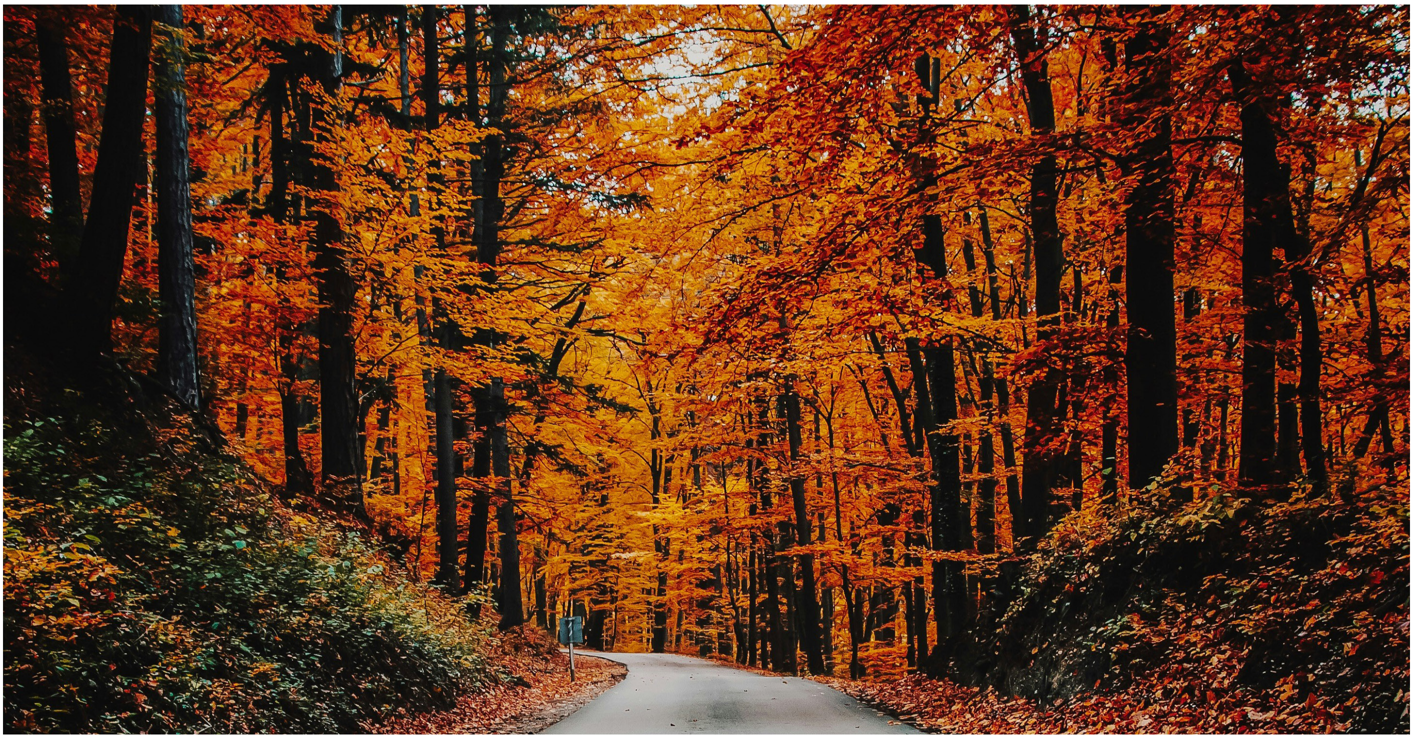

Autumn Budget Statement 2024

30 October 2024 Budget – pre-announced measures taking effect from 6 April 2025

Rachel Reeves, the Chancellor of the Exchequer, delivered her first Budget speech to Parliament on 30 October.

Although to a significant degree hamstrung by pre-election manifesto pledges to not increase headline rates of income tax, employees National Insurance contributions (NIC), VAT or corporation tax, it was no surprise that following Labour's electoral landslide in July, certain taxes would increase.

Over the course of the summer the Prime Minister and Chancellor laid the groundwork to manage public expectations. They reported that on taking office, the UK's public finances were significantly weaker than they had thought would be the case.

As a result, in an effort to begin the long process of re-balancing the books and filling in 'a £22 billion black hole'; the Prime Minister confirmed that the October Budget would be "painful" for many and particularly for those with "…the broadest shoulders…bear[ing] the heavier burden…"

Very much a tax raising Budget; the following measures were announced:

Income tax thresholds

Income tax (i.e. the tax paid on employment earnings, investment income, bank interest, self-employment profits, rental businesses and such like) is levied at various rates subject to specific earning thresholds.

