# AUTUMN BUDGET REPORT

UNDERSTANDING THE IMPACT

FRANKLYN

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I am pleased to bring you this timely guide to the UK Autumn Budget. The Budget attracted a great deal of attention and speculation so I am hopeful that this guide will help you to understand some of the announcements and as always my team and I are available to support any financial planning needs.

Andrew Chatterton
MANAGING DIRECTOR

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# INTRODUCTION

## The 2024 Autumn Budget introduces significant fiscal policies designed to address economic stability, improve public services, and create long-term growth.

Key priorities include balancing the budget, reducing public debt, and promoting sustainable investments across healthcare, infrastructure, and the green economy.

This guide provides a brief overview of the key areas that may affect your financial planning.

# THE ECONOMIC LANDSCAPE

The UK's current economic environment is shaped by high public debt, low productivity growth, and ongoing inflation, which the Budget addresses through fiscal measures aimed at long-term stability and growth.

## ECONOMIC CONDITIONS AND FISCAL PRIORITIES

**Public Debt and Stability:** Debt remains high, with public debt around 100% of GDP. The Budget aims to reduce this by targeting more sustainable spending.

**Productivity Growth:** Weak productivity has held back wage growth and economic output; investments in public services and infrastructure are expected to drive future productivity improvements.

**Inflation:** Inflationary pressures have increased living costs significantly, affecting households and businesses. The government aims to stabilize inflation closer to the 2% target.

## At a glance

Public debt targeted for reduction

Productivity growth incentivised through public investments

Inflation control as a fiscal priority

# PATH TO RESPONSIBILITY AND ECONOMIC STABILITY

The new fiscal rules introduced in the 2024 Budget aim to ensure sustainable spending, accountability, and long-term stability.

1 **Stability Rule**
Requires a balanced budget by 2029-30, ensuring that day-to-day expenses are funded by revenue instead of borrowing.

2 **Investment Rule**
Focuses on reducing net financial debt as a share of GDP while allowing borrowing for investment to drive growth.

3 **Charter for Budget Responsibility**
Includes commitment to a single fiscal event annually and regular spending reviews for accountability.

## At a glance

Stability rule to balance budget by 2029-30

Investment rule targets sustainable debt-to-GDP ratio

New fiscal charter for accountability

# KEY CHANGES IN TAXATION AND INVESTMENT

The 2024 Budget brings major changes in tax rates and rules for individuals and estates.

### INCOME TAX AND CAPITAL GAINS TAX

Income tax thresholds remain frozen until 2028. The lower Capital Gains Tax rate rises to 18% and the higher/additional rate to 24%. Changes take effect immediately from 30th October. For carried interest, the rate will increase to 32% from April 2025 before transitioning to income tax basis in 2026.

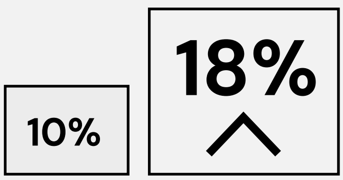
### INHERITANCE TAX ADJUSTMENTS

Agricultural and business property reliefs will adjust from April 2026, with 100% relief on the first £1 million of combined agricultural and business relief; and 50% relief on value in excess of this amount. Most unspent pension pots will also be included in estate value from 2027.

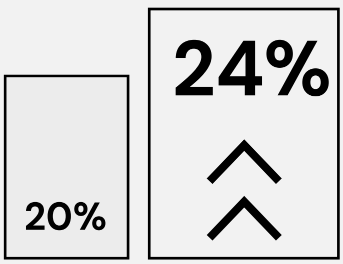
### VAT ON PRIVATE EDUCATION

From January 2025, private school fees will be subject to 20% VAT, and business rates relief will end in April 2025 for these institutions, spending reviews for accountability.

