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Webinar format

- You’re on mute – please input questions via the question box
- There will be interactive polls throughout the webinar
- A recording of this webinar, along with a copy of our summary document, will be available on our website **www.larking-gowen.co.uk**

For more information contact:

budget@larking-gowen.co.uk

0330 024 0888

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Running order

12:00	Introduction & presentation
12:45	Q&A
13:00	Close

Sally Farrow - Private Client, Trusts & Probate Partner

Sally is the lead partner in our dedicated Private Client and Trusts team.

Sally oversees tax compliance services and has particular focus on tax planning and advisory services.

Sally has over 20 years’ experience and is a Chartered Tax Advisor and a member of the Society of Trust and Estate Practitioners.

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Jordan Smith

Assistant Manager

Private client changes

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Income Tax

Income Tax

- Headline is no changes to income tax rates
- Rate band thresholds frozen until April 2028 – then increase in line with inflation
    - This takes us up until the next election and not set in stone
    - Continued fiscal drag – people moving into higher rate tax with wage rises

High Income Child Benefit Charge

- Scrapping reforms for household income basis
- To simplify reporting:
    - Employed individuals can report via their tax code
    - Self-assessment tax returns will be prepopulated
    - Government exploring better data sharing – hopefully, this will apply to other services

Reliefs

- ISA allowances remains – £20,000 until 2030
- EIS/VCT continuing until at least 2030 (but IHT benefits restricted)

Other

- Unpaid interest increased by 1.5% from 6 April 2025 – 9% up from 7.5%
- MTD plans remain threshold down to £20,000 by end of parliament

Capital Gains Tax (CGT)

CGT rates for disposals from 30 October 2024 increased to match those for residential properties

From 10% to 18% for gains within the basic rate tax band, and
from 20% to 24% for those above the higher rate threshold

Business Asset Disposal Relief (BADR) rates to be gradually increased, lifetime allowance to remain at £1m

Current rate of 10% continues until 5 April 2025

increases to 14% for disposals during 2025/26

increases to 18% for disposals from 2026/27 onwards

Investors' Relief lifetime allowance reduces from £10m to £1m with effect from 30 October 2024, rates to be increased in line with BADR

CGT rates for carried interests to increase from 18% and 28% to a flat rate of 32% for 2025/26, prior to being subject to income tax from 6 April 2026 onwards

Inheritance Tax (IHT)

- Rates frozen until 2030 (previously 2028)
  - Nil Rate Band - £325,000
  - Residence Nil Rate Band - £175,000

- Unused pension funds and death benefits payable from a pension into a person’s estate will fall into the scope of IHT from April 2027

- From 6 April 2025, land managed under an environmental agreement with UK government, devolved administrations, public bodies, local authorities or approved responsible bodies will qualify for Agricultural Property Relief (APR)

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IHT – Reform of APR and BPR

From 6 April 2026 (but applies to lifetime transfers on or after 30 October 2024 if donor dies on or after 6 April 2026):

- First £1m of combined agricultural and business property will qualify for 100% relief
- Thereafter, remaining property will qualify for 50%
- Shares designated as ‘not listed’ on the markets of recognised stock exchanges (e.g. AIM shares) will only qualify for 50% (no £1m allowance)

- **Assets automatically receiving 50% relief will not use up £1m allowance (AIM shares).**

- **Any unused allowance is not transferable between spouses/civil partners**

Impact on Trusts:

- Trusts set up by the same settlor before 30 October 2024 will each have a £1m allowance
- Government intends to introduce rules to ensure the allowance is divided between Trusts set up by the same settlor on or after 30 October 2024 – early 2025 consultation

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Non Domicile Tax Changes – from 6 April 2025

Income Tax and Capital Gains Tax

- New arrivals will benefit from 100% relief on foreign income and gains (including distributions from non resident trusts) for first four years of being UK tax resident if they have 10 consecutive years of not being taxed in the UK prior to their arrival
- Must be claimed and, if claimed, individual will lose entitlement to personal allowance and capital gains tax annual exempt amount
- For CGT purposes, transitional arrangements will apply for current and past remittance basis users who will be able to rebase foreign assets held on 5 April 2017 to the day when they dispose of them

Inheritance Tax

- Replaced with a new residence-based system which will affect the scope of non-UK property brought into UK IHT for individuals and trusts

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Abolition of the Furnished Holiday Let property regime

- Current regime for Furnished Holiday Let rental accommodation to be abolished with effect from 6 April 2025

