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Budget 2024

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Personal tax (Lecture P1453 – 17.26 minutes)

Income tax rates and allowances

There is no change in the main rate of income tax for taxpayers in England, Wales and Northern Ireland, including savings rates and dividend rates. There is also no change in rate bands which are frozen until 5 April 2028. The Chancellor did indicate that they would not remain frozen beyond that date, but would begin to rise with CPI, as is the default position.

The only allowances which increase are Married Couple's Allowance for those born before 6 April 1935 which increases for 2025/26 to £11,270 (from £11,080) and Blind Person's Allowance which increases for 2025/26 to £4,360 (from £4,280).

There is no mention of dividend allowance or savings allowance but material published online shows that these remain the same.

National insurance contributions

Changes for employers are covered below.

For individuals the following changes are made:

- The lower earnings limit increases from £123 to £125 per week;
- There is no change in the primary threshold (£242 per week);
- The upper earnings limit remains at £967 per week;
- Rates remain the same;
- The small profits threshold for Class 2 purposes increases from £6,725 to £6,845 with the rate increasing to £3.50 (although this only applies to voluntary contributions);
- Class 3 rates increase from £17.45 per week to £17.75;
- No changes are made to Class 4 rates or allowances.

Changes in taxation for non-domiciled individuals

It has been confirmed that the remittance basis of taxation for individuals who are not domiciled in the UK will be abolished and replaced with a new regime from 6 April 2025. Changes are also made for IHT purposes, which are detailed below.

The basics of the new regime are as follows:

- A new arrival to the UK, who has not been UK tax resident for any of the 10 consecutive tax years prior to their arrival will not pay tax on their foreign income or gains for the first 4 years of tax residence.
- Foreign income and gains arising to settlor-interested trusts will be taxed if the individuals do not qualify within the 4-year regime.

- For CGT purposes, current and past remittance basis users will be able to rebase foreign assets held on 5 April 2017 to their value at that date when calculating any gains arising on disposal.
- Income arising on or before 5 April 2025 will continue to be taxed if remitted, if it arose whilst the individual was claiming remittance basis.
- The 50% relief for income in the first year of operation of this regime (as proposed by the previous Government) is not to be included.
- A temporary repatriation facility will be available for those who have previously claimed remittance basis. This will be available for 3 years with the tax rate being 12% in the first two years and 15% in the final year. This does not actually have to brought into the UK during this time. This will also cover unattributed foreign income and gains held within trust structures.
- Overseas workday relief (OWR) will be extended to 4 years to align with the main regime and will be simplified as there will be no need to keep overseas earnings offshore. This will be subject to a financial limit of the lower of £300,000 or 30% of their total employment income.
- There will be no income tax relief on chargeable overseas earnings which derive from a foreign employment carried out wholly abroad where OWR does not apply.
- The exemption for travel costs incurred by non-domiciled employees that are paid when they come to work in the UK and then subsequent business-related travel within the first five years will be reduced to four years.

A call to evidence has been launched into the anti-avoidance rules (the settlements provisions, the transfer of assets abroad rules and the offshore trust matching rules for gains) to see if they need to be amended in the light of the above changes.

Pensions

A couple of technical announcements were made relating to overseas pension issues.

There is an overseas transfer charge (OTC) of 25% where a pension is transferred from a UK scheme to a Qualifying Recognised Overseas Pension Scheme (QROPs), introduced in 2017 at a time when HMRC believed that this was motivated by tax avoidance. Various exclusions applied for the purposes of these provisions, including where there was a transfer to a QROPs established in Gibraltar or a country within the EEA where the member was resident in the UK or within the EEA.

This exclusion will no longer apply for transfers made on or after 30 October 2024.

Additionally with effect from 6 April 2025, Overseas Pension Schemes (OPS) and Recognised Overseas Pension Schemes (ROPS) established in the EEA will have to meet the conditions which apply to schemes established in the rest of the world so that OPS will have to be regulated by a regulator of pension schemes wherever they are established and ROPS will have to be in a country with which the UK has a double taxation agreement providing for exchange of information.

Finally, from 6 April 2026, scheme administrators of registered pension schemes will have to be UK resident.

Car benefit

Company car rates are set for 2028/29 and 2029/30.