The Chancellor has confirmed that there will be no changes to the current rates and thresholds in England and will remain as summarised in the table below:

Income Tax Band	Earning threshold	Rate (excl. dividends)	Dividend Rate*
Personal Allowance	£12,570	0%	0%
Basic	£0 - £37,700	20%	8.75%
Higher	£37,701 - £125,140	40%	33.75%
Additional	Over £125,140	45%	39.35%

*£500 dividend allowance taxed at 0%

Source: HM Treasury

Although there was wide speculation that the government would extend the freeze on the earning thresholds beyond 2028, the Chancellor instead pledged that after 2028 thresholds will increase in line with inflation.

Tax-free savings

The annual subscription limits for Individual Savings Accounts (ISAs) Junior Individual Savings Accounts (JISAs), Lifetime Individual Savings Accounts (LISAs), and Child Trust Funds (CTFs) will remain unchanged until April 2030.

Although announced in this year's Spring Budget, proposals for the new 'British ISA' have now been scrapped.

National Insurance Contributions (NIC)

NIC is a tax on employment earnings and self-employed profits. It is payable by individuals between the ages of 16 and state retirement age where earnings or profits exceed certain thresholds.

Employers are also liable to pay 'employer NIC' where wage or salary payments made to employees exceed £175 per week.

Current NIC rates for employees and employers are set out in the table below:

Employee		Employer	
Earnings per week:	**Rate**	**Earnings per week:**	**Rate**
Up to £242	0%	Up to £175	0%
£242.01-£967	8%	Over £175	13.8%*
Over £967	2%	-	-

*Also payable on the cash equivalent value of taxable benefits in kind provided to employees and Pay-As-You-Earn (PAYE) settlement agreements (Class 1A and 1B contributions).

Source: HM Treasury

For the self-employed, Class 2 NIC may be payable on a voluntary basis at a rate of £3.45 per week where profits do not exceed £6,725 per year. If profits exceed £6,725 then Class 2 NIC is not payable but is treated as being paid in order to maintain entitlement to certain state benefits, such as the state retirement pension.

Class 4 NIC is currently payable at a rate of 6% on profits between £12,570 - £50,270 and at 2% on profits over £50,270 without any upper limit.

The government did not announce any additional changes to personal NIC rates and thresholds in keeping with its manifesto commitments.

However, as was widely reported beforehand, the Chancellor announced a 1.2% increase to employer's NIC contributions. These will rise from 13.8% to 15% for employees earning over £96 per week (£5,000 per year). Class 1A and 1B contributions will also increase to 15%.

These changes will take effect from 6 April 2025 and are expected to raise over £25 billion per year for the Treasury. Please note that these rates are applicable to the whole of the UK.

Making Tax Digital (MTD) for income tax

MTD for income tax will be extended to sole traders and landlords with turnover over £20,000 by the end of the current Parliament. This expands the rollout for income tax which will begin from:

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

High Income Child Benefit Charge (HICBC) reform

The government has decided not to end the inequitable current assessment procedure for determining who does and does not qualify for child benefit.

Currently, the HICBC is levied on the higher earner of a household where that person has income in excess of £60,000 leading to the total loss of child benefit where income in excess of £80,000 is received. Plans announced by the previous government looked to base the HICBC on household incomes, rather than looking at the highest earner in the household. This is to prevent situations where households with two persons each earning £60,000 (total £120,000) retained their child benefit in full, compared to households with one person earning £80,000 and the other person suffering the HICBC in full.

The current assessment methodology will continue but to make it easier for taxpayers to get their HICBC right, the government will allow employed individuals to report child benefit payments through their tax code from 2025. Self Assessment tax returns will also benefit from child benefit figures being prepopulated by His Majesty's Revenue & Customs (HMRC).

Changing late payment interest rates on unpaid tax liabilities

The government will increase the late payment interest rate charged by HMRC on unpaid tax liabilities by 1.5 percentage points. The current rate of late payment interest is 7.50%. This measure will take effect from 6 April 2025 and is aimed at encouraging taxpayers to ensure their tax returns are correct.

This measure could particularly impact those, typically 'property heavy', estates that have elected to pay inheritance tax by 10 annual instalments.

Company car tax

The government announced increases to benefit in kind charges on company cars tax for the 2028/29 and 2029/30 tax years.

The chargeable percentage of the vehicle value for zero emission and electric vehicles will increase by 2 percentage points per year in 2028/29 and 2029/30, taking the overall percentage to 9% by the 2029/30 tax year.

Cars with emissions of 1 to 50g of CO2 per kilometre, which includes hybrid vehicles, will rise to 19% by 2029/30.