- **The income tax advantages that will be lost are:**

  - Mortgage interest relief can be deducted as an expense
  - Capital allowances are available on furnishings
  - Profit shares for property owned by spouses can be varied annually

- **CGT benefits which will no longer apply:**

  - Business Asset Disposal Relief on disposals
  - Holdover relief on transfer of FHLs
  - Rollover relief on qualifying gains invested in the purchase of FHLs

- Profits/losses from FHLs will be assessed as rental property profits/losses

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As a result of most pensions being brought into the scope of IHT, will it…

a. discourage individuals from putting money into their pensions?

b. have no impact on individual behaviours?

c. encourage drawdown on pensions to make lifetime gifts?

Duncan Saxby

Tax Manager

Employment Taxes

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National Insurance Contributions (NICs)

- **Employers’ Class 1 NICs increasing from 13.8% to 15.0%**
- **Employers’ Class 1 NICs threshold reduced from £9,100 pa to £5,000 pa**
- **Changes in NIC to be introduced from April 2025**
- **No employers’ Class 1 NICs on pension contributions**
- **Potential consequences of increasing employers’ Class 1 NICs include:**
  - Increased costs for businesses
  - Lower profits
  - Lower corporation tax receipts for the government
  - Lower wage rises for employees
  - Fewer jobs, higher unemployment
  - Increased prices, higher inflation, higher interest rates

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NICs for 2025/26

Class 1 (employees and employers)

- Primary threshold £12,570 – no change until April 2028
- Secondary threshold £9,100 – reduced to £5,000
- Upper earnings limit £50,270 – no change until April 2028
- Employees £0 - £12,570 – no NICs, £12,571 - £50,270 – 8%, over £50,270 – 2%
- Employers £0 - £5,000 – no NICs, over £5,000 – rising to 15.0%
- Employment allowance £5,000 pa increased to £10,500 pa – offset against employers Class 1 NICs – only available to employers with employers' Class 1 NICs below £100,000 in the preceding tax year (small companies)

Class 1A and Class 1B (employers)

- Employers – 13.8% rising to 15.0%

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How much is raised in 2025/26 by reducing the employers Class 1 NIC threshold and increasing the employers Class 1 rate?

a. £18 billion
b. £24 billion
c. £30 billion

Changes to NICs –
Single employee on average earnings

	Old rates 2024/25	**New rates 2025/26**
Gross salary	36,000	36,000
Employers’ secondary threshold	(9,100)	(5,000)
	26,900	31,000
Employers’ NICs	3,712	4,650
Increase in employers’ NICs		938

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Changes to NICs – Single director company

	Old rates 2024/25	New rates 2025/26
Gross salary	9,100	9,100
Employers’ secondary threshold	(9,100)	(5,000)
	0	4,100
Employers’ NICs	0	615
Employment Allowance	(0)	(0)
Net employers’ NICs	0	615
Increase in employers’ NICs		615

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Changes to NICs –
Business with five employees earning £25,000 each

	Old rates 2024/25	New rates 2025/26
Gross salary	125,000	125,000
Employers' secondary threshold	(45,500)	(25,000)
	79,500	100,000
Employers' NICs	10,971	15,000
Employment Allowance	(5,000)	(10,500)
Net employers' NICs	5,971	4,500
Decrease in employers' NICs		1,471

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Changes to NICs –
Business with 200 employees earning £40,000 each

	Old rates 2024/25	New rates 2025/26
Gross salary	8,000,000	8,000,000
Employers’ secondary threshold	(1,820,000)	(1,000,000)
	6,180,000	7,000,000
Employers’ NICs	852,840	1,050,000
Employment Allowance	(0)	(0)
Net employers NICs	852,840	1,050,000
Increase in employers’ NICs		197,160

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Bonus v Dividend

- Each case needs to be considered independently
- The decision will depend on the precise facts and circumstances
- But (generally) profit extraction strategy unchanged by Budget:
  - Basic rate taxpayer – dividend
  - Higher rate taxpayer – bonus
  - Additional rate taxpayer – bonus
- Employers’ NICs at 15.0%, dividend rates unchanged

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Bonus vs Dividend—illustration

