

# Scottish Chamber of Commerce in partnership with Azets

## Autumn Budget 2024: Summary for members.

The first female Chancellor, Rachel Reeves, took to her feet at 12.30pm today to deliver the first formal fiscal statement on behalf of the new Labour Government. An opportunity for the Government to set out its strategy to deliver growth in the UK economy, avoid austerity, stabilise the economy, and lay out what tax measures and changes are required to deliver on these objectives.

The most keenly anticipated Budget in memory came off the back of intense speculation on likely, impending tax changes in areas such as Capital Gains Tax, Inheritance Tax, Employer's National Insurance contributions, and the possibility of a continuing freeze on income tax thresholds.

Prior to setting out the tax plans, the Chancellor listed the seven growth pillars, which are:

- *Build new infrastructure – setting aside £70 billion through the National Wealth Fund*
- *Restore economic stability*
- *Work with devolved Governments*
- *Skills development by tackling economic inactivity*
- *Launching a modern industrial strategy for SMEs to enable growth*
- *Protect funding in Research & Development (R&D) investment and science*
- *Invest in green jobs to reap benefit of clean energy*

What did the harsh light of fiscal reality deliver in today's statement? We summarise the key announcements from the Chancellor's Budget statement below.

### Personal taxes

- **Capital Gains Tax (CGT)** – Increases to CGT rates were largely expected; however, they are lower than some had predicted. The lower rate of the tax which is charged on profits made from selling assets will rise from 10% to 18%, and the higher rate will move from 20% to 24%. The rates for residential properties will stay at the current 18% and 24%. The rates on carried interest to rise to 32% from April 2025, with further reforms from 2026.
- **CGT Business Asset Disposal Relief (BADR)** - It was anticipated that the tax rates on the sale of a business might rise and that has materialised, however not until 6 April 2025. The lifetime allowance for BADR will remain at £1m and until 5 April 2025 the rate of tax on those gains will be 10%, rising to 14% from 6 April 2025 and 18% from 6 April 2026.
- **Inheritance tax (IHT)** – The IHT threshold will be frozen until 2030, instead of 2028. The first £325,000 of any estate can be inherited tax-free, increasing to £500,000 if the estate includes a residence passed directly to descendants, and £1m when passing a tax free allowance to a surviving spouse or civil partner.
- **IHT reliefs** – There are significant changes proposed to both Agricultural Property Relief (APR) and Business Property Relief (BPR) from 6 April 2026. This will see relief available on £1m of value at 100% with anything beyond that attracting relief at 50%.
- **Pensions** – During the campaign trail, Labour committed to the pension triple lock and confirmed this today, announcing that spending on the State Pension is projected to rise by 4.1% in 2025/26, meaning an increase of up to £470 for over 12 million pensioners in the UK, in line with the triple lock. Inherited pensions will be brought into inheritance tax from April 2027.

- **Non-domiciled individuals** – The non-dom tax regime will be abolished from April 2025. A new residence-based scheme will instead be introduced for those in their first four years of UK tax residence. There will be a temporary repatriation facility which allows former remittance basis claimants to remit foreign income and gains that arose prior to 6 April 2025 at favourable tax rates in 2025/26, 2026/27 and 2027/28. There will be a new, residence-based test to determine whether a person's non-UK assets (including non-UK assets in a trust that they have settled) are within the scope of UK IHT.
- **Stamp duty** – Stamp Duty Land Tax (SDLT) on second homes bought in England and Northern Ireland will be increased by 2% to 5% from 31 October 2024.
- **Income tax and National Insurance** – No extension on the freeze in income tax and National Insurance thresholds for individuals was announced, with personal tax thresholds to be updated in line with inflation from 2028-29.