All other vehicle bands will increase by 1 percentage point per year in 2028/29 and 2029/30 to a maximum of 38% by 2029/30.

The government will also change rates of Vehicle Excise Duty, or road tax, to further incentivise the purchase of zero-emission and electric cars.

UK reporting for the Crypto-Asset Reporting Framework (CARF) and amendments to the Common Reporting Standards (CRS)

Following a period of consultation, the government will introduce legislation to broaden the reporting requirement on UK crypto-asset providers to supply HMRC with reporting and information on UK resident taxpayers investing in crypto-assets. These new reporting measures will be effective from 1 January 2026 and aim to combat the non-reporting or non-compliance of crypto-asset transactions by taxpayers.

Capital gains tax (CGT) announcements

Following much speculation in the run-up to the Budget the changes introduced have, for some, been less severe than feared whilst for others have been more of a shock.

Set out below is a summary of the changes:

Rates

For disposals on or after Budget day, 30 October 2024, the main rates of CGT have gone up from 10% to 18% for basic rate payers. This rate applies for individuals who pay the basic rate of income tax for gains which use up the remainder of their basic rate band of £37,700.

The rate of capital gains tax for higher rate payers has also increased from 20% to 24%. This will apply to chargeable gains for the element of gain which is above the basic rate.

Specific measures

Business asset disposal relief

This relief primarily applies to entrepreneurs who sell their business, or shares in their business.

The rate of tax on the first £1m of gains was previously set at 10%. The £1m is a lifetime amount for serial entrepreneurs who may start and sell multiple business over their lives.

The rates of tax for this relief are changing.

From 6 April 2025, the rate goes up to 14% on the first £1m and to 18% on the first £1m for disposals after 6 April 2026.

Investors' relief

This relief is for business angels who invest in qualifying unquoted trading businesses and do not work for the company.

The relief was on the first £10m of lifetime gains and the tax rate was 10%.

For disposals on or after 30 October 2024 the lifetime limit is being reduced to £1m. The rate of tax on gains will change and mirror the business asset disposal relief rate, namely 14% from 6 April 2025 and 18% for disposals after 6 April 2026.

Carried interest

Carried interest is a form of performance-based reward for investment managers that is typically structured as a share of the profits generated by the investment fund if certain performance targets are met. For private equity or venture capital funds, these profits may be derived from capital gains arising on the realisation of the underlying assets held by those funds.

Carried interest is currently charged to CGT at a rate of 28% (being the highest CGT rate but which is lower than the highest income tax rate), reflecting the long-term and capital gains-based nature of carried interest awards and driven by the growth and capital appreciation of investments.

However, current UK tax rules already impose an income tax charge, where the income tax rate could be as high as 45%, on carried interest in a wide number of circumstances.

The Labour Government previously committed itself to 'take action against the carried interest loophole' and the Chancellor announced that the CGT rate to be applied to carried interest arising to an individual will increase from 28% to 32% from 6 April 2025.

Further reforms to the taxation of carried interest are expected from 6 April 2026 where the existing CGT regime is expected to be brought within the income tax and National Insurance framework.

Abolition of Furnished Holiday Lettings (FHL) tax rules

As previously announced the beneficial tax treatment for FHLs will be abolished for income tax and CGT purposes. From 6 April 2025 owners of FHLs will lose the following tax benefits:

Mortgage interest relief

Mortgage interest relief will be given as a basic rate (20%) tax credit rather than being allowed as a deduction from rental profits.

Capital gains tax (CGT)

Gains on FHLs may currently qualify for Business Assets Disposal Relief (BADR) and attract a favourable 10% tax rate up to a lifetime limit of £1m of qualifying capital gains. Alternatively Business Assets Gifts Holdover Relief (BAGHR) may be available, as well as the ability to 'roll over' capital gains on purchases of certain new business assets.

These reliefs will be lost from 6 April 2025 and anti-forestalling provisions will deny claims to BADR where exchange takes place from 6 March 2024 but which completes after 5 April 2025. Claims to BAGHR between connected persons will also be denied during this period.

Pension contributions

Taxable FHL profits will no longer count as earnings for pension contribution purposes.

Allowable expenses

FHLs currently benefit from capital allowances (including first year allowances). From 6 April 2025 owners will only be able to claim a deduction for the cost of replacing domestic items (such as soft furnishings and white goods) and not for the original purchase cost. However, brought forward balances in capital allowances pools as at 6 April 2025 may continue to be written down.

Income tax

Under the new rules, where a holiday let is owned jointly by spouses or civil partners, by default each partner will be liable for tax on 50% of the rental profits.

