



Tax Faculty: Autumn Budget Update 2024

1 NOVEMBER 2024

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Your speakers

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- Ed Saltmarsh



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Housekeeping

Slides

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What we will cover



- Changes affecting
 - Individuals
 - Employers
 - Businesses
 - Agents
- Your questions

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Individuals

KATHERINE FORD

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Capital gains tax (CGT)

- For disposals on or after 30 October 2024:
 - Basic rate increases from 10% to 18%.
 - Higher rate increases from 20% to 24%
 - Gains on UK residential property continue to be taxed at 18% and 24%.
 - Investors' relief lifetime allowance reduced to £1m. For share reorganisations occurring before 30/10/2024, the reorganisation provisions cannot be disapplied to trigger a taxable gain.



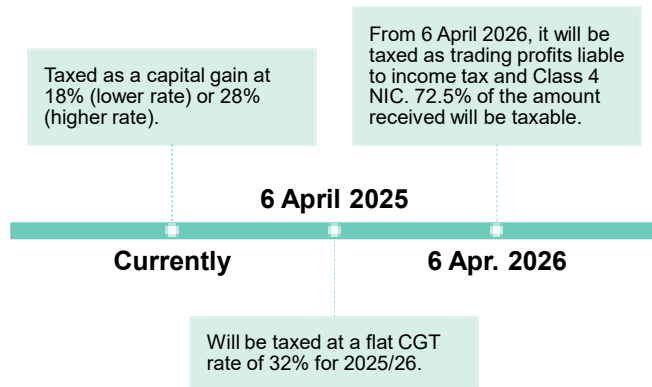
Can the software developers cope with a mid-year rate change?



The 10% rate on gains eligible for business asset disposal relief (BADR) increases to 14% from 6 April 2025 and to 18% from 6 April 2026

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Carried interest



- Consultation on proposed amendments to the ICBI and DIMF rules.

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High Income Child Benefit Charge (HICBC)

| | 2023/24 | 2024/25 (already in F(No.2)A 2024) |
|---|-----------------------------|---------------------------------------|
| Maximum income of highest earning parent to have full entitlement | £50,000 | £60,000 |
| Entitlement is lost once highest earning parent's income reaches | £60,000 | £80,000 |
| Rate of withdrawal of child benefit | 1% for every £100 of income | 1% for every £200 of income |

- Autumn Budget 2024:
 - HICBC will not now be based on household income as previously proposed
 - HICBC to be collected via an employee's PAYE code from 2025
 - The amount of child benefit claimed will be pre-populated on self assessment tax returns

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Furnished holiday lets (FHL) from 1 April 2025 (CT) and 6 April 2025 (IT)



Capital allowances



Rental losses



Earnings for pension contributions



Higher rate relief on loan interest



CGT reliefs (BADR, holdover, rollover, SSE)



Jointly held property

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Furnished holiday lettings (FHL)

- As previously announced, the tax treatment of FHL income and assets as trading for IT and CGT purposes will be abolished from 1 April 2025 (CT) and 6 April 2025 (IT).
- The key changes are:
 - Interest relief is restricted to a basic rate tax reducer
 - Writing down allowance can continue to be claimed on existing pools
 - No capital allowances on new expenditure. Replacement of domestic items relief given instead
 - FHL profits no longer count as relevant earnings when making pension contributions

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FHL (2)

- Can no longer claim CGT reliefs that require a trade (BADR, rollover, holdover)
- Rental losses are merged with existing losses on the UK/overseas property business
- Where spouses jointly hold property, the income must be declared 50:50, as the current exemption for FHLs (item D at s.836(3) ITA 2007) will no longer apply
- Form 17 elections will be needed if the couple's capital ownership is not 50:50 and they want the income to mirror the actual capital split. Remember that Form 17 doesn't change the capital ownership split, it merely confirms that it's not 50:50.

