Autumn Budget 2024 webinar – our experts have answered your questions

Inheritance Tax changes

Following changes to IHT on business property relief, is there any impact to shares in Limited Companies from an IHT perspective?

Yes. Shares in limited companies can qualify for Business Relief from IHT (provided qualifying conditions are met) so some will be directly affected by the new limits. Limited company shares listed on a stock exchange that is not "recognised" ie AIM, will also be affected with relief only being available at 50% in future and they will not benefit from the £1m band of relief at 100%.

Are gifts of business assets to trusts still free of the initial 20% charge, or is this now at a 50% reduced rate = 10%?

The government will publish a technical consultation in early 2025. This will focus on the detailed application of the allowance to lifetime transfers into trusts and charges on trust property. This will inform the legislation to be included in a future Finance Bill.

EIS qualifying shares typically fall within the Business Relief (100%) exemption for IHT purposes if held for two years at time of death - do we know yet whether the changes to Business Relief will affect this from 6 April 2026 onwards (i.e. unquoted shares)?

Yes - EIS shares that qualify for IHT Business Relief will be affected by the changes from April 2026 onwards.

Are Employee Own Trusts still tax favourable from an IHT/CGT basis?

Yes, the potential CGT advantages of selling your business to an EOT will continue as do the IHT advantages provided there is a qualifying two-year ownership period prior to the disposal. However, it should be remembered that post-sale, the cash proceeds will form part of your estate for IHT purposes so gifting them to the next generation will need to be considered to try to mitigate the potential IHT charge on death.

Does making a significant donation to charity still give you a one off offset to other CGT/IHT requirements?

Yes - there are generous Income Tax, CGT and IHT reliefs for gifting assets to charities, these have not changed.

When you make payments to dependents out of living expenses with no deleterious effect, will that still be untaxed? Or caught in IHT?

The IHT rules for making gifts out of surplus income have not changed, but clear documentation and careful planning is required if you wish to use this to reduce the value of your estate for IHT purposes.

Has the impact on the UK farming sector from this (£1m limit) been estimated?

The summary document published with the Budget shows HMRC analysis from 2021/22. See here .

How do you imagine IHT-efficient investment 'products' (as opposed to portfolios of direct AIM stocks) might be viewed going forward?

With any change to capital taxes there will always be a need to reconsider past estate planning advice given to individuals and we would expect planning techniques to change in the future. Exactly how insurers and other "product" providers will change their offers remains to be seen as we are some way off having the final legislation on these changes.

For IHT, if i transfer BR assets today and die before Apr26 is this exempt? or 20% on everything over £1m?

Where an individual die before 6 April 2026, the current IHT BR rules will apply for both death and earlier lifetime transfers. If a lifetime gift is made before 6 April 2026 but the individual dies after 6 April 2026, the new rules (£1m band and 50% exemption on the rest of the gift value) will apply if the individual dies within 7 years of making the gift (subject to the usual tapering).

How will valuations be considered for IHT on unquoted investments?

No change to valuation methods was announced.

IHT, what is the definition of a direct descendent? Where an estate is left to a trust (beneficiaries are grandchildren). Does the payment to the trust qualify as a payment to a 'direct descendent'?

HMRC's guidance on who is a "direct descendent" for the purposes if the IHT Residence Nil Rate Band can be found here. Where there is a transfer to a trust it will depend on the type of trust see HMRC guidance here.

Is the inheritance tax dependent on domicile/residence of deceased/donor or receiver?

It is the domicile (in future, residence status) of the deceased/donor that affects the IHT treatment.

On forestalling measures - can you provide an example of the impact of the change? Say you handed over £1m in assets on 29th October or 31st October 2024. Then subsequently dies 3 years after. What tax is being paid in both scenarios.

In relation to assets qualifying for business property relief or agricultural property relief - the new rules will apply for lifetime transfers on or after 30 October 2024 if the donor dies on or after 6 April 2026 and within three year of the gift (but the PET rules apply for deaths over 7 years after the gift with tapering for deaths between 3 and 7 years after). For gifts made on 29 October 2024 or earlier, the current lifetime 100% business property relief / agricultural property relief would apply provided the recipient still held the asset at the owner's death.