	Bonus (£)	Dividend (£)
Gross payment	113,208	98,928
Income tax		
Additional tax rate (45%)	(50,944)	-
Dividend additional tax rate (39.35%)	-	(38,928)
NIC		
Employees (2%)	(2,264)	-
Net cash receivable by individual	60,000	60,000
Gross payment	113,208	98,928
NIC		
Employers' NIC (15.0%)	16,981	-
Corporation tax saving		
(Salary + Ers' NIC @ 25%)	(32,547)	-
Net cost to company	97,642	98,928
Total amount to HMRC	37,642	38,928

Assumptions

- Director/shareholder wishes to extract net cash of £60,000
- Director/shareholder is an additional rate taxpayer
- Dividend additional rate is 39.35%
- Employees' NICs rate is 2%
- Employers' NICs rate is 15%
- Corporation tax at 25%
- Illustration for the tax year 2025/26
- Each case must be considered independently

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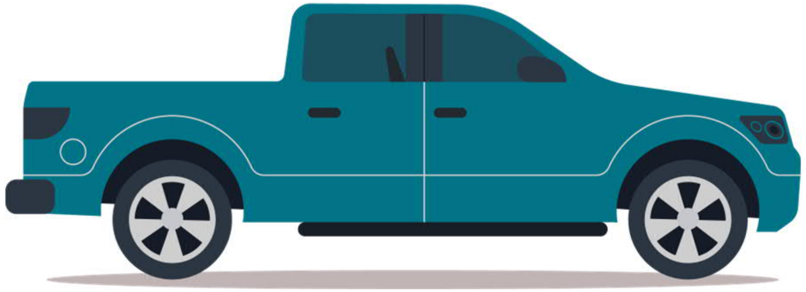
Benefits in Kind

Changes to Benefits in Kind

Cars

- List price of car multiplied by chargeable percentage
- Chargeable percentages at maximum 37% until April 2028 then increased by 1% per year from April 2028
- Electric cars percentage increasing by 1% per year until April 2028 then by 2% per year from April 2028, so 9% from April 2029
- Double cab pickups with payload of 1 tonne or more to be treated as cars from 6 April 2025
- Transitional measures apply for four years for double cab pickups ordered, leased, purchased before 6 April 2025



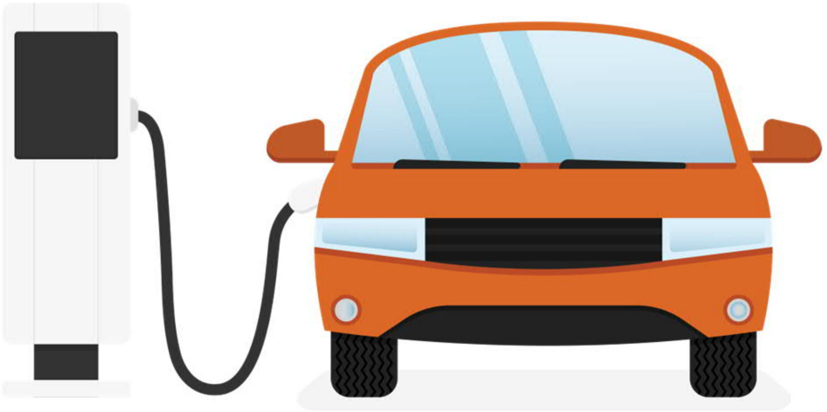
Vans

- Chargeable amount increased from £3,960 to £4,020 from April 2025
- Double cab pickups treated as vans until 6 April 2025
- Planning point – buy double cab pickups before 6 April 2025

Benefits in Kind

Fuel

- Employer provides fuel for private motoring in employer-owned car – chargeable percentage multiplied by chargeable amount
- Chargeable amount increasing from **£27,800 to £28,200**
- Employer provides fuel for private motoring in employer-owned van – chargeable amount increasing **from £757 to £769**



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Benefits in Kind

Changes to Benefits in Kind

- Benefits to be payrolled from April 2026
- Initially excludes living accommodation and employment related loans with a phased introduction
- Class 1A NICs on payrolled benefits
- Official rate of interest for beneficial loans – annual change in rate revoked so potentially changing quarterly from April 2025
- Planning point – ensure that rental agreements for expensive accommodation provide for rents to cover increased interest rates
- Planning point – ensure loan agreements provide for variable interest rates to ensure there is no benefit

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National Minimum Wage

Increases in the National Minimum Wage (NMW) and National Living Wage (NLW)

- From April 2025

NMW

- Workers under 18 years of age, including apprentices, – from £6.40 to £7.55 per hour
- Workers aged 18 to 20 years – £8.60 to £10.00 per hour