This could have significant consequences for anyone whose income is close to the threshold of a higher income tax bracket, increasing their personal income tax burden.

Stamp Duty Land Tax (SDLT)

In an effort to disincentivise the purchase of second homes and buy-to-let properties, the government will introduce legislation in the Finance Bill 2024-25 to increase the higher rates of SDLT, payable by purchasers of additional dwellings and by companies, from 3% to 5% above the standard residential rates. The government will also increase the single rate of SDLT payable by companies and non-natural persons acquiring dwellings for more than £500,000, from 15% to 17%.

The changes will apply to transactions with an effective date on or after 31 October 2024.

Annual Tax on Enveloped Dwellings (ATED)

The ATED annual charges will rise by 1.7% from 1 April 2025 in line with the September 2024 Consumer Price Index. ATED is an annual tax, payable mainly by companies that own residential property valued at more than £500,000.

Value Added Tax (VAT) on private school fees

From 1 January 2025 private school and boarding fees will be subject to VAT at the standard rate (20%).

How VAT affects private school fees for children with Special Educational Needs (SEND) will depend on whether they have local authority funded Education, Health and Care Plans (EHCP).

Essentially, where Local Authorities fund pupil's places at private schools, the Local Authority will be able to reclaim the VAT charged on the pupil's placement. However, where parents or guardians simply choose to send their child with SEND to a private school, VAT will be applied to their fees and will not be reclaimable. This will apply, for instance, where a Local Authority has decided that a private school place is not necessary for the child's educational needs.

Any private school fees paid after 29 July 2024 for tuition and boarding fees covering a period on or after 1 January 2025 will also be subject to 20% VAT.

Changes to Non-UK Domiciled tax status (Non-Dom)

As announced by the previous government, the current rules for the taxation of non-UK domiciled (Non-Dom) individuals under the remittance basis will end from 6 April 2025 and will be replaced with a system based on tax residence.

Under the new regime, 'arrivers' to the UK will not be required to pay tax on their foreign income and capital gains in their first four tax years of UK residence, provided they have not been UK tax resident in the ten tax years prior to their arrival, even if those gains and income are brought into the UK. This is a change from the current regime which defers tax on such income and gains until remitted into the UK.

From 6 April 2025 former remittance basis users who do not qualify under the new 4-year regime will pay tax at the same rate as other UK resident individuals on any newly arising foreign income and gains. Any foreign income or gains that arose before 6 April 2025 will continue to be taxed when remitted to the UK.

From 6 April 2025, the protection from tax on foreign income and capital gains arising within settlor-interested trusts will no longer be available for non-domiciled and deemed domiciled individuals who do not qualify under the four-year foreign and income and gains regime. Foreign income and gains that arose in 'protected' settlements prior to 6 April 2025 will also be taxed if distributions/benefits are made to UK residents who do not qualify for the four-year regime.

A transitional relief will be available for individuals who have previously been on the remittance basis and have untaxed foreign income and gains. This Temporary Repatriation Facility (TRF) will allow an individual to designate such income and gains to be taxed at a reduced rate during the three years to 5 April 2028. It can then be brought to the UK with no further tax charge. The tax rate applied will be 12% in the first two years and 15% in the third year (2027/28).

The TRF will also be available to qualifying settlors or individual beneficiaries who receive benefit from an offshore trust during the 3 years from 6 April 2025. To qualify the relevant individual must have been a former remittance basis user.

For capital gains tax purposes, current and past remittance basis users can rebase personally held foreign assets to 5 April 2017 where certain conditions are met.

A new residence-based system will also apply to inheritance tax (IHT) from 6 April 2025. The test to determine whether overseas assets are within the scope of IHT will be determined by whether a person has been UK tax resident for ten out of the twenty years prior to the chargeable event, including death. Once this ten-year test is met, a person remains within the UK IHT net for the next ten years, whether tax resident in the UK or not. However, the time the individual remains in the scope of IHT after leaving the UK will be shortened, to as little as three years, when they have only been resident in the UK for between 10 and 19 years.

Overseas assets held in trusts will only be excluded from IHT at times when the settlor is not a long-term resident in the UK. This marks a change from the existing rules where the IHT treatment was determined by the settlor's status at the time the trust was set up. This means that existing offshore trusts will not necessarily retain their current IHT protection.

For trusts whose settlor dies on or before 5 April 2025, the existing rules regarding IHT protection will continue.

Inheritance tax (IHT)

The Chancellor announced that the nil-rate band of £325,000 will remain frozen at this level until 5 April 2030. The residential nil-rate band will remain at £175,000 until the same date.