With pensions coming into inheritance tax in 2027, should people look to put these into a trust in order to maximise the amount they can pass onto their family?

Pensions cannot be put into trust in the same way as other assets, but many individuals will be rethinking their wealth structuring and financial plans now that pensions will be subject to IHT. This might include realising benefits from the pension and using these funds to make gifts to individuals or trusts.

I always viewed DC pensions as deferred income. Is bringing it into scope for inheritance tax changing this to a capital asset or is it now subject to inheritance (capital tax) and income tax - potentially 40% inheritance tax and 45% income tax?

As you regard your pension fund as 'deferred income', perhaps the best way to think of this is that it crystalises into capital on your death. Then it will be taxed at IHT (up to 40% effective rate). Rather than then being paid out, the balance will remain in a tax-free fund for your beneficiaries to draw on - and they will pay income tax at their marginal rate at that point. Thus, the combined tax charge could be up to 67% (40% IHT + up to 45% income tax on the remaining 60%).

Will trust based Pension (SIPP SSAS) all be caught by new IHT legislation?

Broadly yes, residual pension values on death in a defined contribution scheme like a SIPP and any death benefit from a SSAS will be part of the individual's estate for IHT purposes. However, remember that transfer to spouses on death will remain free of IHT.

For the IHT being introduced on unused pensions. If an unused pension pot is £1m at death, is it correct that £400k IHT would be payable, and then income tax (at marginal rate) is payable on the balance of £600k? So possibly up to a 67% overall effective tax charge?

Yes, that seems to be the way it will work - although these changes are still subject to a consultation exercise so this may yet change in some circumstances.

The duplication of IHT and IT on pensions seems to be harsh. Do you expect some form of rebasing or credit given for beneficiaries?

These reforms are subject to consultation so this may change but, at this point, we do not expect any rebasing provisions to be forthcoming.

Has there been any commentary on what the effect of including pensions within IHT will mean in terms of tax raised, people subject to IHT and how this will work practically? I assume it also only relevant to defined contribution vs benefit schemes?

The Government estimates that including residuary values of defined contribution schemes and death benefits of defined contribution schemes will collect £1.46bn a year by 2029-30. It will be the responsibility of the pension scheme administrator and the personal representatives of the deceased to calculate what IHT is payable on any taxable funds although HMRC will provide "a new online calculator" to help with this.

Will the spouse exemption still apply for IHT on pensions (so does the tax only apply on the second death)?

Yes, the general IHT exemption for transfers between spouses will apply where residual pension funds are inherited.

Residual pension pots will be subject to IHT from 6 April 2027...will Death in Service also fall under this regime?

Death in service payments are from a life insurance arrangement and not linked to pension death benefit lump sum payments so do not fall within these new rules.

Will IHT on pensions lead to more people setting up Trusts?

Pensions cannot be put into trust in the same way as other assets, but many individuals will be rethinking their wealth structuring and financial plans now that pensions will be subject to IHT. This might include realising benefits from the pension and using these funds to make gifts to individuals or trusts.

May people be more reluctant to do a bonus sacrifice into pension scheme given pension may come under IHT?

That will depend on their personal financial situation and other assets, but the IHT change does reduce the attractiveness of holding large amounts that may not be needed for retirement in a pension fund.

As regards SIPPS, does the 75 age threshold still apply? Is it correct that IHT would after 6 April 2027 only apply upon the second death?

Yes, the age 75 threshold is still relevant for inherited pensions in terms of whether beneficiaries pay income tax when drawing down on an inherited pension (if someone dies before age 75 and beneficiary income drawdowns are tax free). The spouse exemption for IHT applies to inherited pensions so yes if the whole of an estate is left to a spouse there for be no IHT on the first death.

Capital gains tax

Any changes to use of previously incurred capital losses?

There are no changes to the rules for capital losses. Losses are first set off against gains subject to the higher rate of tax, so losses will now be more valuable.

Will CGT tax packs for disc funds have a split year look for ease of disclosing to HMRC?

