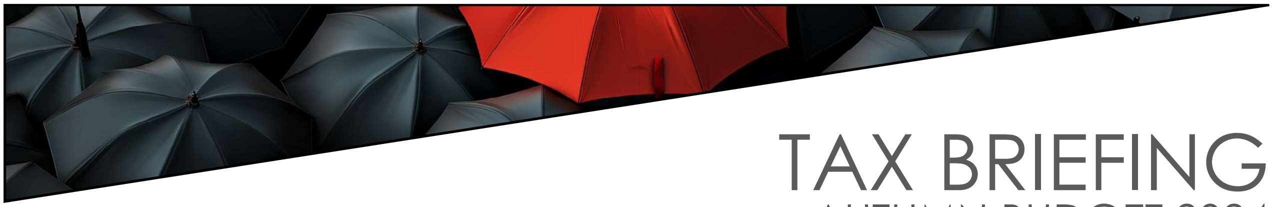


TAX BRIEFING
AUTUMN BUDGET 2024

Carter & Carroll Limited
Rectory Mews | Crown Road | Wheatley | Oxfordshire | OX33 1UL
01865 876443 | 01865 875448
enquiries@carterandcarroll.co.uk | www.carterandcarroll.co.uk

carter&carroll
Chartered Certified Accountants

EMPLOYER'S NATIONAL INSURANCE HIKE

The Chancellor has announced that the main rate of secondary Class 1 national insurance contributions (NIC) for employers will increase by 1.2 percentage points from 13.8% to 15% from April 2025

The Class 1A and Class 1B employer rates (relating to benefits) will also increase in line with this.

As well as the rate increase, the earnings threshold above which employer's national insurance is payable on an individual's earnings will be slashed from £9,100 to £5,000 per annum. This means that an extra £4,100 per employee will be subject to employer's NIC at 15%.

The employment allowance will be increased to £10,500

To soften the blow the employment allowance, which allows companies to reduce their national insurance liability, will be increased from £5,000 to £10,500. Currently the employment allowance is only available to businesses whose total secondary Class 1 NIC liability is less than £100,000. This limit will be removed from April 2025.

Some smaller businesses may find that their employer's NIC burden is reduced overall following these changes.

There are certain circumstances where the employment allowance is restricted, for example where a company consists of only one single director and no other employees.

Where two or more companies are connected, the employment allowance is only available for one of the companies in the group. Companies are connected if:

- one company controls another; or
- both companies are controlled by the same person or group of people.

Contact us if you are unsure whether the employment allowance is available to your business.

CAPITAL GAINS TAX ON INVESTMENT DISPOSALS

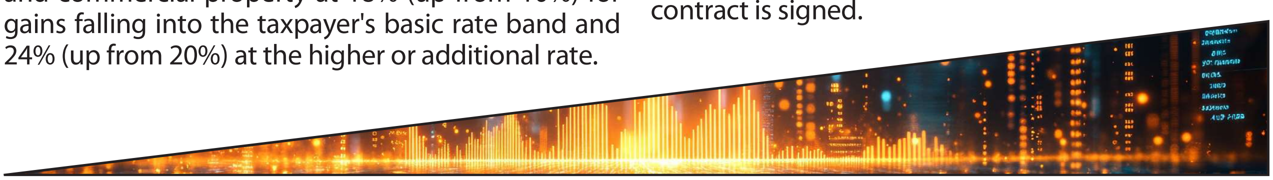
The rates of capital gains tax (CGT) payable on gains arising from assets other than residential property have been increased with immediate effect

Rates

Those taxpayers who decided to accelerate planned investment disposals before the Budget in anticipation of the predicted CGT hike will be pleased with their decision. From 30 October 2024 CGT is payable on profits from selling assets such as shares and commercial property at 18% (up from 10%) for gains falling into the taxpayer's basic rate band and 24% (up from 20%) at the higher or additional rate.

This brings the rates in line with CGT on residential property disposals, which will remain at 18% for basic rate and 24% for higher rate taxpayers.

The CGT rate applied to a transaction will be the rate prevailing at the date of exchange. Where a contract is unconditional, this will be the date on which the contract is signed.



Reliefs

Business asset disposal relief (BADR) offers a reduced CGT rate of 10% for qualifying business disposals, subject to a lifetime maximum of £1m. The lifetime limit will be maintained, however the rates applying to BADR will gradually creep up from 10% to 14% on 6 April 2025 and to 18% on 6 April 2026.

For assets that qualify for investors' relief, the lifetime limit is reduced from £10m to £1m from 30 October 2024 and the rate will increase from 10% to 14% on 6 April 2025.

Tax paid by private equity managers on carried interest (their share of profits from successful deals) will rise from 18% (basic rate) or 28% (higher rate) to 32% (basic and higher rates) from April 2025, with a further review of the rules applying to carried interested expected from April 2026.

BAD NEWS FOR HYBRID VEHICLES

Showing renewed commitment to promoting electric vehicles over petrol, diesel and hybrid models, the Government has extended the 100% first year allowance for zero-emission cars

Businesses and individuals can continue to deduct the full cost of zero-emission vehicles and electric vehicle charge-points from their taxable profits until 31 March 2026 for corporation tax and 5 April 2026 for income tax.

Where a business provides a company car to an employee there will be a benefits-in-kind tax charge based on the emissions of the vehicle.

The appropriate percentages for 2028-29 and 2029-30 have now been set with significant increases across the board. The largest increase is levied on hybrid models, widening the gap between hybrid and fully electric vehicles for tax purposes.

The appropriate percentage for vehicles with zero emissions will increase by two percentage points per year to 7% in 2028-29 and 9% in 2029-30.