The figures are below, with 2027/28 included for comparison purposes.

Emissions	Electric range	2027/28	2028/29	2029/30
0	n/a	5%	7%	9%
1-50	130 or more	5%	18%	19%
1-50	70 – 129	8%	18%	19%
1-50	40 – 69	11%	18%	19%
1-50	30 – 39	15%	18%	19%
1-50	Less than 30	17%	18%	19%
51 – 54		18%	19%	20%
55 – 59		19%	20%	21%
60 – 64		20%	21%	22%
And then a 1% increase for each band up to a maximum as shown below				
155 +		37%	38%	39%

The car fuel benefit multiplier for 2025/26 will be £28,200. The van benefit charge for 2025/26 will be £4,020 and the van fuel benefit charge will be £769.

Legislation is to be introduced so that certain double cab pick-ups will be treated as cars for the purposes of car benefit and capital allowances. Specific details will be available when draft legislation is published and transitional provisions will apply for those who have purchased cars before 6 April 2025 when the rules will be introduced.

Foreign interest mismatch

HMRC have launched a consultation regarding the mismatch of information relating to offshore interest which is often provided on a calendar year basis rather than the tax year basis. They are seeking opinions as to whether to tax non-UK interest arising in the year ended 31 December in the tax year and other options.

Official rate of interest

The official rate of interest is used to calculate certain tax liabilities, such as charges under the beneficial loans and accommodation benefit regimes. In 2000, the Inland Revenue committed to a policy that these figures would not change in-year. This is now being abandoned, with a review of the rate to be considered on a quarterly basis.

ISAs and other savings

The ISA, Lifetime ISA, Junior ISA and Child Trust Fund annual subscription limits remain frozen at £20,000, £4,000, £9,000 and £9,000 respectively. They will remain at this level until April 2030.

There will be no introduction of a British ISA, as had been proposed by the previous Government.

Capital taxes (Lecture P1453 – 17.26 minutes)

Capital gains tax rates

The rate of capital gains tax is increasing as follows:

- the rate of CGT for gains falling within the basic rate band will increase to 18% and falling above the basic rate band will increase to 24%. There is no change in the rate of tax on residential property. This will apply for disposals on or after 30 October 2024.
- Business asset disposal relief (BADR) will still be available on gains up to £1 million but the rate will increase to 14% for disposals made on or after 6 April 2025 and to 18% for disposal made on or after 6 April 2026.
- The rate of tax charged where investors relief (IR) is claimed will also go up in line with the BADR rates on the same dates but the lifetime limit is reduced from £10m to £1m in relation to disposals made on or after 30 October 2024.

The taxation of carried interest, which is subject to CGT in many situations, is to be reformed. The rate of CGT on such amounts will increase to a single rate of 32% from 6 April 2025. With effect from 6 April 2026, the intention is to start subjecting these amounts to income tax with a 72.5% multiplier where it is qualifying carried interest.

Liquidations of Limited Liability Partnerships (LLPs)

A new anti-avoidance provision is introduced which will apply where an LLP is liquidated from 30 October 2024. This is targeted at specific schemes which HMRC have seen, mainly in relation to incorporation of property businesses.

An LLP is transparent, such that the assets are treated as held by the partners. As such, no chargeable gain will accrue when a member contributes an asset to the LLP, as there is deemed to be no change in ownership and so no disposal. This new provision introduces a tax charge where the LLP is liquidated and the assets which have been contributed are disposed of to the member, or to a company or other person connected with the member. The gain which will arise is the amount which would have arisen at the time the asset was originally contributed to the LLP.

Any gains which arise on the actual disposal of the asset on liquidation will arise as normal, although many schemes rely on this happening soon after the assets have been contributed so that no gain arises at that point.

IHT nil rate bands

The IHT nil rate band is currently frozen until 5 April 2028 at £325,000 with the residential nil rate band being £175,000. The level at which the residential nil rate band commences to waste away is set at £2m. Legislation will be introduced to maintain this freeze in rate bands until 5 April 2030.

Changes for non-domiciled individuals

The current regime, whereby non-domiciled (or not deemed domiciled) individuals are not subject to UK IHT on non-UK assets, will be replaced by a residence-based system. Residence will be determined using the statutory residency test.

