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Accounting and Tax Services

Newsletter - November 2024

Hello and welcome to another issue of my mini newsletter.

Autumn Budget 2024

On 30th October Rachel Reeves delivered the first Labour party budget in 14 years. As widely expected there was a change in trajectory from recent budgets with tax rises to fund increased state expenditure. Labour had manifesto promises not to raise income tax, employees National Insurance and VAT and so limited some of their options - below are the key announcements affecting individuals and small businesses.

a **Employers National Insurance** (ERNI) - the headline announcement and biggest tax raiser was an increase in ERNI from 13.8% to 15% from April 2025. Additionally the salary threshold above which ERNI is payable was lowered from £9,100 to £5,000.

For an employee on average UK salary of £37,000 this means an extra cost to the employer of £950pa. The effect of the increase is partly offset for smaller employers by a raise in the employment allowance from £5,000 to £10,500.

b **Capital Gains Tax** - as expected by many people there was an increase in main CGT rate (applicable for shares and most other assets) from 10% to 18% for basic rate taxpayers and from 20% to 24% for higher rate ones. This brings them into line with the residential property rates which did not increase. These changes took effect immediately from 30th October. The annual allowance remains at £3,000.

There are also significant changes to Business Asset Disposal Relief (previously known as Entrepreneur's Relief this is a lower rate applicable if you dispose of your own business or part of it or shares in your own Company subject to certain criteria). Eligible assets are currently taxed at 10% and this will rise to 14% from 6/4/25 and 18% from 6/4/26. The same changes in rates will apply to Investors Relief (for investors in trading Companies shares that are not listed on an official stock exchange but for example on the AIM market and for "business angels"). For Investor's Relief the lifetime limit for eligible assets is reduced from £10m to £1m. It had already lowered to £1m for BADR in 2020.

c **Stamp Duty Land Tax (SDLT)** was another area where there are increases. From 31st October the surcharge on second properties rose from 3% to 5%. This also applies to "buy-to-lets" purchased via a Limited Company. The flat rate for other Company purchases of residential properties (not for renting out) also rose by 2% to 17%

From 1/4/25 the Stamp duty threshold will reduce and 2% will be payable on the value between £125,000 to £250,000 (currently NIL). The rates above £250,001 are unchanged.

The threshold at which First Time buyers pay will also reduce to £300,000 (currently £425,000) and there will be no relief for properties over £500,000 (currently £625,000).

d **Inheritance Tax** (IHT) there are no changes to the main rates however the Inheritance Tax thresholds are to remain frozen until 2030. Additionally more assets are to be caught in the regime:

(i) From April 2026 there will be restrictions for Agricultural Property relief (APR) and Business Property Relief (BPR). At the moment there is 100% relief from IHT on all qualifying business and agricultural assets allowing farms and other businesses to be passed down through families tax free. The budget announced that this will be restricted and only apply to assets under both categories with a combined value of £1million. For eligible assets above £1m there would be relief at 50% meaning an IHT charge of 20% at current rates.

Additionally, also from 6/4/26, BPR on unquoted shares (eg those on AIM) will be restricted 50% tax relief on the whole value so also taxed at 20% at current rates (previously these had 100% relief).

(ii) From April 2027 Inherited pension pots will be added to a persons estate and thus potentially liable to IHT depending on the value of the estate. (Currently they fall outside the scope of IHT).

e **Income tax bands** will remain frozen until 2028 and then they will rise in line with inflation.

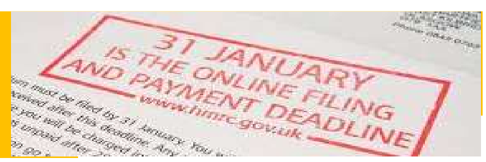
- **f** **Minimum wage** - the main rate (for over 21's) will increase from £11.44 to £12.21 per hour and for 18-20 year olds from £8.60 to £10. For an employee on a 37.5 hour week this will increase their gross pay by £1,500 pa and with the increase in ERNI this will mean the total extra cost for the employer is £2,500.
- **g** **Interest on late tax** - the official rate of interest will increase from bank base rate plus 2.5% to base + 4% from April 2025. The current HMRC rate is 7.5% (bank base rate is currently 5%).
- **h** **Double Cab Pick-ups** - from April 2025 these vehicles will be treated as Cars for tax purposes so this means they will no longer be eligible for 100% Capital Allowances and the Benefit-in-kind cost on them will increase. (you may remember HMRC tried to do this in July but were forced into a U-turn). There are transitional arrangements for vehicles purchased before 1/4/25 which will at the BIK rate for vans until sold or 5/4/29. The van BIK rate for 2025/6 will be £4,020.

What's been kept and what's gone from previous plans?

- **a** **Non-UK Domiciled individuals** - the tax rules for "Non-doms" will change from 6th April 2025 .For the first 4 years there is 100% tax relief on overseas income for new arrivals. After that they will be taxed in the UK on any newly arising Foreign Income and Gains (ie World wide income). Pre 5/4/25 foreign income and gains will continue to be taxed on the remittance basis. Double taxation relief will be available where applicable.

  There will be transitional arrangements for non-doms already in the UK. If they have previously claimed the remittance basis there will be a temporary repatriation facility available for 3 years at reduced tax rates to remit pre 5/4/25 income and gains with tax at 12% for 2025/26 and 2026/27 and 15% for 2027/28.
- **b** **High Income Child Benefit Charge** (HICBC) - the new thresholds from 6/4/24 remain so the clawback applies from incomes over £60,000 and tapers up to £80,000, however the longer term aims to move to a system based on household income will not now happen.
- **c** **Furnished Holiday Lettings** (FHL) will cease to have different tax treatment from April 2025 and such properties will be taxed on the same basis as other rental properties. Existing capital allowances pools will be allowed to continue and losses will now be able to be offset against other rental income.
- **d** **Making Tax Digital for Income Tax** plans continue with sole traders and landlords with turnover above £50,000 having to report this way from April 2026, those above £30,000 from April 2027 and will be extended to those with turnover above £20,000 from a date yet to be announced.
- **e** Plans for the "British" ISA have been scrapped.

HAVE YOU FILED YOUR SELF-ASSESSMENT TAX RETURN? Do you need to? Check here:
https://www.gov.uk/check-if-you-need-tax-return



Tax on Christmas Gifts and Parties for businesses and staff

Generally a business cannot claim entertainment as a tax deductible expense, however there is an exception for staff entertainment if (a) the party is available to all staff, (b) is an annual event (not casual hospitality), and (c) the aggregate cost of all such events in the tax year comes to under £150 per head including VAT. From an employee perspective, if the cost rises above £150 per head then there is a taxable Benefit in Kind of the whole cost.

Under the trivial benefit rules gifts to staff of up to £50 of non cashable vouchers or physical goods are not taxable. Such gifts must not be given for performance related reasons.

As always I welcome any comments and please do get in touch if I can help with anything mentioned

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