NLW

- Workers 21 years of age and over – from £11.44 to £12.21 per hour

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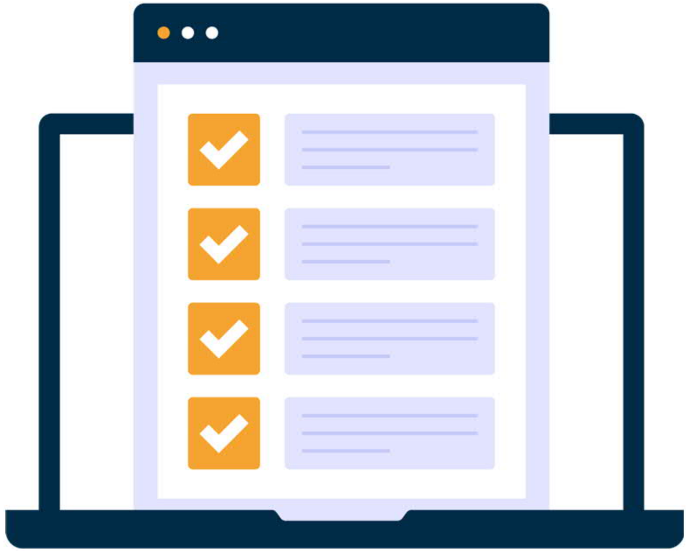
Other measures

- No changes to flexible benefits (optional remuneration or OpRA) or salary sacrifice
- EBTs and EOTs – a number of changes to be introduced from 30 October 2024
- No employers' Class 1 NICs on pension contributions
- Off payroll working - umbrella companies – legislation from April 2026 to make agencies or engagers responsible for PAYE on payments to workers
- NICs holiday for employers hiring qualifying veterans is extended for another year to April 2027



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Gillian McGill

VAT Director

VAT update

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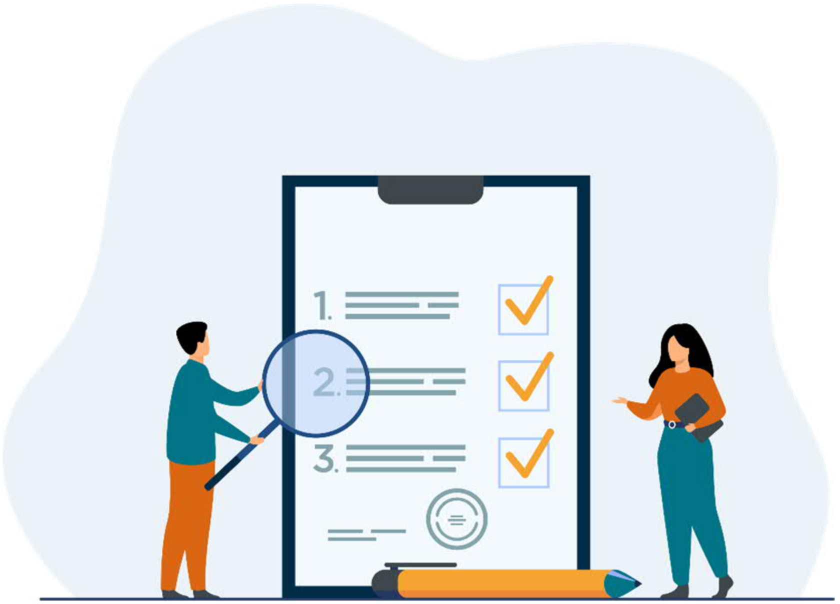
VAT on private school fees

What we knew pre-Budget

- Private schools required to VAT register
- VAT registration timing dependent on various factors
- School fees and boarding are taxable at 20% but closely related supplies remain exempt
- Pre-registration input VAT recoverable subject to certain rules
- SEND pupils will be subject to VAT at 20%
- Tour Operators Margin Scheme to be applied to trips



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VAT on private school fees

What do we know now?

- Nursery fees remain exempt where composed of wholly or **almost wholly** children under compulsory school age
- Before or after-school childcare, or childcare-based holiday clubs that consist of care will continue to be exempt from VAT
- Rates relief continues for special schools
- Continuity of Education Allowance funding increased
- Courses provided by private schools, that teach English as a foreign language, will continue to be exempt from VAT

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VAT on private school fees

What do we still not know?

- Whether school lunches will be treated as part of the main supply or a closely related supply for boarders
- Still require clarification on non-business
- What level of bursaries will be considered non-business by HMRC, if any
- How TOMS is going to work

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Poll Time

How much extra revenue will introducing VAT on private school fees and abolishing charitable relief generate?