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Stamp Duty Land Tax (SDLT)

- £125,000 threshold reinstated from 1 April 2025
- First time-buyers are liable as follows:
 - Acquisitions up to 31 March 2025:
 - 0% on consideration up to £425,000
 - 5% on consideration between £425,001 and £625,000
 - Acquisitions from 1 April 2025:
 - 0% on consideration up to £300,000
 - 5% on consideration between £300,001 and £500,000
- Residential properties worth over £500,000 acquired by companies/non-natural persons pay 17% (up from 15%) from 31 October 2024. An additional 2% is payable if the purchaser is non-UK resident. Consider their ATED obligations!

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Slide 13

LWO [@Katherine Ford] Word added. Is this OK?

Lindsey Wicks, 2024-10-31T17:46:49.059

KFO 0 Updated now

Katherine Ford, 2024-10-31T17:55:24.228

SDLT (2)

From 31 October 2024, the rates for additional dwellings are increased by 2% on each band to the following:

| Consideration | Effective date 23 September 2022 to 30 October 2024 | Effective Date 31 October 2024 to 31 March 2025 | Effective Date 1 April 2025 onwards |
|------------------------|--|---|--|
| Up to £250,000 | 3% | 5% | N/A |
| Up to £125,000 | N/A | N/A | 5% |
| £125,001 to £250,000 | N/A | N/A | 7% |
| £250,001 to £925,000 | 8% | 10% | 10% |
| £925,001 to £1,500,000 | 13% | 15% | 15% |
| Over £1,500,000 | 15% | 17% | 17% |

- NB: all non-UK resident purchasers also pay a further 2% on each band

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Inheritance tax (IHT)

- Nil-rate band (£325,000) and residence nil-rate band (£175,000) are frozen until 5 April 2030
- Unused pension funds and death benefits will be included in the estate for IHT from 6/4/2027
 - Unclear if the drawdown by heirs will continue to be subject to income tax
 - Pension scheme administrators will need to report and pay the IHT to HMRC
- IHT reporting will be digitalised from 2027/28

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IHT - Agricultural property relief (APR) & business property relief (BPR)

- Available for lifetime gifts (CLTs and failed PETs) and transfers on death
- Amount of relief is currently unlimited if the conditions are met.
- APR is currently given on UK assets at:
 - 100% on land with vacant possession, land let under tenancies from 31/8/1995 onwards and land beneficially owned prior to 10/3/1981 which qualified for APR under the rules
 - 50% on other agricultural assets that do not qualify for 100% relief
- BPR is currently given at:
 - 100% on a sole trade or partnership business, shares in an unquoted trading company and unquoted securities where there is a controlling holding
 - 50% on business assets owned personally and used by their trading company/partnership or used in the business of settlement in which the transferor has an IIP

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APR & BPR – Changes from 6/4/2026

- 100% relief for the first £1m combined of agricultural and business property.
- 50% relief on assets over £1m.
- Assets that currently qualify for 50% APR/BPR will not use up the £1m.
- If the £1m is not fully used, it cannot be transferred to a spouse.
- £1m is also available to trustees.
- It is estimated that 2,000 estates per year will be affected by the changes.
- Relief for shares that are traded on stock exchanges which were previously considered as unlisted (eg, AIM) is reduced from 100% to 50%. As noted above, the value of such shares does not use up the £1m limit for relief.
- Applies to lifetime transfers on/after 30 October 2024 where the donor dies within 7 years of the gift and dies on 6 April 2026 or later
- Lifetime transfers (CLTs and successful PETs) will become more important, but be careful of gifts with reservation of benefit and settlements legislation

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Non-domicile reforms



For details of the current treatment of non-UK domiciled individuals, you may find ICAEW's recent [explainer](#) helpful.



Domicile is abolished for IT, CGT and IHT purposes from 6 April 2025.



A taxpayer's status will depend on their numbers of years of UK residency, as determined under the statutory residency test.



Years of arrival/departure from the UK, where split year treatment was claimed, and years of treaty non-residency, count as full years of residency.

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Changes to the taxation of non-UK domiciled individuals



Key points

- Ability to remit foreign income and gains (FIG) arising from 6 April 2025 free from tax in the first 4 tax years of UK residence, provided not UK resident in any of the previous 10 years (the FIG regime).
- FIG arising in a year when the FIG regime is used can be remitted tax-free in that tax year or in any later tax year
- Where the FIG regime is claimed for a tax year, they will lose their personal allowance and CGT annual exempt amount for that year.
- FIG regime must be claimed, and the return must include details of their overseas income & gains.
- Annual choice whether to use the FIG regime – do not have to claim FIG for whole 4-year period.