An individual will become liable to IHT on non-UK assets when they have been resident for at least 10 out of the last 20 tax years. These persons are referred to as 'long term residents'.

Those who leave the UK will remain in scope for between 3 and 10 years after leaving the UK. The exact period will depend on how long they were resident in the UK. If you were resident between 10 and 13 years, the assets will remain within scope for 3 years. This then increases by one tax year for each additional year of residence.

An individual will not be treated as long term resident in the year following 10 consecutive years of non-residence, even if they return to the UK, as the test is effectively reset.

An individual who is not resident in 2025/26 will be long-term resident if they satisfy the existing deemed domicile rule.

The rules for overseas trusts are also amended. IHT will be charged on non-UK assets in settlements based on whether the settlor is a long-term resident at the time of the charge or at the time of death if it was created on death. There are complex associated provisions.

Agricultural property relief and business property relief

It has been announced that agricultural property relief (APR) and business property relief (BPR) will be reformed to take effect from 6 April 2026. The 100% relief which is currently available on all qualifying assets without any limit on value will be available only on the first £1m of assets (in total), with a rate of 50% for assets above this limit.

It will apply to transfers on death and in the seven years before death and will not be transferrable to the spouse.

There will be a consultation as to how the rules will apply to exit and ten-year charges for trusts. However, trusts set up by the same settlor before 30 October 2024 will each have a £1m allowance and trusts set up by the same settlor after this date will share the £1m allowance between them.

BPR on shares which are quoted on a recognised stock exchange but treated as unquoted (such as AIM) will be 50% from this date and will not be able to benefit from 100% relief.

For both of these measures, anti-forestalling provisions mean that the new rules will apply for lifetime transfers on or after 30 October 2024 if the donor dies on or after 6 April 2026. This will limit planning before the new rules are introduced.

Agricultural property relief: environmental land management

From 6 April 2025, APR will be extended to cover land managed under an environmental agreement with the UK government, devolved governments, public bodies, local authorities or other approved bodies.

Pension funds

The Government has announced that from 6 April 2027, unused pension funds and death benefits payable from a pension will fall within the estate of the pension holder for IHT purposes. Pension scheme administrators will become liable for reporting and paying any IHT due.

No further details are available and these provisions will not be included in the Finance Bill.

Digitisation of IHT

The IHT service will be digitised in 2027/28 which should herald a new compliance regime for this tax.

Stamp Duty Land Tax (Lecture B1462 – 17.07 minutes)

The SDLT surcharge which is payable by individual purchasers of additional dwellings and by companies will increase from 3% to 5% for transactions with an effective date on or after 31 October 2024 unless the contract was entered into before 31 October 2024 (although some exceptions will apply if the contract is varied).

The ATED-linked higher rate for companies and other non-natural persons acquiring residential property worth more than £500,000 where no relief is available will increase from 15% to 17%.

It is also important to remember that with effect from 1 April 2025, the nil rate band for residential property will revert back to £125,000 and the first-time buyer nil rate band reduces to £300,000 with a maximum purchase price of £500,000.

Stamp Duty and Stamp Duty Reserve Tax (Lecture B1462 – 17.07 minutes)

A new trading platform is being established which will allow private companies to have their shares traded for a short period, allowing those companies to scale and grow without having to incur the costs of launching a full listing. This will be called PISCES.

The Government have announced that there will be an exemption from Stamp Duty and Stamp Duty Reserve Tax for transfers on this platform and also transfers to end purchasers which result from trading on the platform. It will not apply to any transactions outside of the period when the trading is occurring on PISCES.

This will apply from Royal Assent of the Finance Bill, although the platform has yet to be established.

Business taxes (Lecture B1452 – 17.07 minutes)

Employers' National Insurance Contributions

The secondary threshold is reduced from £9,100 to £5,000 for the 2025/26 tax year with the rate of contributions increasing to 15% (from 13.8%). The reduced rate of the secondary threshold will remain until 5 April 2028. Class 1A and Class 1B contributions will also rise to 15%.

There is an extension of the relief from employers' NICs for employers hiring qualifying veterans so that it will apply for a further year to 5 April 2026. No employers' NIC is paid up to £50,270 for the first year of a veteran's employment in a civilian role.

