gain that is to accrue to the member is to be that amount equal to the amount that would have accrued at the time they contributed the asset to the LLP.

**GRAVITA TAX REACTION**

We assume that this is some sort of anti-avoidance provision to prevent the gain during the period pre-LLP from escaping tax entirely.



# Corporate Tax

01

## Corporation Tax rates

No changes were announced with the Corporation Tax rates remaining as follows:

- Main rate – 25% (to remain for the duration of parliament)
- Small rate – 19%
- Marginal rate (26.5%) for taxable profits between £50,000 and £250,000

02

## Full expensing, Annual Investment Allowance and R&D

All three reliefs remain unchanged.

03

## Energy Profits Levy

The Energy Profits Levy (EPL) charged on the profits of oil and gas producers will be increased from 3% to 38% and will be extended by a further year to March 2030.

A consultation will be published in early 2025 on how the government will respond to price shocks once EPL ends.

### GRAVITA TAX REACTION

With other taxes having been raised in the Budget, it is arguably good news that Corporation Tax rates have not increased. Of course, the increase in Employers' National Insurance will be tax deductible for Corporation Tax which softens the blow a little for profitable businesses.

It will be interesting to see whether the increase in the cost of employing people, along with the preservation of Full Expensing, the Annual Investment Allowance and the existing R&D regime will lead to seek tech and AI solutions to their problems rather than hiring people.

04

## Relief for certain payments made by oil and gas companies into decommissioning funds

Assets transferred for use in carbon capture usage storage activities will maintain the tax treatment as if these assets had instead been decommissioned.

# Corporate Tax

05

## Alternative finance

The tax consequences of using alternative and conventional financing were brought into line from 30th October 2024.

06

## Capital Allowances – 100% First Year Allowances for zero emission cars and EV charge points

This 100% allowance has been extended for a further year to 31st March 2026 for Corporation Tax and 5th April 2026 for Income Tax.

07

## Multinational Top-up Tax: Undertaxed Profits Rule (UTPR)

The UK is to adopt the final OECD Pillar 2 international agreement rule to prevent profit shifting and aggressive tax planning by multinationals, to take effect for accounting periods beginning on or after 31st December 2024.

### GRAVITA TAX REACTION

Pillar 2 seeks to ensure large multinational enterprises (broadly groups whose revenue exceeds €750 million in at least two out of the previous four accounting periods) pay a minimum level of tax on profits from each country they operate in (currently 15%).

The legislation in this area is highly complex and if you are affected you should seek advice.

# Corporate Tax

## 08

## Multinational Top-up Tax (MTT) and Domestic Top-up Tax (DTT) - Transitional Country by Country Reporting Safe Harbour Anti-Arbitrage Rule – amendments

Legislative amendments will be introduced to prevent avoidance arrangements benefitting from the transitional Country by Country Reporting (CbCR) safe harbours, which exempt a group's operations in lower risk countries from the full Pillar 2 calculations.

## 09

## Offshore Receipts in Respect of Intangible Property repealed

The government is confirming that the Offshore Receipts in Respect of Intangible Property (ORIP) rules will be abolished in respect of income arising from 31st December 2024 onwards, based on its view that the Pillar 2 Undertaxed Profits Rule will better discourage the multinational tax-planning arrangements that ORIP sought to counter.

# Corporate Tax

## 10
## Audio-Visual Expenditure Credit

For UK visual effects costs (VFX) incurred after 31st December 2024, the main credit will be increased for certain qualifying expenditure from the current 34% rate to 39%. UK VFX costs will be exempt from the AVEC's 80% cap on qualifying expenditure.

## 11
## UK Reporting for the Cryptoasset Reporting Framework (CARF) and amendments to the Common Reporting Standard (CRS)

The CARF and amendments to CRS will be implemented in the UK from 1 January 2026.

## 12
## Company Car Tax rates 2028-29 and 2029-30

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 – 50g of $CO^2$ 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% per year in 2028-29 and 2029-30.