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What about existing non-doms?

Individuals within their first 4 years of UK residency can use the FIG regime for the remainder of their first four years after 6 April 2025

Former remittance basis users who are not eligible for FIG from 6/4/2025 (or who cease to be eligible) will then be taxable on their worldwide income on the arising basis

A three-year temporary repatriation facility (TRF) to remit pre-6 April 2025 FIG at a 12% tax rate for 2025/26 and 2026/27, then at 15% for 2027/28. Must be UK resident in the tax year of remittance.

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Non-domicile reforms: CGT

If FIG treatment is claimed during the first four years of UK residency, the taxpayer loses their CGT annual exemption for that year.

Those who are not eligible for, or are not using FIG, can make a CGT election for personally held overseas assets to be revalued to their market values at 5 April 2017 value (not 5 April 2019 as had been proposed in July 2024)

Business investment relief (BIR), which allows sums to be invested in UK businesses without being treated as a remittance, continues until 5 April 2028 when the TRF period ends. FIG used to make the investment can be included in the TRF without funds needing to be withdrawn from the company.

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Non-domicile reforms - IHT

- UK assets remain liable to IHT as they always have been.
- From 6 April 2025, non-UK assets become liable to IHT once the individual has been a 'long-term resident', which means they have been UK tax resident for 10 of the 20 previous tax years.
- If a non-domiciled or deemed domiciled individual is not UK resident in 2025/26, they will be a 'long-resident' if they would have been deemed domiciled under the existing rules (i.e. resident for 15 out of 20 previous years, or resident in any of the 4 years ending with the year of charge).
- The test for those aged 20 years or younger, is whether they have been UK resident for at least 50% of the tax years since they were born.

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Non-domicile reforms – IHT (2)

- If an individual leaves the UK after they have become a long-term resident, but have not returned to the UK when IHT becomes chargeable (eg, on death), their non-UK assets remain liable to IHT for a run-off period of:
 - 3 tax years, if they were UK resident for between 10 and 13 tax years in the 20 years prior to leaving the UK;
 - Plus, one year for every additional year beyond the 13 years that they were UK resident (eg, 15 years residency gives a run-off period of 5 years, 17 years residency gives a 7-year run-off period)
- Where a spouse of a long-term resident is not themselves a long-term resident, they can elect to be treated as if they were. This mirrors the existing election where a non-domiciled spouse can elect to be UK domiciled. Existing elections to be UK domiciled will continue to have effect and can still be made for pre-6 April 2025 periods. Where a domicile election has been made, the spouse will automatically be treated as a long-term resident from 6 April 2025.

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Non-domicile reforms: Trusts and settlors

TRF is also available to UK resident settlors or beneficiaries, who previously used the remittance basis, if they receive benefits from offshore trusts that can be matched to pre-6 April 2025 income of the settlement.

Protections on foreign income and gains in settlor-interested trust are no longer available to settlors who are not eligible to use the FIG regime.

Any non-UK assets held in offshore trusts (ie, excluded property trusts) will be chargeable assets under the relevant property rules from the date the settlor becomes a long-term resident.

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Employers

ADELLE GREENWOOD & LINDSEY WICKS

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Overseas workdays relief



Overseas workdays relief (OWR) is relief from UK income tax on earnings relating to non-UK workdays, currently only available to UK resident non domiciled individuals claiming the remittance basis for a maximum 3-year period



From April 2025 OWR will be extended from the current 3-year eligibility period to 4 years to align with the new residence-based FIG taxation regime



However, OWR will be subject to a financial cap of 30% of qualifying employment income or £300,000 per year, whichever is lower



There will be no requirement to be paid or keep funds outside the UK or need for complicated bank account structuring or mixed fund analysis



Employers will be able to reduce the PAYE withholding to the anticipated UK workday percentage by notifying HMRC (Section 690) but without requiring HMRC approval in advance