### **Business & employment taxes**

- **National Insurance** – Employers' National Insurance contribution to increase by 1.2% to 15% from April 2025. The threshold at which businesses start paying National Insurance on an employee's earnings to decrease from £9,100 to £5,000. The employment allowance will increase from £5,000 to £10,500.
- **Electric vehicles** – In a show of support for electric vehicle adoption, the existing company car tax incentives will be maintained until 2028 meaning lower benefit in kind tax will remain compared to non-electric vehicles.

However, in the detail later released, for the 2028/29 tax year, the minimum percentage used to calculate the tax will increase from 5% to 7% and increase to 9% for the 2029/30 tax year. The Vehicle Excise Duty differential between fully electric and other vehicles will increase from April 2025.

- **Mandatory reporting of benefits via payroll** – The Government previously announced this measure would be effective from 6 April 2026. Further details have been announced which confirms all benefits (currently reported on P11D) will need to be reported via payroll with the exception of employment related loans and accommodation. Loans and accommodation will be introduced later on and the reporting process will be the same one employers use to report salary. An end of year process will be introduced to enable amendment to taxable values that could not be determined during the tax year. Further details and draft legislation will be published in 2025.
- **Business rates for shops, cafes and pubs in England** – The current discount of 75%, which was due to expire in April 2025, will be replaced by a discount of 40%. A 40% relief on business rates for retail, hospitality and leisure was also announced. Legislation will soon be introduced to remove business rate reliefs for private schools from April 2025.
- **R&D tax relief** – There will be no changes to current R&D tax reliefs. An R&D disclosure facility will be launched by the end of 2024 to enable voluntary disclosures of any previously overclaimed relief in a further crackdown in this area. A consultation is to be launched to look at widening the advance clearance process for R&D reliefs to provide further certainty to businesses.

### **Personal finance**

- **Pensions** – The statement that the Government will be looking at inherited pensions in practice appears to be them bringing assets in unspent pensions into the scope of inheritance tax from April 2027. What is termed an uncrystallised pot, i.e. any element of a pension where a person has not accessed benefits such as tax free cash or income, will form part of a client's estate for IHT. This is a really significant change which will have wide ranging implications for clients.

The good news is that contributions have remained at the same levels, and there has been no change on the level of Tax Free Cash, which had been speculated in some quarters. This will lead to quite a change in behaviour around those with Defined Contribution pension schemes.

Lastly, there will be a review on introducing Pension monies into in 'UK Growth Assets'.

- **AIM Shares** – Business Property Relief on AIM or equivalent shares will be reduced to 50% from April 2026. This makes the effective rate of IHT now 20% on AIM investments, rather than a nil rate after 2 years.
- **ISAs** – Allowances remain the same for ISAs, at £20,000 for individuals, £4,000 for lifetime ISAs and £9,000 for Junior ISAs until April 2030. As expected, the 'British ISA' will not proceed.

### Other announcements

• **National Living/Minimum Wage** – On the day prior to the Budget, it was proposed by the Low Pay Commission (LPC) that the National Living Wage (applies to workers aged 21 and over) should be increased to £12.21 from April 2025. Currently, the rate is set at £11.44, meaning a 6.7% increase. The minimum wage rate for workers aged 18 to 20 should increase to £10, (16.3% increase) and the apprenticeship rate should increase to £7.55 (18% increase) During the Chancellor's statement, she confirmed that the Government will proceed with the LPC's recommendations. The Government has also pledged to move towards a single hourly rate with the 18-20 rate eventually scrapped, so businesses need to factor in further increases for April 2026, with similar percentage increases likely to be implemented.

• **VAT on private school fees** – While previously announced, it has now been officially confirmed that VAT on private school fees will be introduced from January 2025.

• **Alcohol duty** – The alcohol duty on draught products is to be reduced by 1p.

• **Fuel duty** – Instead of facing a 7p increase per litre, fuel duty to be frozen for another year and the 5p cut will be maintained. This will mean no higher taxes at petrol pumps next year.

• **Air passenger duty** – An increase of £2 for economy class, short haul flights, and an increase in rate for private jets by 50%.

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