Employment Allowance will increase from £5,000 to £10,500 per annum and there is a removal of the restriction in claiming this for employers who have a liability of more than £100,000 in the previous year. This will take effect from 6 April 2025.

Corporation tax

There is no increase in the main rate or small companies rate of corporation tax, so these remain at 25% and 19% respectively. The marginal rate fraction remains the same.

Furnished holiday letting income

It is confirmed that the furnished holiday letting regime will be abolished after 5 April 2025. There are no fundamental changes to the draft legislation which was published in the summer.

Alternative financing arrangements

Current tax legislation contains provisions which mitigate the impact of alternative financing arrangements where there are adverse tax consequences which do not arise under conventional financing arrangements. Minor amendments are being made to this legislation to ensure that where capital is raised using an asset that is already owned using alternative financing arrangements that no tax charge will arise.

There is also a change to ensure that no charge arises under ATED where there is alternative financing in place.

Employee Ownership Trusts and Employee Benefit Trusts

Employee Ownership Trusts are established as a specific type of Employee Benefit Trust to enable a controlling shareholding in a company to be transferred for the benefit of the employees. These have a variety of tax advantages. Some changes are to be made:

- A disposal to an EOT is exempt from CGT for the vendor but the conditions are to be changed so that the conditions will be changed so that the former owners cannot retain control of the company post-sale by having control of the EOT.

- The trustees of the EOT will have to be UK resident.
- Reasonable steps must be made to ensure that the price paid by the trustees for the shares does not exceed market value.
- Additional information will have to be provided to HMRC when relief is claimed and there will be an extension in the period of time over which relief can be withdrawn if conditions are breached.
- Adjustments are to be made to exclude directors from bonus awards.
- Clarification of the tax treatment of distributions to repay former owners.

In relation to Employee Benefit Trusts, three changes are made to the conditions that need to be met for a transfer into an EBT to be exempt from IHT:

1. Restrictions on connected persons benefitting from the EBT must apply for the lifetime of the trust.
2. Shares must have been held for 2 years prior to settlement into the EBT with extension where share reorganisation has occurred.
3. No more than 25% of employees who can receive income payments should be connected to participator.

Loan charge

An independent review is to be commissioned into the Loan Charge to try to find a resolution to the problems caused by this tax charge.

Close company shareholders – anti-avoidance provision

HMRC are concerned about the avoidance of a charge under s455 CTA 2010 (the loans to participators provisions) and have introduced a Targeted Anti-Avoidance Rule (TAAR) aimed at tackling tax avoidance in this area. The main arrangements seen by HMRC involve the use of group or associated companies to move loans around to avoid a loan being outstanding 9 months after the end of the accounting period of one company but where the debt has not genuinely been repaid.

The draft legislation effectively amends previous rules such that transactions with the relevant company or an associate of that company are considered, rather than just the relevant company.

This will apply from 30 October 2024.

Capital allowances

First year allowances for zero-emission cars and electric vehicle charging points is extended until 31 March 2026 for companies and 5 April 2026 for unincorporated businesses.

The Government have still not made a decision about full expensing for capital assets being extended to assets bought for leasing or hiring.

HMRC are committed to clarify guidance on areas of uncertainty as to what qualifies for capital allowances.

Pillar 2 measures

It is confirmed that the Government will legislate to introduce an Undertaxed Profits Rule, which is the final part of the Pillar 2 measures which include the Multinational Top-Up Tax and the Domestic Top-Up Tax. The new tax will apply for accounting periods beginning on or after 31 December 2024. This will capture undertaxed profits which are not already caught by other provisions, such as where a UK group company does not have ownership interests.

Technical amendments are made to the other two taxes.

Energy Profits Levy

The EPL will rise by 3% to 38% from 1 November 2024, the investment allowance will be abolished and the rate of decarbonisation allowance will be set at 66%.

Offshore Receipts in Respect of Intangible Property (ORIP)

This is an anti-avoidance measure which was introduced to target income arising offshore in respect of exploitation of intellectual property usage in the UK. This is to be repealed and will not apply for income arising from 31 December 2024. It is effectively being replaced by the Undertaxed Profits Regime highlighted above.

