David Allen
Tax

Autumn Budget 2024

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Summary Overview

Today saw Chancellor Rachel Reeves deliver her first Autumn Budget since the Labour Government took office in July 2024.

The Government's goals are to stabilise public finances, support public services, and encourage economic growth. The measures announced are projected to generate £40bn in tax revenue with a range of impacts across sectors and to individuals.

Notably, changes to Capital Gains Tax, Inheritance Tax, and Employers' National Insurance were confirmed and will have a significant impact for employers and business owners. Employers will see an increase in their National Insurance costs, while adjustments to Inheritance Tax, Agricultural Property Relief, and Business Property Relief could affect succession planning and result in considerably higher Inheritance Tax liabilities, particularly for family owned businesses and estates.

The devil is often in the detail. We have reviewed the guidance notes to bring you the main announcements and what they could mean for your business and financial planning.

Income Tax - Allowances and thresholds

In a surprise move, the personal Income Tax allowances and thresholds will be increased in line with inflation from 2028/29 onwards, having previously been frozen in March 2021.

State Pension and Pension Credit

The Government will continue with its commitment to the 'Triple lock' and from April 2025 pensioners claiming the New and Basic State Pension will see an increase of 4.1%. This could result in up to an extra £470 in pensioners pockets in 2025/26.

The Pension Credit Standard Minimum Guarantee is also set to rise by 4.1% from April 2025, from around £11,400 to £11,850 for a single pensioner.

Capital Gains Tax - Immediate rate change!

As rumoured, changes to the Capital Gains Tax rates were announced.

With **immediate** effect, i.e. for disposals made on or after 30 October 2024, the main rates will increase **to** 18% and 24% **from** 10% and 20%.

This means that the rates are now the same as those for residential properties; there is no change to these rates.

A change of rates mid-tax year is very unusual, and the effective date was hidden in the small print. We would strongly recommend that you contact us as soon as possible if you are planning the sale of any assets.

Capital Gains Tax - Changes in BADR and IR claims

Business Asset Disposal Relief (BADR) and Investors' Relief (IR) are two allowances which can be claimed when selling business assets or qualifying shares.

The tax rate is currently 10%, however it will increase incrementally until it matches the lower Capital Gains Tax main rate of 18%:

- In 2025/26 the rate will be 14%
- From 2025/26 it will be 18%

In addition, the lifetime limit for IR will reduce to £1m (from £10m) with immediate effect.

National Minimum and Living Wage - Increases from 1 April 2025

From 1 April 2025 both the National Living Wage (NLW) and the National Minimum Wage (NMW) rates will increase.

Please be aware that the NLW rate must be paid for those aged 21 and over. This is a legal right which covers workers above compulsory school leaving age.

The new hourly rates which must be paid for all employees from 1 April 2025 are therefore as follows:

- Employees aged 21 and over (NLW) will increase from £11.44 to £12.21 (increase of 6.7%)
- Employees aged between 18-20 (NMW) will increase from £8.60 to £10.00 (increase of 16.3%)
- Employees aged between 16-17 (NMW) will increase from £6.40 to £7.55 (increase of 18%)
- Apprentices up to the age of 19 (NMW), or in their first year of apprenticeship, will increase from £6.40 to £7.55 (unless rate specified in apprentice training contract)

Over time, the Government intends to create a single adult wage rate, eventually giving those aged 18 and over the same wage for the same day's work. The NMW for 18-20 year-olds will increase to £10.00 per hour from 1 April 2025, an increase of 16.3%, the largest ever increase in both cash and percentage terms. This means a boost to annual earnings of over £2,500 for nearly 200,000 young people across the UK.

National Insurance - Increase in employers rate and threshold

From 6 April 2025, the Government will increase the rate of employer National Insurance Contributions (NIC) by 1.2% from 13.8% to 15%.

The Secondary Threshold, which is the point at which employers become liable to pay NIC on employee's earnings, is currently set at £9,100 per annum. From 6 April 2025 through to 6 April 2028, this threshold will reduce to £5,000 per annum and then increase by Consumer Price Index thereafter.
To find out more click here to read our full article.

National Insurance - Increase in Employment Allowance

The Employment Allowance (EA) currently allows businesses with employer National Insurance Contributions (NIC) of £100,000 or less in the previous tax year to deduct £5,000 from their employer NIC bill.

From 6 April 2025, the Government will increase the EA from £5,000 to £10,500 and remove the £100,000 threshold for eligibility.

National Insurance Contributions - Re-rating from 2025/26

The Government will increase the Lower Earnings Limit (LEL) and the Small Profits Threshold (SPT) by the September 2024 Consumer Price Index (CPI) rate of 1.7% from 2025/26. The LEL will be £6,500 per annum (£125 per week) and the SPT will be £6,845 per annum.

For those paying National Insurance (NIC) voluntarily, the Government will also increase Class 2 and Class 3 rates 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.

National Insurance - Payrolling of benefits

The Government confirmed that it will proceed to mandate the reporting of Income Tax and Class 1A National Insurance Contributions (NIC) for most benefits in kind (BiKs) in real time through the PAYE system from April 2026.

Employment related loans and accommodation will be mandated to be reported in this way at a later date, however employers will be given the opportunity to voluntary payroll the BiKs from April 2026.