The tax exemption available on travel costs, paid by employers for such employees to travel to and from the UK for work purposes, will also be restricted to 4 years

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Employers' NIC changes



Secondary class 1, 1A and 1B NIC will increase from 13.8% to 15% from 6 April 2025



Secondary threshold will be reduced from £9,100 per year to £5,000 until April 2028



Employment allowance will be increased from £5,000 to £10,500



Employment allowance eligibility threshold of £100,000 removed



Veterans' relief will be extended for a further tax year to 5 April 2026

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Payrolling benefits in kind

Confirmation that payrolling benefits in kind will be mandatory from April 2026

Exception for employment related loans and accommodation only as these can be difficult to value accurately within the tax year

Valuation of these benefits may be further complicated by fluctuating official interest rates which may be changed within the tax year from April 2025

Voluntary payrolling is possible, with mandatory payrolling of all benefits to be implemented in due course

P11D and P11D(b) forms will remain available to report these excepted benefits only

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Company car, van and fuel benefit rates

The benefit in kind tax rates on company cars from 2028-29 have been set out, designed to continue to incentivise the take up of fully electric company cars:

Zero emission and electric vehicles will increase by 2 percentage points per year rising to 7% in 2028/29 and 9% in 2029/30

Cars with emissions of 1 to 50g of CO₂ per kilometre, generally hybrid vehicles, will rise to 18% in tax year 2028/29 and 19% in tax year 2029/30

Percentages for all other vehicle bands will increase by 1 percentage point per year up to a maximum percentage of 38% for tax year 2028/29 and 39% for tax year 2029/30.

Van benefit and car/van fuel benefit charges will be subject to annual uprating for 2025/26 - the van benefit will be increased to £4,020, the van fuel benefit charge will be £769 and the car fuel benefit charge multiplier will be £28,200

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Umbrella companies

- From April 2026, there will be a change in who has responsibility to account for PAYE when an umbrella company is involved in a labour supply chain
- The change will move the responsibility from the umbrella company to the recruitment agency or end user (if no agency involved)



Purpose is to target non compliance by umbrella companies, tax avoidance and labour supply chain fraud



HMRC will publish guidance for businesses and an online tool to help workers and agencies understand pay from umbrella companies

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Changes for EOTs/EBTs from 30 October 2024

Additional conditions for CGT relief on the disposal of a controlling shareholding to an EOT

Former owner cannot retain control via control of EOT

Trustees must be UK resident as a single body of persons at time of disposal

Reasonable steps to ensure consideration does not exceed MV



Additional information requirements when claiming relief



Period that relief can be withdrawn extended to end of fourth tax year following end of tax year of disposal

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Changes for EOTs/EBTs from 30 October 2024 (cont...)

- Legislative certainty over distributions tax treatment
- Change to conditions for income tax relief on annual bonuses (directors can be excluded from participation requirement)

- Three changes to conditions for EBT IHT exemption:
 - restriction on connected persons benefitting must apply for life of trust
 - shares must have been held for two years prior to settlement
 - no more than 25% of employees who can receive income payments should be connected to the participator

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Business taxes

LINDSEY WICKS & ED SALTMARSH

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- CT rates and thresholds
- Territorial structure of the CT regime
- WDA rates, AIA, SBA, full expensing
- Rates of R&D tax reliefs
- Approach to patent box and intangible fixed assets
- Availability of audio-visual and video games expenditure credit



Corporation tax roadmap

Measures with no changes during life of this Parliament

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Corporation tax roadmap

- Areas for potential change:
 - Full expensing for assets purchased for onward leasing or hiring
 - Relief for predevelopment costs
 - Use of advance clearances
 - Land remediation relief
 - Transfer pricing, permanent establishments and diverted profits tax
 - Rules for cross-border activities
 - Administration of the CT system
- The following will be kept under review:
 - Clarity about what expenditure qualifies for capital allowances
 - Bank levy and bank CT surcharge
 - International competitiveness
 - Levels of error and fraud associated with R&D tax relief claims

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R&D tax relief

Expert advisory panel

R&D disclosure facility

Technical correction to intensity ratio definition (applies from 1 April 2023)