Tax credits for creative industries

Legislation will be introduced to allow film and high-end television companies to claimed Audio-Visual Expenditure Credits (AVECs) at a rate of 39% (rather than the normal 34%) on UK visual effects costs, which will also be excluded from the normal 80% cap on qualifying expenditure. It will only be available where the production has received a final certificate from the British Film Institute with companies having to claim at the lower rate until this has been received.

This measure will take effect from 1 April 2025 for expenditure incurred on or after 1 January 2025. Further regulations will be published in due course.

Other minor changes are also being made in relation to certain conditions for the AVEC and its equivalent Video Games Expenditure Credit regime. The changes relate to the British certification condition, treatment of unpaid amounts and regulation-making procedures and represent clarification of the rules rather than policy changes.

Research and Development Expenditure Credit

Although most companies will now be claiming relief for R&D costs under the RDEC regime, where an SME falls within the definition of an R&D intensive company it can claim enhanced support. Relief is available where qualifying R&D expenditure represented 40% or more of total expenditure. When the legislation was introduced, the intensity calculation did not take account of expenditure which was entitled to RDEC and so an amendment is introduced in the legislation to change this, as was the original intention.

This will apply retrospectively from 1 April 2023.

HMRC are also to establish an R&D expert advisory panel to improve staff awareness and to improve guidance to companies. There will also be a specific R&D disclosure facility by the end of 2024 for companies who realise they have made erroneous claims. Finally, there is to be a consultation next year on widening the use of advance clearances in R&D claims.

Transfer pricing

Legislation is introduced to ensure that Advance Pricing Agreements can be entered into relating to financing arrangements where those arrangements are only potentially caught by transfer pricing legislation due to persons acting together in relation to the financing. There is a technical omission within the legislation meaning that, currently, APAs cannot be sought in these cases.

Umbrella companies

Legislation will be introduced in due course to make agencies responsible for PAYE arising on payments made to workers that are supplied via umbrella companies. If no agency is involved, the end client will assume the responsibility for that tax. This will apply from April 2026 and no further details are available currently.

VAT and other indirect taxes (Lecture B1452 – 17.07 minutes)

VAT on private schools

The Government are removing the VAT exemption on private school fees. This will apply from 1 January 2025 for all education services and vocational training provided by a private school or connected person in the UK at a rate of 20%. Pre-payments made on or after 29 July 2024 may be caught by anti-forestalling rules.

Carbon Border Adjustment Mechanism

A UK Carbon Border Adjustment Mechanism will be introduced on 1 January 2027 to place 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. Registration threshold will be set at £50,000.

Air Passenger Duty

Air Passenger Duty rates for 2025/26 have already been set but for 2026/27, all rates will be increased by 13% other than rates which apply to larger private jets which are increased by a further 50%.

Tobacco duty rates

Duty rates for all tobacco products will rise by 2% above inflation other than for hand-rolling tobacco which rise by 12% above RPI. This takes effect from 6pm on 30 October 2024.

Vaping Products Duty will b introduced from 1 October 2026 and it was announced that the rate will be £2.20 per 10ml of vaping liquid. A one-off increase in tobacco duty in the same amount (per 100 cigarettes or 50g of tobacco) will come in at the same time.

Alcohol duty

Alcohol duty rates will increase in line with RPI with effect from 1 February 2025. However, there will be a cut in alcohol duty rates on draught produces below 8.5% ABV of around 1p per pint.

Soft Drinks Industry Levy

The higher and lower rates of the levy will increase over the next 5 years with a total increase of 27% spread over that time starting from April 2025.

Vehicle Excise Duty

New rates for Vehicle Excise Duty are announced including low first year rates for new cars.

Fuel duty

The 5p cut in fuel duty is maintained until 22 March 2026 and fuel duty continues to be frozen at its current levels.

Other duties

Plastic Packaging Tax, Landfill Tax, Aggregates Levy and Climate Change Levy will all increase in line with RPI.

Other relevant measures **(Lecture B1462 – 17.07 minutes)**

Interest rates on unpaid tax

The late payment interest on unpaid tax liabilities will increased by 1.5% with effect from 6 April 2025.