The maximum AP will also increase by 1% per year to 38% for 2028-2029 and 39% for 2029-2030. This means for vehicle bands with emissions of 51g of $CO^2$ per kilometre and over, APs will increase to 19% – 38% in 2028-29 and 20% – 39% in 2029-30.

### GRAVITA TAX REACTION

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 incentivise the take-up of electric vehicles (EV). Rates for hybrid vehicles will be increased to align more closely with rates for internal combustion engine (ICE) vehicles.

There is one group that will be happy(ish) with this: the car manufactures who are now subject to fines when EVs make up less than 22% of the cars they sell – a percentage that is increasing annually toward the Government pledge of solely EV sales in 2035. Clearly the tax benefit will encourage EV sales over ICE and hybrid.

However, the average cost of an EV is significantly higher than that of an ICE or hybrid car. So purely from a cash perspective, you almost need this relief to make the EV a practical alternative.

Whilst we do not want to debate the pros and cons of EVs, it should perhaps be concerning to those in favour of EV transition that such a relief is needed when you would hope that the cost would be outweighed by the benefits.

# Corporate Tax

13

## Technical changes relating to Advance Pricing Agreements (APAs) for certain financing arrangements

The government will introduce technical amendments in Finance Bill 2024-25 to provide certainty that APAs are available for financing arrangements covered by the Transfer Pricing rules in line with HMRC's existing Statement of Practice 1 (2012).

14

## Reserved Investor Fund (RIF) and related provisions

The government is proceeding with the introduction of the Reserved Investor Fund (Contractual Scheme), a new type of UK-based investment fund. Related provisions will also make minor changes to the tax rules in respect of Co-ownership Authorised Contractual Schemes (CoACS). Secondary legislation will be brought forward before the end of the tax year 2024-25.

15

## Annual Tax on Enveloped Dwellings (ATED)

The annual chargeable amounts for ATED will rise from 1st April 2025.

GRAVITA TAX REACTION

The gift that keeps giving to the Government!

# Corporate Tax

## 16
## Freeports and Investment Zones

The government is confirming funding for Investment Zones and Freeports across the UK.

## 17
## Tax treatment of double cab pick-up vehicles

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 1st April 2025 for Corporation Tax, and 6th 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 6th April 2025. They will be able to use the previous treatment, until the earlier of disposal, lease expiry, or 5th April 2029.

GRAVITA TAX REACTION

This is one of these arguments that has rumbled on seemingly forever. Whilst many will disagree with the outcome, at least we now have certainty.

## 18
## Capital allowances: Tax treatment of predevelopment costs

A consultation will be launched in early 2025 that explores the tax treatment of predevelopment costs.

## 19
## Land Remediation Relief (LRR)

The government will launch a consultation in Spring 2025 to review the effectiveness of LRR to consider whether the relief is still meeting its objectives and is good value for money.

# Corporate Tax

## 20
## Transfer Pricing – UK reforms

The government will consult (Spring 2025) on a number of UK Transfer Pricing reforms including:

1. Considering lowering the thresholds for exemption from Transfer Pricing for medium-sized businesses while retaining an exemption for small businesses

2. Introducing a requirement for multinationals in scope of Transfer Pricing rules to report information to HMRC on certain cross-border related party transactions, to ensure a targeted HMRC approach

3. Reviewing the transfer pricing treatment of cost contribution arrangements, where costs and benefits of developing intellectual property are shared, to encourage UK investment with tax certainty

### GRAVITA TAX REACTION

The lowering of thresholds (group employee numbers, turnover and gross assets) for medium-sized businesses will bring many more international groups with UK entities into UK Transfer Pricing requirements, including formal Transfer Pricing documentation. The exemption will continue to apply to small businesses (group employees below 50 and a turnover or gross assets of less than €10 million).

This will not be welcome news for many UK businesses that are strained under increased regulation and compliance already.

However, the proposal to removal transfer pricing requirements on UK to UK connected party transactions is welcomed, having been brought in originally in response to pressure from the EU where the UK was charged with being discriminatory.