Inheritance Tax - Freezing of thresholds

The current Inheritance Tax thresholds, i.e. the £325,000 nil-rate band and the residence nil-rate band of up to £175,000, are due to be frozen until April 2028.

The Government is extending these threshold freezes for a further two years to April 2030.

Inheritance Tax - Inherited pensions to be taxable in death estate

From 6 April 2027 unused pension funds and death benefits payable from a pension will be included in a deceased person's estate and added to the value of other assets for Inheritance Tax (IHT) purposes.

Prior to 6 April 2027 these will pass IHT free to the beneficiary, but from the date of change onwards they may become taxable at the current IHT rate of 40%.

Inheritance Tax - Reduction in relief for AIM shares

6 April 2026 will see the Government reduce the rate of Business Property Relief in all circumstances for shares designated as "not listed" on the markets of a recognised stock exchange. An example would be shares listed on the Alternative Investment Market (AIM). This change will see relief fall from 100% down to 50%.

Inheritance Tax - Reform of APR and BPR

Agricultural Property Relief (APR) and Business Property Relief (BPR) currently give relief against Inheritance Tax (IHT) for certain assets in a person's death estate at either 100% or 50%.

In a complete overhaul of these reliefs, the Government will reform APR and BPR from 6 April 2026.

In addition to existing nil-rate bands and exemptions, the 100% rate of relief will only be available for the first £1m of combined agricultural and business assets; dropping to 50% thereafter.

IHT is a complex topic and these changes not only affect the IHT due on a person's death estate but also can have implications on trusts and gifts.

We are aware that these proposed changes will significantly impact many of our clients and further tax planning will be required.

We will continue to review the technical information on these changes and will provide further advice and guidance in due course.

If however you have any queries in the meantime, please do not hesitate to contact us.

Inheritance Tax - End of domicile-based system

Inheritance Tax (IHT) is currently a domicile-based system. A new residence-based system for IHT will be introduced from 6 April 2025.

The test for whether non-UK assets are in scope for IHT will be if an individual has been resident in the UK for at least 10 out of the last 20 tax years immediately preceding the tax year in which the chargeable event (including death) arises. The time the individual remains in scope after leaving the UK will be shortened where they have only been resident in the UK for between 10 and 19 years.

Duties - Vaping, cigarettes, tobacco, fuel and alcohol

Vaping duty

A new £2.20/10ml Vaping Products Duty will be imposed from 1 October 2026.

Cigarette duty

A one-off increase of £2.20 per 100 cigarettes will also be imposed from 1 October 2026.

Tobacco duty

The Government will increase duty by a further 10% on hand-rolling tobacco with the change taking place from 6pm on 30 October 2024.

Fuel duty

The 5p fuel duty cut will remain in place for the 2025/26 tax year to support families. The rate of fuel duty will also be frozen for the same period. This represents a saving of £59 for the average driver.

A new “Fuel Finder” tool will be introduced by 2025 to increase transparency; helping drivers find the best prices and potentially saving between 1 - 6p per litre.

Alcohol duty

To support pubs and small brewers, alcohol duty on draught products will drop by 1.7% from 1 February 2025. This represents a 1p saving per pint.

Stamp Duty Land Tax - Increase in supplement for second homes in England

From 31 October 2024, the Stamp Duty Land Tax surcharge payable on the purchase of additional properties will rise from 3% to 5%.

This increase aims to give first-time buyers and primary residence purchasers an advantage over second home buyers and property investors in 2025/26.

Business Rates - Reduction for retail, hospitality and leisure properties in England

Eligible retail, hospitality and leisure properties in **England** will get a 40% reduction in their business rates for 2025/26.

This relief will be capped at £110,000 per business.

Electric Vehicles

The Government are still keen on encouraging the take up of electric vehicles (EVs) and have confirmed that the benefit in kind (BiK) incentives, for employees who have them as company cars, and the 100% First Year Allowances for business purchasers of EVs and charging points will be extended through to March 2026.

BiK rates for employees who have EVs as company cars will rise annually, reaching 9% by 2029/30.

Hybrid vehicles will see increased rates, reaching 19% by 2029/30, while rates for other emission bands will increase by 1% per year, with a cap of 39% by 2029/30.

Double cab pick up vehicles - Changes back on the table from 1 April 2025

Back in February 2024 the Government tried to change the favourable tax treatment for double cab pick-ups (DCPUs), however a U-turn quickly followed after a backlash from farmers and the motor industry.

However, from April 2025 DCPUs with a payload of one tonne or more will be classified as cars for capital allowances and benefit in kind purposes, instead of as a van.

Purchasers currently claim 100% immediate tax relief on the acquisition of these vehicles and employees who have them as a company car pay a low rate of Income Tax.

From April 2025 onwards those who purchase DCPUs will not get immediate tax relief on them and employees will see an increase in their Income Tax.

Transitional arrangements will apply for those who have purchased, leased, or ordered a DCPU before April 2025, and employees who are provided with a DCPU before April 2025. These arrangements will end on the earlier of disposal, lease expiry, or 5 April 2029.

Do you have questions?

Our specialist team are on hand to help should you have any further questions on how these changes will affect you or your business. Please do not hesitate to get in touch, call 01228 711888, 01387 270340 or email mail@david-allen.co.uk.

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Our Budget Summary 2024

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