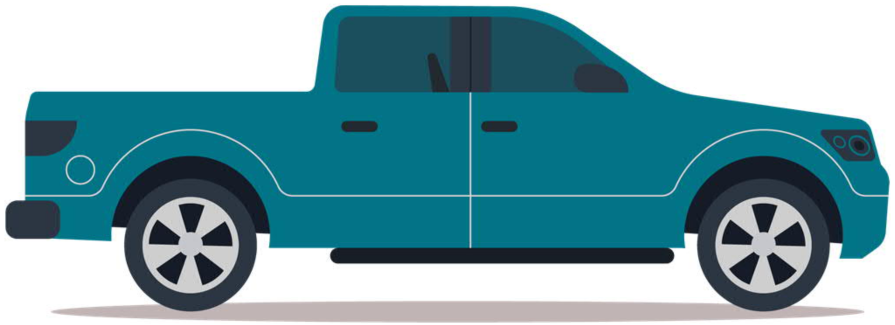
a. 1.6 billion
b. 1.8 billion
c. 2 billion
d. 1.4 billion

Other changes

VAT registration threshold remains at £90,000

VAT on double cab pickups

- No guidance published to change the VAT treatment of double cab pickups, but this change may happen
- At present, double cab pickups are treated as vans and VAT is recoverable in full on lease payments
- Input VAT recovery on outright purchase is dependent on whether the van will be used for fully commercial purposes or whether there will be private use and, as such, an apportionment would be required



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Dominic Carter

Business Tax Partner

Company and business tax update

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Corporation tax rates

Corporation tax rates maintained at current (2024/25) levels for 2025/26 and the duration of the parliament

- Main rate – 25% (taxable profits above £250k)
- Small profits rate – 19% (taxable profits below £50k)
- Marginal rate applicable between the profits thresholds

Other points to consider

- Change from ‘51% group companies’ to ‘associated companies’ under common control came in w.e.f. 1 April 2023 for
  - The division of the profit thresholds
  - Payment dates
  - Quarterly instalment payments (QIPs) regime (thresholds at £1.5m and £10m)
  - Very large 'SuperQIPs' regime (threshold of £20m)
- The impact on the change from 51% group companies to associated companies for payment dates purposes is now being well and truly felt
- More companies likely to pay their tax earlier

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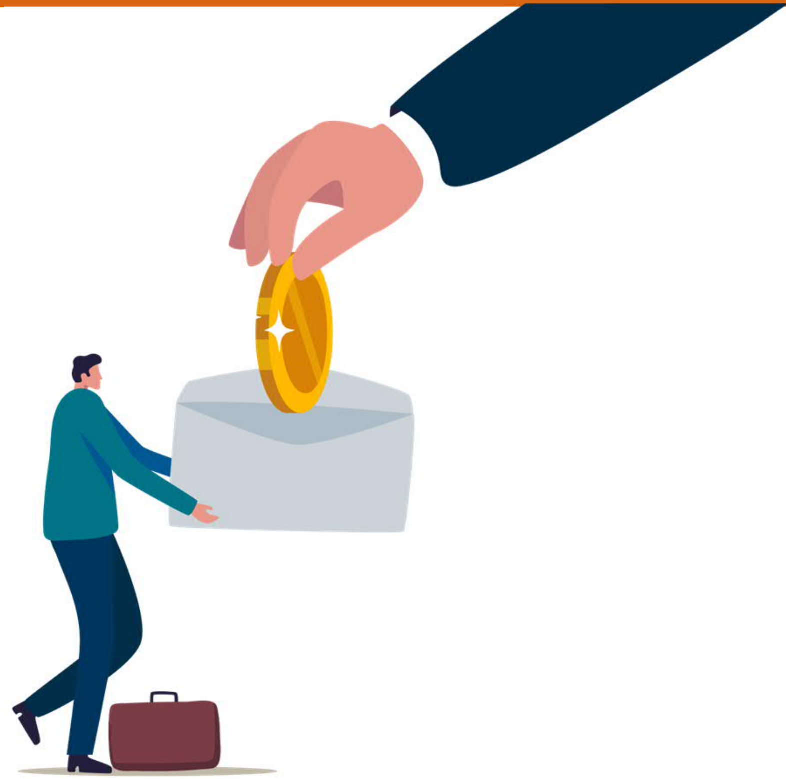
Capital allowances