# Corporate Tax

## 21
## Corporate Tax Roadmap

The roadmap commits to:

- Retain corporation tax rates
- Maintaining:
    - Permanent full expensing and the £1m Annual Investment Allowance, writing down allowances and the Structures and Buildings Allowance
    - Merged R&D Expenditure Credit Scheme and the Enhanced Support for R&D Intensive SMEs
    - The Patent Box
    - The Intangible Fixed Assets Regime
    - An Audio-Visual Expenditure Credit and a Video Game Expenditure Credit
- Consulting on international corpoarte tax issues, including:
    - Transfer Pricing
    - Permanent establishments
    - Diverted Profits Tax
- Supporting international agreement to Pillar 1 and 2

GRAVITA TAX REACTION

The Government is keen for the UK to remain an attractive destination for international headquarters and holding companies.

# VAT

## 01
## Thresholds

There is no change in the £90,000 registration or £88,000 deregistration thresholds.

## 02
## Rates

These remain at 20% (Standard), 5% (Reduced) and 0% (Zero). These remain at 20% (Standard), 5% (Reduced) and 0% (Zero).

## 03
## Private schools

As previously announced, the government will remove the VAT exemption on private school fees.

From 1st January 2025, all education services and vocational training provided by a private school or connected person in the UK for a charge will be subject to VAT at the standard rate of 20%. Pre-payments of fees or boarding services on or after 29th July 2024 that relate to terms starting after 1st January 2025 will also be subject to VAT at the standard rate. The changes will take effect from 30th October 2024.

### GRAVITA TAX REACTION

Schools which seek to recover the increase in whole or in part from parents of their students and those which try to absorb the cost themselves are at risk of going out of business. This will put additional burdens on already over-stretched state schools.

It was hoped that the Government would listen to the plea from the sector that if they were not going to scrap the tax charge – and we understand that there are a number of challenges being made to the implementation of the scheme – but that its implementation would be deferred until September 2025 i.e. the beginning of new school year.  They have listened to neither.

# Indirect Tax

01

## Air Passenger Duty

The reduced rates for economy passengers will increase in 2025-26 in line with Retail Price Index (RPI). This means that domestic and international short-haul economy rates will remain unchanged from 2024-25. The standard and higher rates will be further increased to help account for recent high inflation.

All rates will increase by 13% from 1st April 2026 to help maintain the value of APD rates in real terms. The higher rates that apply to larger private jets will increase by a further 50%.

02

## Tobacco Duty and Vaping Product Duty (VPD)

From 6pm on 30th October 2024 duty rates for all tobacco products will increase by the tobacco duty escalator of RPI plus 2% and the rate for hand-rolling tobacco by an additional 10% above the escalator, to 12% above RPI.

VPD will apply from 1st October 2026 at a rate of £2.20 per 10ml of vaping liquid. Alongside its introduction there will be an equivalent increase in tobacco duties. The government will make a one-off tobacco duty increase of £2.20 per 100 cigarettes or 50 grams of tobacco, effective from 1st October 2026.

03

## Alcohol duty

Rates on draught products below 8.5% alcohol by volume (ABV) i.e. beers will decrease by 1.7% which will apparently reduce the price of a pint by 1p.

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 products will increase in line with RPI i. The simplified rates in the Traveller Allowances Order 1994 have been amended in line with the alcohol duty rates increases. These measures will take effect from 1st February 2025. The current temporary wine easement will also end as planned on 1st February 2025.

The Conservative government announced in the Spring Budget 2024 that it was going to end the Alcohol Duty Stamps Scheme. This mandates the tax stamping of larger retail bottles of high strength alcohol, typically spirits. The Scheme will end on 1st May 2025.

GRAVITA TAX REACTION

Beer drinkers will perhaps raise a glass briefly to celebrate a rare tax reduction.