It will be for individual investment managers to determine how they prepare their annual tax packs for 2024/25. For portfolios with large numbers of disposals it would make the reporting easier if the gains are split out 06/04/2024 to 30/10/2024 and 31/10/2024 t0 05/04/2025.

As BADR remains at 10% until April 2025, will gains up to £1m be charged at 14% (24-10)% in the period up to 6 April 2025?

BADR applies to gains up to £1million. In 2024/25 the qualifying gains will be taxed at 10% (with any excess taxed at either 20% or 24% depending on the date of disposal). In 2025/26 the BADR gains will be taxed at 14% (with any excess taxed at 24%) and in 2026/27 the BADR gains will be taxed at 18% (with any excess taxed at 24%).

About change in CGT treatment for the alternative finance (refinancing), this will be treated same as conventional mortgage. If this new legislation is applicable from 30 Oct 2024 - what will happen to the individuals who are currently dealing with HMRC to avoid paying CGT?

It is disappointing that the changes only apply from 30 October 2024 onwards.

Are there any changes to Gift Holdover Relief?

No - there are no changes to CGT holdover relief.

Do buy-to-let properties come under the Residential Property umbrella, so remain at 24% for higher rates?

Yes

Any changes on EIS?

No - there were no changes to EIS relief.

What will the CGT impact be on EMI gains?

Enterprise Management Incentive shares can qualify for BADR under the current rules and the rules after 5 April 2025. Therefore, where EMI shares qualify for BADR in future years, the individual will pay the higher effective rates of CGT as applicable at the date of disposal.

How is the 34.1% carried interest rate calculated? It looks as if that is 45%+2% = 47% x 72.5%. Has the government confirmed that this is the intent - ie. to include the NI element in the new regime from 2026?

Yes - the Government does intend to charge income tax and class 4 NIC on carried interest, the taxable amount being after an adjustment by a 72.5% multiplier for additional rate taxpayers. The government will consider whether and how it is appropriate for the multiplier to also be applied to other tax bands - see 3.2 and 3.15 of this document.

If carried interest is taxed at 34% and NICS applies, then when carry is generated the 15% NICS liability will presumably not be borne by employers which would mean the effective tax is far more like income tax?

The Government intends to include Class 4 NICs in this fraction to arrive at the effective 34.1% rate - see 3.14 of this document .

What are the next steps now? What is the timing for the financing bill to be voted? Can we expect any amendment during the during the discussions at the parliament?

The Finance Bill has now been published and we would expect it to be given Royal Assent before 1 April 2025. But please remember that many of the Budget proposals for future tax years will not be legislated until later Finance Bills.

Non-domiciles

Have the non-dom rules changed much since the previous announcement?

The rules for non-doms are clearer especially on IHT and the transitional rules are more generous - although there are some technical issues still to be ironed out.

Do we have any detail on the practical application of the ten-year tail on IHT for those leaving the UK?

There is limited guidance and know the tail will be between 3 and 10 years depending on how long a person has lived in the UK (e.g. between 10-13 and 20 of the previous 20 years). It should be noted that for people who leave the UK before 6 April 2025, the tail will only be for 3 years for deemed domiciles and 10 years for UK domiciles. For those non-doms below 15 years there is no tail is they leave before 6 April 2025.

I have been a deemed dom for some time, having paid the remittance fee. It looks like I can no longer re-base. What happens to assets held from before 05/04/2017 on their sale?

If you were deemed domiciled as at 6 April 2017 you will still benefit from rebasing provided you are non-domiciled under general law. If you became deemed domiciled later rebasing is not available and the original cost base of the asset would still need to be kept outside of the UK upon disposal to avoid a remittance.

The full gain would be taxable regardless. However, it should be possible to designate the original cost base income and gains under the temporary repatriation facility after April 2025 if desired.

What is the situation with purchased life interest trusts where the settlor is still non-dom but beneficiaries are UK resident? Also, where income and gains are taxed on UH beneficiaries is this income and gains in the trust or could also be on underlying companies?