No changes were announced to the headline rates of IHT which remain at 20% for chargeable lifetime transfers and 40% on death. Where, broadly speaking, 10% of the net estate is left to charity, the reduced 36% IHT rate continues to apply.

Although anticipated by some commentators to increase to ten years, the IHT clock for making fully exempt lifetime gifts remains at seven years.

Provided the usual conditions are met, it is still possible to make lifetime gifts out of excess income and for these gifts to fall out of account for IHT purposes immediately rather than waiting for the usual seven years to elapse.

In line with changes to income tax and capital gains tax for non-UK domiciled individuals, from 6 April 2025 an individual's liability to IHT will be based upon their long-term residence status and not their domicile position.

IHT and Pensions

In a move that surprised many, the Chancellor announced that most undrawn pension funds and death benefits will be brought within the value of a person's estate for IHT purposes from 6 April 2027.

The government has published a list of the 'types' of pensions that will be brought within the scope of IHT including most defined contribution and defined benefit schemes. A small number of specified pension benefits will remain outside the scope of IHT including where funds can only be used to provide a dependents' scheme pension. Charity lump sum death benefits will also remain outside of the IHT net.

Pension scheme administrators will become liable for reporting and paying any IHT due. The government will consult with stakeholders about how to implement the proposed changes in due course.

Reforms to Agricultural Property Relief (APR) and Business Property Relief (BPR)

The Chancellor announced reforms to APR and BPR to take effect from 6 April 2026. Up to 100% IHT relief is currently available of qualifying agricultural and business assets.

100% relief will continue to apply for the first £1m of combined agricultural and business assets in order to protect smaller family farms and businesses. 50% IHT relief will be available on qualifying agricultural and business property values in excess of £1m.

The new £1m combined allowance covers:

- Qualifying agricultural and business property in a death estate
- Lifetime transfers to individuals in the 7 years prior to death (failed potentially exempt transfers)
- Chargeable lifetime transfers where there is an immediate lifetime charge such as a gift to a trust.

The allowance will not be transferrable between spouses or civil partners.

Where agricultural or business property currently only qualifies for 50% relief, there will be no changes to the relief.

The rate of BPR available will reduce from 100% to 50% in all circumstances for shares designated as 'not listed on a recognised stock exchange' such as AIM listed shares.

APR will be extended to include certain environmental land management agreements from 6 April 2025.

£1m APR and BPR allowance for trusts

Certain trusts are liable to an IHT charge of up to 6% on the value of property held in trust every ten years. APR and BPR can apply to property in trust.

There will be a combined £1m allowance for trustees on the value of qualifying property to which 100% relief applies on each ten-year anniversary charge and exit charge, consistent with the revised tax treatment of qualifying property on death.

Where settlors have set up more than one trust comprising qualifying business property and / or agricultural property before 30 October 2024, from 6 April 2026, each trust will have a £1m combined allowance for 100% relief.

New rules will apply to ensure the £1m allowance is divided between trusts where a settlor sets up multiple trusts on or after 30 October 2024.

The government will publish a technical consultation about the proposed APR and BPR reforms by early 2025.

Taxation of 'luxuries'

Air Passenger Duty (APD)

APD rates will be increased for the 2025/26 tax year. Rates for economy passengers will increase in line with the retail price index (RPI) whilst the standard and higher rates will be increased further to account for the recent hike in inflation.

The rates will then be increased by 13% for the 2026/27 tax year.

In an apparent a jibe towards the Conservative leader, Rishi Sunak, the Chancellor also announced that higher APD rates currently applied to larger private jets will increase by an additional 50% from 1 April 2026.

Tobacco and vape duty

As of 6pm on 30 October 2024, duty rates for all tobacco products were increased by 2% above the RPI. Hand-rolled tobacco products were increased by an additional 10%, to 12% above the RPI.

From 1 October 2026, a new 'vaping products duty' (VPD) will be introduced at a single rate of £2.20 per 10ml of vaping liquid. An equivalent one-off increase in tobacco duties of £2.20 per 100 cigarettes or 50 grams of tobacco will also apply from the same date.

Alcohol duty

It has been announced that alcohol duty rates on draught products below 8.5% Alcohol By Volume (ABV) will be cut by 1.7%, approximately 1 pence per pint. Duty rates on non-draught products, on the other hand, will increase in line with RPI. These measures will take effect from 1 February 2025.

Fuel duty

First introduced in the Spring Budget 2022, the government intend to extend the 5 pence cut in fuel duty rates to 22 March 2026.

If you have questions about taxation, or our wealth planning services, please contact the Marketing team:

marketing.hwam@handelsbanken.co.uk

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