## At a glance




CGT INCREASES BY 8% BASIC RATE TAXPAYERS




CGT INCREASES BY 4% FOR HIGHER/ADDITIONAL RATE TAXPAYERS

CGT changes take effect immediately on 30th October 2024

# INHERITANCE & PENSIONS; SIGNIFICANT CHANGE.

## The Budget introduced changes to inheritance tax (IHT), set to impact estates from 2027-28 onward.

Currently, estates below £325,000 are IHT-exempt, and an additional £175,000 allowance applies when property is left to direct descendants. This threshold can reach £1 million for married couples, with any excess taxed at 40% (36% for charitable gifts). Pensions have traditionally been IHT-exempt, with tax treatment based on the age of the deceased. If death occurs before age 75, pensions are inherited tax-free; after age 75, beneficiaries pay income tax on the pension. However, starting in 2027, unused pension funds will count toward IHT calculations.

### HERE TO HELP.

Given these significant changes to inheritance tax and pension rules, we recommend clients book a review to discuss how these adjustments may impact their estate plans and explore strategies to manage potential tax liabilities effectively.

The levels and bases of taxation, and reliefs from taxation, can change at any time. The value of any tax relief depends on individual circumstances.

# CAPITAL GAINS TAX INCREASES

## The 2024 UK Budget brings significant updates to Capital Gains Tax (CGT), impacting individuals and businesses with gains from asset sales.

Starting from 30 October 2024, the CGT rate will increase to 18% for basic rate taxpayers and 24% for higher/additional rate taxpayers on disposals of all types of assets (i.e. not just property). This rise aims to increase revenue and brings CGT rates closer in line with income tax rates, particularly affecting high-net-worth individuals, property investors, and business owners with substantial asset portfolios.

### BUSINESS ASSET DISPOSAL RELIEF (BADR) CHANGES

The Budget also introduces adjustments to Business Asset Disposal Relief (BADR), previously known as Entrepreneurs' Relief, which offers a reduced CGT rate for qualifying business disposals.

While BADR currently provides a 10% tax rate on lifetime gains up to £1 million, the rate will increase gradually over the next two years.

For qualifying disposals made on or after 6 April 2025, the rate will rise to 14%, and by 6 April 2026, it will match the new lower CGT rate of 18%.

# VAT ON PRIVATE SCHOOL AND BOARDING FEES

## The Budget confirmed that VAT will be applied to private school fees from January 2025.

Starting 1 January 2025, private school fees in the UK will be subject to a 20% VAT, impacting tuition and boarding costs. In addition, business rates relief for private schools will be removed from April 2025, adding further operational expenses. This policy shift aims to create tax parity between private and public education sectors, with VAT revenue supporting broader educational initiatives.

20% VAT will be applied to private school fees from January 2025

### HERE TO HELP.

For families navigating these changes, we're here to help - please get in touch to discuss financial planning options and tailor strategies for managing school fees and future educational expenses.

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# END OF NON-DOM TAX BENEFITS

## The 2024 UK Budget introduces significant changes to non-domiciled (non-dom) tax status, which will impact individuals residing in the UK with foreign earnings.

Traditionally, non-doms could choose to be taxed only on UK income while keeping their foreign income untaxed, provided they did not bring it into the UK. The new rules, however, will abolish the remittance basis of taxation for non-UK domiciled individuals starting from 6 April 2025.

From this date, all UK residents—regardless of domicile status—will be taxed on their worldwide income, shifting to a residence-based tax regime. This will mean that foreign income, even if kept offshore, will be subject to UK tax for those residing in the country.

Inheritance tax (IHT) will also move to a residence-based system, with individuals who have been resident in the UK for 10 out of the last 20 tax years, subject to UK IHT on their worldwide assets.

The IHT changes will also affect the IHT treatment of existing (and new) Excluded Property Trusts which will from 6 April 2025 become subject to the relevant property regime where the settlor is a long-term resident.

### KEY CONSIDERATIONS

**Review Global Assets.**
Those previously benefiting from non-dom tax status may need to evaluate their global assets, income sources, and the overall tax impact.