Currently, there is a sliding scale for hybrid vehicles with the appropriate percentage increasing as the electric range reduces. From 2028-29 there will be one rate applied to all hybrid and other vehicles producing 1g to 50g CO_2 per km, regardless of the electric range. This will be 18% for 2028-29 and 19% for 2029-30.

For all other emission bands the rate will increase by one percentage point per year to maximums of 38% and 39% for 2028-29 and 2029-30 respectively.

Fuel benefits for cars and vans and the flat rate benefit charge on a company van will increase in line with the September 2024 consumer prices index with effect from 6 April 2025.

ANOTHER HANDBRAKE TURN ON DOUBLE CAB PICK-UPS

Reversing the previous Government's u-turn on the tax treatment of double cab pick-ups, they will revert to being treated as cars for certain taxation purposes from April 2025

If you purchase a double cab pick-up with a payload of one tonne or more before 1 April 2025 for corporation tax, or 6 April 2025 for income tax, you can enjoy the favourable tax treatment available on vehicles primarily suited to the conveyance of goods. These include:

- 100% annual investment allowance;
- full-expensing; and
- flat rate benefit in kind value.

Double cab pick-ups purchased after those dates will lose the beneficial treatment as they will be classified as cars.

Transitional arrangements for capital allowances will apply where a contract to purchase or lease a double cab pick-up is entered into on or before the date of the change, as long as expenditure has been incurred, ie money has changed hands, before 1 October 2025.

Employers that have purchased, leased or ordered a double cab pick-up before 6 April 2025 can benefit from the previous benefit in kind treatment until the earlier of: disposal of the vehicle; expiry of the lease; or 5 April 2029.

Double cab pick-ups with a payload of less than one tonne will continue to be treated as cars for taxation purposes.

Contact us to discuss the implications of these changes for your business

As well as a reduction in capital allowances on these vehicles, the change is likely to trigger significant benefit in kind charges for drivers as well as Class 1A NIC for employers.

If you own, lease, or are considering acquiring vehicles of this nature, contact us to discuss the implications of these changes for your business.

INHERITANCE TAX REFORM

The Chancellor has extended the current freeze on inheritance tax (IHT) thresholds until 2030 and announced changes to the treatment of inherited pensions and other IHT reliefs

The nil-rate band (NRB) is the amount of any estate that can be inherited tax free. It has remained at £325,000 since April 2009. If the deceased's estate includes a residential property that is passed to direct descendants, an additional £175,000 residence-nil-rate-band (RNRB) is available, increasing the total tax-free amount to £500,000 (or £1m if the tax-free allowance is passed to a surviving spouse).

The NRB and the RNRB had been frozen by the previous Government until 5 April 2028. This will be extended for a further two years until 5 April 2030, bringing many more estates into the scope of IHT.

Currently, unused pension funds can be inherited tax free. From 6 April 2027 amounts accumulated in a pension pot will be included in the deceased's estate and subject to IHT at 40%. This may also impact other reliefs, for example where 10% or more of the estate is left to charity in order to qualify for the lower IHT rate of 36%.

The Chancellor also announced plans to reform business property relief (BPR) and agricultural property relief (APR). From 6 April 2026, the first £1m of combined business and agricultural assets will continue to attract IHT relief at 100% but for assets over £1m, the relief will be halved to 50% relief. Assets including AIM shares that qualify for BPR and/or APR will suffer IHT at an effective rate of 20%

We do not provide inheritance tax advice or planning and would suggest you contact an IHT expert.

SDLT: HIGHER RATE ON ADDITIONAL DWELLINGS INCREASED

The stamp duty land tax (SDLT) surcharge levied on purchases of second and subsequent homes has been increased from 3% to 5% with immediate effect

The higher rate applies to purchases of second homes and buy-to-let residential properties. The change applies to purchases with an effective date on or after 31 October 2024.

The single rate of SDLT that is charged on the purchase of dwellings costing more than £500,000 when purchased by corporate bodies has also increased by two percentage points from 15% to 17% from 31 October 2024.

As previously announced, the main thresholds for residential property and SDLT relief for first-time buyers will revert to their September 2022 levels on 1 April 2025.

Currently an individual can purchase a residential property up to the value of £250,000 without needing to pay any SDLT. This threshold will reduce to £125,000 from 1 April 2025.

Where the individual is a first-time buyer and the total value of the property is less than £625,000 there will currently be no SDLT to pay on the first £425,000 and 5% on the balance. From 1 April 2025 these will revert to £500,000 and £300,000 respectively.

VAT EXEMPTION REMOVED FROM PRIVATE SCHOOL FEES

Private schools will need to register for VAT and charge output VAT on education and boarding services when the exemption that currently applies is removed from 1 January 2025

All education and boarding services provided by a private school or connected person will be subject to VAT at the standard rate of 20%. Other closely related goods and services provided by a school, for example catering and school trips, will continue to be exempt.

To prevent the avoidance of VAT by prepaying fees before the legislation change, anti-forestalling provisions were introduced from 29 July 2024, when the draft legislation was published. Any pre-payment of school fees made on or after that date but relating to the school term starting on or after 1 January 2025 will be subject to VAT at 20%.

Schools will need to register for VAT by 1 January 2025. We can help you with this

Private schools will have the opportunity to offset some of the additional cost against VAT paid on their inputs, such as capital expenditure and purchases of educational supplies. It will be a commercial decision for the individual school whether to pass this saving on to parents.

Where pupils with special educational needs and disabilities (SEND) have an educational health and care plan (EHCP) that requires a local authority (LA) to fund their private school fees, the LA will be able to recover the VAT. Where parents or carers choose to send their child with SEND to a private school but there is not an EHCP in place that requires it, the fees will not be exempt from VAT.

Schools will need to register for VAT and comply with the requirements of Making Tax Digital for VAT by 1 January 2025. We can help you with this.