# Indirect Tax

04
## Soft Drinks Industry Levy (SDIL)

The SDIL or "sugar tax" started in April 2018 with a standard rate of 18p per litre (for drinks with a sugar content of 5g or more but less than 8g per 100 ml) and a higher rate of 24p per litre (for a sugar content of 8g or more per 100 ml). It has never changed, and the Chancellor announced that it will rise over the next 5 years by 27% to reflect the increase in the Consumer Price Index (CPI) between 2018 and 2024. It will also increase in line with the CPI each year from 1st April 2025. The rate will be adjusted to apply per 10 litres of soft drink and will be £1.94 per 10 litres (standard) and £2.59 (higher).

05
## Plastic Packaging Tax

On 1st April 2025 the rate will rise by CPI from £217.85 per tonne to £223.69 per tonne.

GRAVITA TAX REACTION

The Government had previously floated the idea of scrapping this tax, which seemed like an odd thing to do. They have perhaps agreed and so are keeping it.

06
## Landfill Tax

**Rates**

As announced at the Spring Budget 2024, the Government will legislate in a future finance bill to increase the standard and lower rates of Landfill Tax in line with RPI, adjusted to take account for high inflation in the period 2022 to 2024 and rounded up to the nearest 5 pence. The change will take effect on and after 1st April 2025.

**Landfill Communities Fund**

The government will set the value of the Landfill Communities Fund for tax year 2025-26 at £23.6 million, with the cap on credits claimed by landfill operators in respect of contributions remaining at 5.3% of their Landfill Tax liability.

07
## Climate Change Levy (CCL)

The government will raise the main rates of CCL on electricity, gas, and solid fuels in line with the Retail Price Index (RPI) from 1st April 2026.

The main rate of liquefied petroleum gas (LPG) will continue to be frozen.

The reduced rates of CCL will remain at an unchanged fixed percentage of the main rates, therefore the liability for those eligible for the reduced rates will increase proportionately.

The government will freeze the Carbon Price Support rates of Climate Change Levy and Fuel Duty to maintain the rates at a level equivalent to £18 per tonne of carbon dioxide in Great Britain in tax year 2026/27. .

# Indirect Tax

## 08
## UK Carbon Border Adjustment Mechanism (CBAM)

As announced in December 2023 and following 2 policy consultations, the government will introduce this new environmental tax from 1st January 2027.

The CBAM will place a carbon price on goods at risk of carbon leakage imported to the UK from the aluminium, cement, fertiliser, hydrogen, iron and steel sectors.

The government will introduce legislation in Finance Bill 2024-25 to allow HMRC to prepare for the introduction of the CBAM. The legislation will also enable the UK Emissions Trading Scheme Authority to supply relevant data to HM Treasury and HMRC, to support the development of the CBAM.

The legislation will take effect from the date of Royal Assent to Finance Bill 2024-25.

### GRAVITA TAX REACTION

For those that are affected by this they will need to get on top of the compliance requirements and commercial changes pretty quickly to make sure that they are ready for the charge.

## 09
## Vehicle Excise Duty (VED)

Rates for cars, vans and motorcycles, excluding first year rates for cars, will increase in line with RPI for the tax year 2025-26.

The government will change the first year rates for new cars registered on or after 1st April 2025. These are as follows:

- zero emission cars will pay the lowest first year rate at £10 until 2029/30
- rates for cars emitting 1g/km to 50g/km of $CO_2$, including hybrid vehicles, will increase to £110
- rates for cars emitting 51g/km to 75g/km of $CO_2$, including hybrid vehicles, will increase to £130
- all other rates for cars emitting 76g/km of $CO_2$ and above will double from their current level.

The government will make technical amendments, so that the legislation for the application of VED to zero emission vehicles operates as intended. These include amendments to:

- Clarify the current VED exemption for electric vehicles
- Allow for the interpretation of a blank or no data field for $CO_2$ emissions on the Certificate of Conformity to equate to 0g/km for the licensing purposes of zero emission vehicles
- Ensure zero emission Light Goods Vehicles registered between 1st January 2007 and 31st December 2008 pay VED in alignment with their internal combustion engine counterparts from 1st April 2025, in line with the original policy intent

# Indirect Tax

The government will introduce legislation in Finance Bill 2024-25 to uprate Vehicle Excise Duty (VED) for Heavy Goods Vehicles (HGVs) in line with the Retail Price Index (RPI) for tax year 2025 to 2026.