**Review Investments.**
With worldwide income now taxable in the UK, individuals may consider restructuring investments for optimal tax efficiency.

**Review Estate and Succession Planning.**
Inheritance Tax (IHT) planning is essential, as worldwide assets may now fall within UK tax

**For those impacted, strategic tax planning is crucial to ensure compliance and mitigate the potential tax burden on global income and wealth.**

# POSITIVE OUTLOOKS FOR SAVERS AND INVESTORS

The 2024 UK Budget introduces a few positive updates for savers, with implications for growth and interest rates in the broader economic landscape:

**ISA Allowance Stability**
The Budget keeps Individual Savings Account (ISA) allowances steady at £20,000 for the tax year, allowing savers to continue benefiting from tax-free interest, dividends, and capital gains. This is especially beneficial during times of higher interest rates, maximising untaxed returns on savings.

**Encouraging Growth with Inflation Control**
As part of its fiscal measures, the government aims to bring down inflation to around 2% by the end of 2025. For savers, this focus on inflation control may help preserve the real value of their savings, as reduced inflation supports stable or potentially rising real interest rates.

**Interest Rates Outlook**
With the Budget's fiscal policies designed to improve economic stability, the Bank of England may have greater flexibility in managing interest rates. If inflation targets are achieved, this could potentially stabilise or even reduce rates over time, balancing growth with accessible borrowing costs for individuals.

These measures provide a stable environment for savers, with tax-efficient opportunities for ISA contributions, potential inflation reductions to preserve savings value, and a framework for potentially stable interest rates over the medium term.

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and the value may therefore fall as well as rise. You may get back less than you invested.

The levels and bases of taxation, and reliefs from taxation, can change at any time. The value of any tax relief generally depends on individual circumstances.

# PREPARE FOR EVERY SCENARIO WITH BESPOKE FINANCIAL PLANNING

Life is full of unexpected turns. Bespoke financial planning lets you prepare for every possibility, giving you peace of mind that your family's future is safe and secure.

# BUSINESS REGULATION AND SUPPORT

The Budget aims to raise over half of it's £40bn target from the increase in Employers National Insurance Contributions alone, but there are also other updates affecting business owners.

## BUSINESS RATES RELIEF

Supporting small businesses and high-street resilience, the small business rates multiplier is frozen at 49.9p for 2025-26, while the standard multiplier moves to 55.5p. Retail, Hospitality, and Leisure (RHL) properties receive adjusted relief—set at 40% with a maximum discount cap of £110,000. This relief aims to support the recovery and competitiveness of these sectors in the face of rising operational costs.

## HERE TO HELP.

We would encourage Business Owners and Company Directors to reach out to us if any of these changes are raising concerns.

## NIC ADJUSTMENTS

Employer NICs are set to increase to 15%, with the earnings threshold lowered from £9,100 to £5,000 from 6 April 2025. However, smaller businesses benefit from the increased Employment Allowance of £10,500, with the £100,000 limit being abolished (also from 6 April 2025).