Cryptoasset reporting framework (CARF)

The CARF will be implemented from 1 January 2026 and further regulations will be published in due course. This will mean that HMRC will receive more information regarding UK resident taxpayers who are holding or dealing in cryptoassets.

Payrolling of benefits

It is confirmed that it will be mandatory to payroll benefits from April 2026, with the exception of beneficial loans and accommodation benefit. A technical note has been published which clarifies the position.

Car ownership schemes

Legislation will be introduced in a future Finance Bill (but to take effect from 6 April 2026) to close (unspecified) loopholes in employee car ownership schemes to prevent them being used to circumvent company car benefit in kind rules. It is thought that this will cover schemes where an employer or third party sells a car to an employee via a loan (with no repayment terms and negligible interest) and then buys it back after a short period thus avoiding car benefit.

High Income Child Benefit charge

The Government is not going to proceed with a change to the HICBC so that it would be based on household income, rather than the income of the highest earner.

ATED rates

The following ATED rates will apply for 2025/26:

Value of property	2024/25	2025/26
£500,001 to £1m	£4,400	£4,450
£1,000,001 to £2m	£9,000	£9,150
£2,000,001 to £5m	£30,550	£31,050
£5,000,001 to £10m	£71,500	£72,700
£10,000,001 to £20m	£143,550	£145,950
Over £20m	£287,500	£292,350

Tax adviser registration

HMRC are to mandate registration of tax advisers who interact with HMC on behalf of clients. This will apply from April 2026 and no further details are currently available other than HMRC are going to invest in modernising tax adviser registration services.

Repayment claims

From 6 April 2025, tax advisers will be required to provide Advanced Electronic Signatures when making certain income tax repayment claims.

Making Tax Digital (MTD)

The Government have announced that the threshold for MTD to apply will be reduced to £20,000 by the end of this Parliament. This will be £50,000 from April 2026 and £30,000 from April 2027. It will apply for sole traders and landlords.

National Living Wage

The National Living Wage (NLW) will increase to £12.21 per hour from April 2025 (it is currently £11.44). The National Minimum Wage for those who are aged 18 to 20 will go up to £10 per hour (from £8.60) as the first step in aligning the limits into a single adult wage rate.

Apprenticeship rates will go up from £6.40 to £7.55.

Carers allowance

The annual increase in allowances for foster carers and share lives carers eligible for Qualifying Care Relief means that the following will apply:

- Annual fixed amount increases to £19,690 (from £19,360);
- The weekly amount for children under 11 increases to £415 (from £405);
- The weekly amount for children 11 or over or adults increases to £495 (from £485).

Consultations and other relevant points

The following announcements are made in the Budget papers:

- A consultation will be launched in 2025 on the tax treatment of predevelopment costs.
- A consultation is to be launched on land remediation relief.
- A technical consultation will be launched on modernising and simplifying rules around transfer pricing, permanent establishments and diverted profits tax. Part of the transfer pricing consultation will consider bringing medium sized companies into the transfer pricing regime.

- A consultation will be launched on introduction of a new filing obligation for businesses within the scope of transfer pricing rules to report information to HMRC on cross border transactions with related parties.
- A consultation will be launched in 2025 to consider how to tackle promoters of tax avoidance schemes, including new powers to obtain information about who owns or controls promoter organisations and new options to tackle legal professionals behind tax avoidance schemes.
- The Government have published responses to a consultation about strengthening the regulatory framework for those giving tax advice and are not considering their options.
- A consultation will be launched in 2025 to consider how HMRC's powers could be enhanced to take more punitive action against tax advisers who facilitate non-compliance.
- A consultation is to be launched about use of third-party data.
- A consultation will be launched about the extension of conditionality to new business sectors.
- A consultation has been launched on reforming HMRC's powers to correct tax returns, exploring other ways in which their powers could be changed for the better and exploring mandating taxpayers to correct mistakes themselves.

An additional 5,000 HMRC compliance staff are to be recruited as well as 1,800 HMRC debt management staff. These will collect £2.7bn and £2bn per year respectively once established. Money is also being invested in modernising debt management IT systems. The counter-fraud capability is to be expanded and HMRC will strengthen their regime for rewarding informants. Additional resources will specifically be targeted at offshore avoidance.