The government will also uprate the HGV levy in line with the Retail Price Index (RPI) for tax year 2025/26.

All of the above-mentioned VED changes will take effect from 1 April 2025.

## 10
## Fuel Duty

The government is extending the 5 pence cut in the rates of Fuel Duty first introduced at Spring Statement 2022. It will now expire on 22 March 2026. This will maintain the cut for a further 12 months in the rates for heavy oil (diesel and kerosene), unleaded petrol, and light oil by 5 pence per litre, and the proportionate percentage cut (equivalent to 5 pence per litre from the main Fuel Duty rate of 57.95p per litre) in other lower rates and the rates for rebated fuels, where practical.

**GRAVITA TAX REACTION**

This will be welcome news for the millions of drivers in the UK who need their car or van to get to work and go about their business.

## 11
## Gaming Duty

The gross gaming yield bandings used to determine the rate of gaming duty will be frozen from 1 April 2025.

## 10
## Gambling Duty

In 2025 the government will publish a consultation on proposals to bring remote gambling (meaning gambling offered over the internet, telephone, TV and radio) into a single tax, rather than taxing it through a 3-tax structure as at present.

**GRAVITA TAX REACTION**

Simplification is almost always a good thing in tax and so we hope this goes forward.

Please gamble responsibly!

# Stamp Duty Land Tax (SDLT)

## 01
## Rates

The additional rate for residential properties where the purchaser or one of joint purchasers holds another property rises from 3% to 5% from 31st October 2024.

The 2% surcharge for non-resident purchasers remains unchanged.

The standard 0% band for residential properties applies on the first £250,000 until 31st March 2025. From 1st April 2025 the rate is 0% up to £125,000 and 2% between £125,001 and £250,000.

First-time buyers purchasing residential properties worth £625,000 or less currently benefit from a 0% band up to £425,000 and 5% on the balance. From 1st April 2025 the threshold for the 0% rate reduces to £300,000 and the upper limit to £500,000. The standard rates apply to properties bought for more than £500,000.

A rate of 15% is currently applied to corporate transactions involving dwellings which are not eligible for reliefs (principally for properties let to unconnected third parties) with a 2% surcharge for non-resident companies. This rate increases to 17% from 31st October 2024.

The rates for commercial or mixed commercial and residential properties (such as a commercial ground floor with a flat above) remain unchanged.

Companies will be able to raise £250,000 (previously £150,000) from 1 April 2023 under SEIS. Furthermore, the gross asset limit will be increased to £350,000 and the age limit on a qualifying trade from 2 to 3 years.

### GRAVITA TAX REACTION

SDLT is straightforward for the Government to collect as the solicitor tends to calculate it and arrange for its payment to HMRC. This makes it an easy target for the Chancellor to increase. The housing market is likely to be depressed by the increased costs and people buying a new principal private residence before selling their previous residence will have a major cash flow disadvantage as they will have to pay the 5% surcharge and may have to wait before it is refunded when they eventually sell the old home.

Acquisitional landlords will be hit hardest by these changes adding to the already burdensome tax environment that they suffer under.

# Inheritance Tax

## 01
## Inheritance Tax nil-rate band and residence nil-rate band

The Inheritance Tax nil-rate bands had previously been frozen until 5th April 2028 and this will now be extended by a further 2 years until 5th April 2030. The rates therefore remain as follows:

- Nil-rate band will continue at £325,000
- Residence nil-rate band will continue at £175,000
- 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 civil partner can continue to pass on up to £1 million without an inheritance tax liability. No changes have been made to interspousal reliefs.

GRAVITA TAX REACTION

The £325,000 NRB has not been increased for 15 years. Under the new proposals, it will be another 6 years before the figure is set to increase, potentially bringing more estates into the IHT net as property prices increase and the tax-free allowance does not keep pace.