## REAL-TIME BENEFITS REPORTING

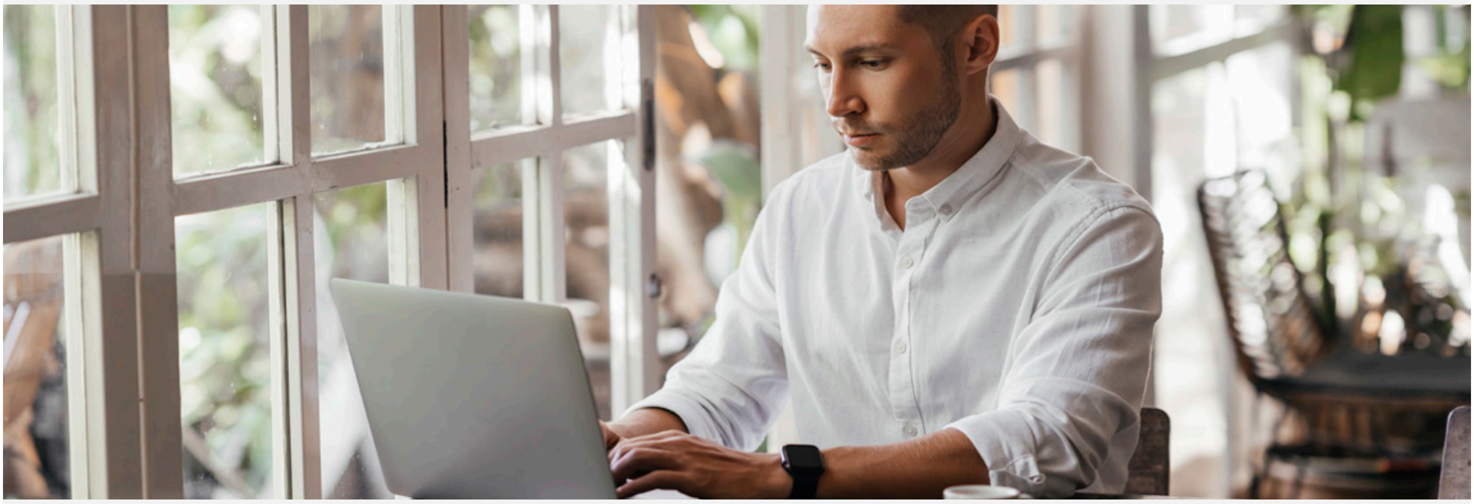
From April 2026, benefits provided to employees, known as Benefits in Kind (BIK), will shift to real-time payroll reporting. This system simplifies tax compliance, allowing employers to calculate and pay Class 1A NICs as they go rather than at the end of the year.

## NATIONAL LIVING WAGE

To help workers keep up with rising living costs, the National Living Wage will see a 6.7% boost, reaching £12.21 per hour in April 2025 for employees aged 21 and over. This increase reflects the government's commitment to ensuring wage growth aligns with inflation, providing essential support for lower-income households. Employers may need to adjust payroll budgets accordingly, particularly in sectors with many minimum-wage roles, such as retail and hospitality.

## OVERSEAS WORKDAY RELIEF

Part of the domicile reform, the Overseas Workday Relief now limits qualifying employees to claiming relief on the lower of 30% of their employment income or £300,000 per year. This measure is designed to simplify tax structures for those working both in and out of the UK, while limiting the tax advantages previously available to high earners. For employers with globally mobile employees, understanding these adjustments will be crucial in managing payroll for expat staff.



## COMPANY CAR TAX AND CAR OWNERSHIP RULES

With environmental sustainability in mind, the Budget includes gradual increases in Company Car Tax for electric vehicles (EVs), hybrids, and high-emission vehicles starting in 2028-29. Appropriate Percentages (APs) - the percentage of car value taxed as a benefit - will rise to 9% for zero-emission EVs and up to 39% for high-emission cars by 2029-30.

Additionally, new legislation is in the works to close tax loopholes in certain car ownership schemes where cars are sold to employees via favourable loan arrangements. These updates encourage greener vehicle choices and aim to tighten tax compliance.

# THE CORPORATE TAX ROADMAP

## The Corporate Tax Roadmap aims to provide stability, predictability, and certainty for businesses, supporting investment and long-term growth.

**Corporate Tax Cap:** The corporate tax rate is capped at 25% for the Parliament duration, keeping the UK competitive. The Small Profits Rate and marginal relief thresholds remain unchanged.

**Capital Allowances:** Full expensing is extended, and the £1 million Annual Investment Allowance remains. Plans to simplify the Capital Allowances Act 2001 will clarify what qualifies.

**R&D Tax Reliefs and Patent Box:** R&D incentives continue with the R&D Expenditure Credit and relief for SMEs. Patent Box and intangible assets reliefs are maintained, supporting innovative businesses.