This is two separate questions:
In respect of the purchased life interest trust, this is difficult to answer without more information as there are many variables to consider. Currently whether the non-UK property qualifies as excluded property in a QIIP depends on the domicile status of the settlor alone. From 6 April 2025 the draft legislation includes an additional test so that the property comprised in the settlement is only excluded property if both the settlor and the QIIP beneficiary are not long-term resident. If the settlor dies before 6 April 2025 this additional test will not apply. There are also transitional provisions for non-UK assets held at 30 October 2024 in an existing QIIP.

For the income and gains query, again this is dependent on the specific circumstances of the trust. Under the draft legislation, all income arising in a settlor interested trust and underlying company can be taxed on a UK resident settlor as it arises if the transferor has the power to enjoy the income or the capital sum conditions are met.

Do the new rules on non dom status effectively mean foreign income is taxable regardless of whether it's remitted to the UK?

Yes - once an individual has exceeded four tax years of UK residence, foreign income and gains will be taxable in the UK regardless of whether they are remitted here or not.

If US resident loses non-dom status in UK and receives inheritance from US, (for example, parents give to children as beneficiaries), are those proceeds taxed in UK although they are exempt from US taxes?

Regardless of domicile, UK-resident beneficiaries are not taxed on capital assets inherited from overseas but once inherited, those assets will be within the UK tax net - so any income or gains they generate will be taxable in the UK (even if they are sited outside the UK) and will be within the beneficiary's estate for UK IHT purposes.

Employment taxes

Are the employers NIC increases and threshold cutting applying equally to public sector employers or is there some sort of reimbursement to schools, hospitals etc?

Yes, the new NIC rules will apply to public sector employers. We understand that the Government will make central funding available to offset this cost through increases to staffing budgets.

What is the eligibility for the employment allowance?

Currently the Employment Allowance is only available to employers paying less than £100,000 NIC a year (but not for all employee types e.g. domestic staff like nannies do not qualify for this). Under the new rules the £10,500 for 2025/26 will be available to all employers of qualifying employees.

Do BADR rate changes apply to the disposal of shares from EMI options?

Yes - EMI shares can qualify for BADR under the current rules and the rules after 5 April 2025.

I could not see any impacts on any form of salary sacrifice. Is this correct

Yes. Salary Sacrifice arrangements are not affected by the Budget announcements - other than making them more attractive to employers as an option for employee remuneration packages.

EOTs - requirement for sellers to EOTs to provide information on sale proceeds and employee numbers when claiming CGT relief - BDO "Autumn Budget 2024: Everything you need to know" says this is effective for disposals after 5 April 2024, but draft legislation seems to says it applies for claims made on or after 6 April 2025 - please can you clarify?

To clarify, the changes to the EOT CGT and IHT relief conditions take effect from 30 October 2024 (Budget Day). The rules for the administrative process of claiming the relief apply for the current tax year onwards - ie for any EOT transactions from 6 April 2024 onwards.

Will the tax benefits of EMI schemes remain the same?

Yes - although those who qualify for CGT Business Asset Disposal Relief on sale of EMI shares will end up paying a higher effective tax rates for disposals in future tax years.

Does offering salary sacrifice pension arrangements bring in a risk of employees falling foul of NMW levels if they are above NMW now but reduce salary through sacrificing for better pension contributions?

Yes - this a potential risk and employers will need to consider the position of low paid employees carefully when implementing any salary sacrifice arrangement for their workforce.

IR35 and umbrella company change - implications?

Companies that are end users of the worker provided through an umbrella company will need to pay even closer attention to the PAYE and NIC position of the worker and, even where an employment agency is involved, careful due diligence on your labour supply chain will be essential going forward.

Do you have to take salary sacrifice for pensions into account when looking at minimum wage payments?

Yes, you do - the calculations of pay for NMW can be very complex.

Payrolling benefits - how does that impact current PSAs?

The impact is to remove the ability to use the P11D so your PSA agreement will remain the same, but any BiKs (other than loans and accommodation) provided outside the PSA will have to be payrolled from 26/27.

Not sure if this will be covered.... what are the changes for s455, please?

New anti-avoidance legislation applies from Budget day where a loan from a close company to a participator is repaid within the 9 month period but replaced by another loan from another company in the group or an associated company. In such cases, the S455 will apply with an additional TAAR that if the S455 does not apply there is an income tax charge on the participator.