# Inheritance Tax

## 02
## Inheritance Tax – unused pension funds and death benefits

From 6th April 2027, unused pension funds and death benefits payable from a pension will be brought into a person's estate for Inheritance Tax purposes. Currently these pass IHT (but not necessarily income tax) free. This will prevent pensions from being used as a vehicle for the accumulation of capital sums for the purposes of inheritance.

As part of these changes, pension scheme administrators will become liable for reporting and paying any inheritance tax due on unused pension funds and death benefits.

GRAVITA TAX REACTION

This will be a huge disappointment to the many people who have indeed use pensions as a wealth protection vehicle in their financial and tax plans.

In practical terms, pensions will all attract IHT at 40% on death. This on its own is bad, but what is worse is that if the person who dies was over 75, the beneficiary will also pay an income tax charge of 45% on the remainder. This triggers an effective tax rate of 67%. Put another way, if you are left £2 million as a pension, and assuming all reliefs have been used up, the total tax liability would be a massive £1340000 leaving just £660,000 for the beneficiary.

The argument put forward by the Government is that the contributions attracted income tax relief, the pension grew in a tax-free wrapper and the now deceased beneficiary would have have had to have paid income tax to take the money out anyway. However, whilst that is perhaps a good riposte, it is a massive tax hike.

It is perhaps worth adding that the over 75 rule has never made sense to many and so perhaps that will get revised. But maybe we should not get our hopes up as given the content of the Budget, they would probably bring in under 75's to the income tax charge as well!

This is also going to place a heavy administrative burden on scheme administrators, the cost of which will no doubt be passed to all of us as their fees increase accordingly.

## 03
## Agricultural Property Relief and environmental land management

The existing scope of Agricultural Property Relief will be increased from 6th 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. This means land taken out of agricultural production permanently or for an extended period for this reason does not lose relief. The aim is to prevent the potential loss of Agricultural Property Relief being a barrier to the involvement of agricultural landowners and farmers in land use change under an environmental agreement.

# Inheritance Tax

## 04
## Agricultural Property Relief (APR) and Business Property Relief (BPR)

From 6th April 2026 there will be significant changes to both APR and BPR where the 100% relief will be capped at the first £1 million (combined). The rate of relief will be 50% thereafter.

The 50% rate of relief will apply in all circumstances for shares designated as 'not listed' on the markets of recognised stock exchanges, such as AIM, i.e. the first £1 million will not apply to these investments.

The government will publish a technical consultation by early 2025.

## 05
## 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 .

### GRAVITA TAX REACTION

Bravo. This has been a long time coming.

### GRAVITA TAX REACTION

Clearly this is not great news for those who have banked on being able to pass on the family business or farm onto the next generation without an IHT bill. Equally, disappointing for those who have planned around AIM and similar investments.

At present, we do not have the technical details about how this is going to be rolled out and administered. We would hope that, as with some other assets, there will be arrangements so that the tax is not all payable immediately because that would be catastrophic. We would hope that the government appreciate that forcing people to sell or liquidate businesses that they inherit would not be good for the economy.

We would expect this to apply in relation to IHT on death and within trusts. For those who have historically used trusts to protect BPR/APR qualifying assets, the spectre of having to pay tax on these each 10 year anniversary now looms large. However, that may still be more palatable as we would expect the 50% relief to translate to a 3% tax rate inside a trust. In which case, those holding assets personally which currently qualify for either relief may want to consider Trusts as an option ahead of the changes – we do at least have 18 months to think about this measure and weigh up the pros and cons.

There is a further practical nasty which is that up and until now, whilst you were required to value teh asset you were claiming the relief on, it wasn't contested that regularly where full relief was due. Now that full relief will no longer be due above the threshold, there will be far greater emphasis on valuations of businesses. This is probably good news for Accountants (yay for us) and bad news for everyone else.

# Tax Administration

01

## Late payment interest

From 6th April 2025 the government will increase the late payment interest rate which HMRC charge on unpaid tax liabilities by 1.5 percentage points.