**Other Incentives:** Audio-Visual Expenditure Credits and Video Game Expenditure Credits continue for eligible projects, while Land Remediation Relief is under review for Spring 2025.

**Transfer Pricing Reforms:** A consultation will assess transfer pricing adjustments, cross-border transactions, and tax treatment for cost contributions in 2025.

## At a glance

Corporate tax rate capped at 25%

Full expensing and R&D tax reliefs maintained

Capital allowance consultations set

The levels and bases of taxation, and reliefs from taxation, can change at any time. The value of any tax relief depends on individual circumstances.

# RISE IN EMPLOYER NATIONAL INSURANCE

## The 2024 UK Budget introduces a notable rise in Employer National Insurance Contributions (NICs).

The Employer NIC rate will rise from the current 13.8% to 15% starting from 6 April 2025.

The Secondary Threshold - the income level above which employers begin to pay NICs - will be reduced from £9,100 to £5,000 per year. This means employers will start paying NICs on employee earnings much earlier than in previous years. The threshold will remain at this level until April 2028, after which it is set to adjust in line with the Consumer Price Index (CPI).

To offset these changes for smaller businesses, the Employment Allowance will increase from £5,000 to £10,500. This allowance, which enables eligible employers to reduce their NIC bill, will also see an expansion in eligibility with the £100,000 limit being abolished (also from 6 April 2025), meaning that even more small businesses will qualify for this relief.

### HERE TO HELP.

Prudent financial planning can go a long way towards supporting Business Owners and Directors through the financial challenges they face.

We would encourage you to get in touch if any of these changes in taxation are a cause for concern.

The levels and bases of taxation, and reliefs from taxation, can change at any time. The value of any tax relief depends on individual circumstances.

# UPDATES FOR INVESTMENT SCHEMES

The 2024 UK Budget introduces enhanced incentives through the Seed Enterprise Investment Scheme (SEIS) and Enterprise Investment Scheme (EIS), both designed to support investments in UK startups with strong tax benefits.

## SEED ENTERPRISE INVESTMENT SCHEME (SEIS)

**Higher Investment Cap:** SEIS now allows individuals to invest up to £200,000 annually, with companies eligible to raise up to £250,000.

**Enhanced Tax Relief:** SEIS offers 50% income tax relief on qualifying investments, with CGT exemption on gains held for at least three years.

**CGT Reinvestment Relief:** Investors can defer CGT on other assets by reinvesting gains into SEIS companies.

## ENTERPRISE INVESTMENT SCHEME (EIS)

**EIS Extension:** EIS will extend beyond 2035, maintaining its £1 million annual cap, or £2 million for “knowledge-intensive” investments.

**Tax and Loss Relief:** EIS provides 30% income tax relief, CGT exemption on three-year gains, and loss relief to offset potential investment losses.

## VENTURE CAPITAL TRUSTS (VCTS)

**Ongoing VCT Benefits:** VCTs offer 30% income tax relief, with tax-free dividends and gains, making them attractive for diversified growth investments.

**Don’t invest in a SEIS, EIS or VCT unless you’re prepared to lose all the money you invest. This is a high risk investment. You may not be able to access your money easily. The legislation and, as a result, the tax treatment will depend on individual circumstances, may change in the future and could apply retrospectively.**

# ENVIRONMENTAL AND GREEN MEASURES

Focused on sustainable growth, the Budget provides green tax reliefs, EV incentives, and policies for emission reductions.

## EV AND COMPANY CAR INCENTIVES

Tax benefits for zero-emission vehicles remain in place, with Appropriate Percentages (APs) gradually increasing to 9% for zero-emission vehicles and 19% for hybrids by 2029-30. This supports businesses and individuals in adopting cleaner transport options.

## GREEN FIRST YEAR ALLOWANCE

Extended through 2026, this allowance offers a 100% tax deduction on zero-emission assets, encouraging investments in EV infrastructure and promoting sustainable business practices.