‘Full expensing’ of capital expenditure – maintained

Applicable for companies only from 1 April 2023 onwards on qualifying capital purchases

- 100% upfront capital allowances for companies investing in new qualifying plant and machinery (ordinarily 18%)
- 50% first-year allowance for qualifying special rate assets (ordinarily 6%)
- Only applied to new and unused assets
- Does not apply to cars
- Does not currently apply to equipment acquired to lease to someone else



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Capital allowances

Annual investment allowance – maintained

AIA provides 100% upfront capital allowances on the first £1m of qualifying spend

- The annual investment allowance (AIA) is still beneficial due to the balancing charge which arises on the sale of ‘fully-expensed' assets, regardless of the size of the main pool
- AIA also provides 100% relief in year 1 for special rate pool expenditure
- Lastly, AIA applies to sole traders and partnerships

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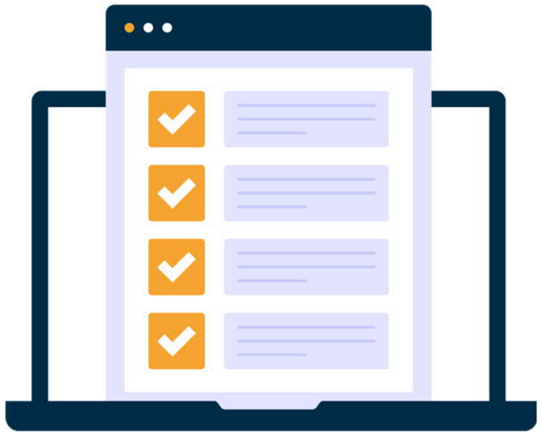
Shareholder loans

Changes to loans to participators provisions

- Corporation tax is payable at 33.75% by close companies on loans to participators (broadly, shareholders). The tax charge is repayable following repayment of the loans
- The basic rule is supplemented by anti-avoidance provisions to catch arrangements which escape its scope
- HMRC are aware of avoidance schemes involving groups or associated companies to side-step these provisions
- The changes are being made to prevent this
- Although this is termed ‘anti-avoidance’, the complexity of the current rules means they can catch situations where avoidance is not in point. The new legislation includes features which might also do so
- Changes apply from 30 October but, in some respects, apply to existing loans
- Even greater care is required in relation to shareholder loans going forward



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Consultations and the Corporation Tax Roadmap

- Consultation to review the effectiveness of land remediation relief
- Technical consultation on draft legislation in relation to modernize and simplify transfer pricing, permanent establishments and diverted profits tax (CT Roadmap)
- Consultation to remove medium-sized businesses from the transfer pricing SME exemption (CT Roadmap)
- Possible removal of UK to UK transfer pricing requirement
- Consultation on reporting of cross-border related party transactions (CT Roadmap)
- Positive commitments in Roadmap to preserve various rates and reliefs

Other measures

Other measures affecting companies and company owners

- Increase in CGT rates in 2024/25 on disposals from 30 October from 10% to 18% (basic rate) and 20% to 24% (higher rate)
- Increase in CGT rate when business asset disposal relief applies from 10% to 14% (from 6 April 2025) and 18% (from 6 April 2026)
- Changes to the treatment of Employee Ownership Trusts (EOTs)
- All from 30 October 2024
- Increase in employers' NIC rates from 13.8% to 15% and related changes
- Restriction of IHT business property relief to 50% above the first £1m from 6 April 2025
- Compliance measure including 1.5% increase on late payment of taxes from 6 April 2025

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Stamp taxes

Stamp duty land tax (SDLT)

- The higher rates surcharge for additional dwellings (HRAD) is increasing from 3% to 5%
- This means that the top rate of SDLT on residential property on the ‘slice’ system will increase from 15% to 17%
- The flat rate of SDLT which applies to acquisitions of ‘high-value’ dwellings by companies will also increase from 15% to 17%
- The above rates will be even higher where the purchaser is also subject to the non-resident surcharge
- These rates are effective from 31 October 2024 (today)

Annual tax on enveloped dwellings

- The ATED charges are increasing by an inflationary 1.7% from 1 April 2025

Upcoming events

FD Forum, Ipswich, 5 November
FD Forum, Norwich, 12 November

Planning for succession and retirement with Beckett Financial Services – Ipswich,13 November

VAT Training for independent school's webinar – 12 November

Further information on our website
larking-gowen.co.uk/events

2025 Business Breakfasts

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Questions?

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