02

## 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, including:

- new powers focussed on those who own or control promoter organisations
- new options to tackle legal professionals behind avoidance schemes

### GRAVITA TAX REACTION

We advise clients not to participate in tax avoidance schemes as in our experience they often fail.

03

## The regulatory framework in the tax advice market

The government has published a summary of responses to the consultation on strengthening this framework and is considering its options.

The government will invest £36m in modernising HMRC tax advice registration services and mandate registration of tax advisers who interact with HMRC on behalf of clients from April 2026.

The government will publish a consultation in early 2025 on options to enhance HMRC's powers and sanctions to take swifter and stronger action against tax advisers who facilitate non-compliance.

### GRAVITA TAX REACTION

We have no objection to mandatory registration of tax agents as this will hopefully lead to better services for all clients.

Needless to say we never facilitate non-compliance. On the contrary we pride ourselves on ensuring that our client meet all their obligations under the tax system.  Of course, we may take a different and very well founded view, of the law than HMRC from time to time.

# Tax Administration

## 04
## Umbrella companies

The government will make agencies responsible for accounting for PAYE on payments made to workers supplied using umbrella companies. Where there is no agency, this responsibility will fall to the end client business. This will take effect from April 2026.

Draft legislation will be published in due course.

## 06
## Third party data

The government will publish a consultation in Spring 2025 on modernising how HMRC acquire and use third-party data to make it easier for taxpayers to get tax right the first time.

### GRAVITA TAX REACTION

HMRC may have a different interpretation from us when it comes to getting tax right the first time. We will always defend client's interests in this regard.

## 07
## The Hidden economy

The government will publish a consultation to consider expanding tax conditionality to new sectors, meaning that the renewal of licences will only be given if the person applying can show they have completed a tax check with HMRC. As decisions on applications for these licences are conditional on the tax check, this is known as 'tax conditionality'.

This will build on existing tax conditionality reforms introduced into the taxi and scrap metal sectors from April 2022.

## 05
## Making Tax Digital (MTD)

MTD for Income Tax will be extended to sole traders and landlords with income over £20,000 by the end of this Parliament (in 2029). The precise timing of this will be set out at a future Budget. This expands the rollout of MTD for Income Tax, which will begin from:

- April 2026 for sole traders and landlords with income over £50,000
- April 2027 for those with income over £30,000

### GRAVITA TAX REACTION

There have been so many delays in the implementation of MTD for income tax that it is difficult to remember a time when we weren't talking about it being delayed or amended further. It was initially introduced way back in 2017 for income tax but will not now come into effect until April 2026.

The main purpose of MTD is to make sure that taxpayers maintain their records digitally so that they will be more compliant and accurate with the tax positions. This is, and has always been, a good idea.

However, HMRC have made some daft decisions along the way with our personal favourite of landlords having to have a national insurance number to register for the scheme. There are thousands of landlords that do not have national insurance numbers, principally because they do not hand have never lived in the UK and have no intention of ever doing so let alone working here. They are therefore unable to obtain one. Hopefully they have fixed this particular quirk.

Of course, if you are going to be in the first tranche of this, the best advice is to get yourself MTD ready as soon as possible. We can help you with that.

# Tax Administration

## 08
## Tackling non-compliance

The government has published 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.

It has also published a summary of responses to the call for evidence in The Tax Administration Framework Review: enquiry and assessment powers, penalties and safeguards, which was published earlier this year.

## 09
## Taxation of offshore interest

The government has published 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 31st December that ends in the tax year.

The removal of the remittance basis means more people will be impacted by these issues.

### GRAVITA TAX REACTION

We thought a new government might have grasped the nettle and changed the tax year end date to 31st December in common with many other countries.

At present we often include in clients' tax returns offshore interest for the calendar year ending in the relevant UK tax year (e.g. the amount for the year ended 31st December 2023 in the 2024 return) and make a "white space note" that this what we have done. We are therefore in favour of such a change if the government is not brave enough to change the end date of the tax year.

# Get in touch

Our team of UK-based experts are here to help with any query, regardless of how complex it may be.

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