Changes to cap on ERIS for SMEs with a registered office in Northern Ireland

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MTD ITSA



- New announcement at Budget:
 - Extension to those with turnover > £20k by the end of this Parliament

Confirmation of introduction from:

- April 2026 for turnover > £50k
- April 2027 for turnover > £30k

Two key requirements:

- Maintain digital accounting records
- Submit quarterly updates to HMRC

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Double cab pickups – another u-turn

- Treated as cars from April 2025 for
 - Capital allowances
 - Benefits in kind
 - Business tax deductions
- Transitional arrangements
 - Existing capital allowance treatment for vehicles purchased before April 2025
 - Benefits in kind: can use previous treatment until earlier of disposal, lease expiry, or 5 April 2029



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Other points



CHARITIES



CLOSE COMPANIES

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VAT on private school fees - summary



The VAT policy change will take effect from 1 January 2025 – education and boarding provided by a private school after this date will be taxable.



Schools within scope of the policy can now register for VAT – a new [tool](#) has been released to help schools determine when they need to register.



Updated guidance on [registering for VAT](#) and [charging and reclaiming VAT](#) is now available.



The [draft legislation](#) has been updated to take account of concerns ICAEW and others raised in response to the consultation.

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VAT on private school fees – key changes

Higher education and TEFL courses will be carved out of the policy even when taught at private schools.

To ensure education provided by FE colleges remains exempt, the definition of private school has been amended so that the majority of 16-19 year old pupils need to be charged fees for the FE college to be considered a private school.

The definition of a nursery class has been changed so that it must now be composed almost wholly of children who are under compulsory school age and would not be expected to attain that age while in that class.

ITPs and ILPs explicitly excluded from scope.

Non-maintained special schools will be brought within scope of the policy.

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Carbon Border Adjustment Mechanism



Why: To ensure UK decarbonisation reduces global emissions rather than displacing carbon emissions overseas.



How: Carbon price levied on imports of CBAM goods.



When: Effective from 1 January 2027.



Who: Businesses importing £50,000 or more of CBAM goods annually.



What:

Included: Aluminium, cement, fertiliser, hydrogen, iron and steel.
Excluded: Glass and ceramics.

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(Some) other indirect tax changes

Plastic Packaging Tax: a mass balance approach will be allowed to account for chemically recycled plastic for the purpose of Plastic Packaging Tax.

Alcohol Duty: rates on draught products below 8.5% ABV reduced by 1.7% (to take 1p off a pint). The alcohol duty stamps scheme will be abolished.

Soft Drinks Industry Levy will be increased over the next five years to reflect the 27% inflation since 2018 and also annually in line with CPI. SDIL thresholds and the current exemptions for milk-based drinks and milk substitutes will be reviewed.

Vaping Products Duty: a flat rate VPD will be introduced at £2.20/10ml from 1 October 2026 and a technical consultation on additional compliance measures has been published.

Air Passenger Duty: APD rates updated to account for below-inflation rises in recent years. A consultation on extending the higher rate for larger private jets to all private jets has also been published.

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Agents

LINDSEY WICKS

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Three proposals for raising standards



Tax practitioners wishing to interact with HMRC on behalf of clients will need to register with HMRC (April 2026)



Tax practitioners wishing to submit an income tax repayment claim on behalf of a client will need to obtain an advanced electronic signature from their client (6 April 2025)



Stronger sanctions to tackle rogue tax advisers (2026 onwards)

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Question time

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W0

Upcoming ICAEW events

25 November: Hardman Lecture 2024: Regulation of the tax profession - the wrong solution to the wrong problem?

29 November: Digital Assets Conference: Understanding the vital role of accountants in the digital assets space.

For further details on upcoming events and to watch previous webinars please visit icaw.com/events

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Slide 48

LW0 [@Kirsty Vassay] is there anything else that we might want to promote?

Lindsey Wicks, 2024-10-31T10:17:14.647

0 0 [@Lindsey Wicks] and [@Stephen Relf] I have added the digital assets conference to the upcoming events.

Kirsty Vassay, 2024-11-01T09:47:07.302

Thank you for attending

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