Will beneficial loans need to be payrolled and how will this be done?

At some point the government has plans to mandate payrolling beneficial loans but no details yet available. In the meantime, you can continue to use P11D for loans from 2026/27.

For petrol/diesel cars did you say the BiK will no longer be based on CO_2 emissions?

No - CO_2 emissions are still a factor in benefit in kind charges and the rate of charge for each level of emissions will gradually increase in future tax years.

In terms of the NI changes does this impact the upper secondary threshold?

No there is no change to the Upper Secondary Threshold.

If a company pays part of a pay increase through increased pension contributions will that avoid the NIC increase?

There will be NIC savings for employers in increasing employees' overall remuneration by paying higher pensions contributions v paying a higher salary.

Are there any implications for salary sacrifice e.g. nursery vouchers?

The increase in employers NIC may well make salary sacrifice arrangements more attractive for employers to offer but there are no specific changes that would affect the treatment of 'nursery vouchers'.

Corporate taxes

Have there been any changes to the Electricity Generator Levy or has this remained the same?

The levy increased to 38% from 1 November and will run until March 2030.

Are gains in companies charged at CT rates or the new CGT rate?

Capital gains made by companies continue to be taxed at the relevant corporate tax rate.

I thought I heard Reeves talk about increased interest on late paid tax-but haven't found the announcement?

Yes, there will be a 1.5% increase in the prevailing interest rates on late paid tax from 6 April 2025 onwards.

What taxes do you see changing / materially increasing in future budgets the current government will deliver?

Given the statements made in the Corporate Tax Roadmap and the fact that the Chancellor has acknowledged that this is an "extraordinary" Budget, we would not expect such widespread tax changes in the next few Budgets unless the economic situation changes dramatically. The

Chancellor seems intent to have a period of stability. However, we would expect future Budgets to contain ever more anti-avoidance legislation.

Will there be an L day / tax administration day when draft legislation from the budget and consultations launched

Yes - we expect that measures subject to consultation starting in January, will result in draft legislation being published at an 'L' day in summer 2025 or 2026.

Was anything mentioned in the budget around investing in the UK's EV infrastructure?

The Government announced that it will be "Investing over £200 million in 2025-26 to accelerate EV charge point rollout, including funding to support local authorities to install on-street charge points across England."

So, no significant changes to VGTR/VGEC included in the details? Do we expect anything in the future?

No - we would expect these to reliefs to be maintained at their current level to bring the "predictability" that the Government says it wants to achieve on business taxes for this Parliament.

Most small businesses in RHL including our franchise partners will see an effective near doubling in Business Rates - on 6-4-25 75% relief ends to be replaced with 40% relief. This will have a huge impact on most RHL businesses - is my understanding correct?

Yes, the new rate of Business Rate relief will only be 40% for 2025/26 for retail, hospitality and leisure businesses.

Anything on R&D investment? Has there been a change in the definition of an employee vs a worker?

The Government has announced that there will be no changes to the rates of R&D relief for the rest of this Parliament. It has also announced a technical correction to the legislation on the costs that are counted for companies seeking the meeting the "intensity" condition for the SME scheme. While it plans to enhance the administration of R&D reliefs by establishing the "R&D expert advisory panel" and continuing to improve signposting and guidance on R&D reliefs there was no specific comment on the definition of an employee v a worker.

Was there any announcement on Make Tax Digital - Corp Tax?

No - MTD for corporation tax was not mentioned in the Budget but the roll out of MTD for income tax self-assessment will continue.

Indirect taxes

Will private tuitions (not school but outside school tuitions) be also covered by new VAT?

No - the changes only apply to schools. There should be no change to the VAT rules for individuals providing tuition on a self-employed basis.

Is it true that these schools could backdate VAT claims by 10 years?

There are certain sorts of capital spend on buildings, which schools may be able to partly recover some VAT on even where the spend occurred a number of years ago. It will depend on the nature and size of the spend, with more VAT recovery possible the more recently the costs were incurred.

When does the increase passenger duty increase apply from?

The Air Passenger Duty changes take effect from 1 April 2025 and there will also be RPI increases from 1 April 2026.