## AIR PASSENGER DUTY (APD) AND CLIMATE CHANGE LEVY

APD rises by £2 for short-haul and £12 for long-haul economy flights, with larger increases for business and private travel, aiming to discourage high-carbon travel options. From 2026-27, Climate Change Levy rates for gas, electricity, and solid fuels will adjust in line with RPI, aligning carbon costs with inflation.

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# INVESTMENTS AND PUBLIC SERVICES

## The Budget dedicates significant funding to healthcare, education, and infrastructure, targeting productivity and public service improvement.

The Budget will boost capital investment by over £100 billion over the next five years, including in transport, housing and research and development.

These investments aim to foster growth, improve public services, and strengthen communities across the UK.

### Healthcare
£22.6 billion allocated to the NHS will increase weekly appointments and fund facility improvements, enhancing healthcare access.

### Transportation
Investments in roads, rail, and bus networks will improve accessibility and regional connectivity, benefiting commuters and local businesses.

### Education
£2.3 billion for schools will support hiring 6,500 new teachers and £1.4 billion will fund infrastructure upgrades, improving learning environments.

### Housing
Funding for 1.5 million new homes addresses shortages and stimulates growth in both urban and rural areas.

### Social Services
Additional funding for community services aims to reduce homelessness and support local health and welfare programs.

### Green Energy
Significant funding supports renewable energy projects and power grid upgrades to promote sustainability.

# LOOKING FOR FINANCIAL CLARITY?

Professional financial planning helps to provide clarity and confidence, so that every decision is well-informed and aligned with your goals.

With expert support, you can feel empowered and secure, knowing each step is strategically tailored to your needs

# CONCLUSION AND CONSIDERATIONS FOR BUSINESS OWNERS

The 2024 UK Budget brings in several key measures that business owners may want to consider, impacting tax efficiency, investment opportunities, and payroll adjustments.

Here are some suggested areas to review:

**Consider Tax Efficiency Options:** Business owners may wish to explore corporate tax allowances like full expensing and R&D tax relief to potentially improve tax efficiency and support reinvestment in the business.

**Evaluate New Investment Incentives:** For companies interested in sustainable assets, incentives such as the Green First Year Allowance could allow for full deductions on eligible purchases, and EV incentives may provide cost savings on fleet investments.

**Plan for Wage and NIC Adjustments:** With the Employer NIC rate rising to 15% and the National Living Wage increasing, it could be beneficial to review payroll budgets and staffing needs to anticipate future expenses.

## SUMMARY

This guide highlights areas for business owners to consider in tax planning, investment incentives, and payroll management. For tailored guidance on aligning your business strategy with these changes, please reach out.

# CONCLUSION AND CONSIDERATIONS FOR INDIVIDUALS AND FAMILIES

For individuals and families, the 2024 UK Budget introduces key updates in estate planning, tax adjustments, and future investment options.

Here are some suggested areas to review:

**Review Estate and Retirement Planning:** With changes to Capital Gains Tax (CGT), Inheritance Tax (IHT), and domicile rules, it may be beneficial to revisit estate and retirement strategies to ensure they are tax-efficient and aligned with long-term goals.

**Consider Pension Planning in Light of IHT:** The updated IHT rules may impact how pensions are treated in estates. Reviewing pension planning could help maximise tax efficiencies and ensure that these assets align with inheritance goals.

**Assess Approach to Private School Fees:** For families with children in private education, the upcoming VAT on school fees could increase costs. Reviewing your approach to education planning may help manage this change effectively.

**Review Investment Planning:** Reviewing investment strategies to confirm that they are using the most tax-efficient approaches can support long-term financial goals and help in making the most of available allowances and reliefs.

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The value of any tax relief depends on individual circumstances.

## SUMMARY

This guide provides individuals and families with insights into estate planning, pensions, school fees, and tax-efficient investments to support informed financial decisions. Contact us to discuss how these changes may affect your personal financial plans.

FRANKLYN

**Our team will be pleased to answer any questions you may have, we warmly invite you to get in touch.**

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