



Autumn Budget 2024 Pensions, Investments and Wealth Planning Implications.

Berkshire IFA 2024 Autumn Budget Summary

Following the Budget speech at 12.30pm on Wednesday, from the Chancellor of the Ex-Chequer, Rachel Reeves, who is the first Labour Chancellor for 14 years and more importantly the first ever female Chancellor, we have summarised the main areas that may be of most of interest and relevance to you from a wealth and estate planning viewpoint.

This was a Budget was full of new government rhetoric about “national renewal”, “responsible leadership”, “change” and finger pointing against previous governments of different political persuasions... deserved or otherwise is of course for you to decide, but our focus is on the factual and investment implications, in both there are a number of noteworthy areas to highlight. These are summarised in this below.

Budget summary

This was touted to be the biggest tax raising budget in a generation, and actually it didn't disappoint in this regard. Rachel Reeves raised taxes by £40Bn across a number of sectors, not only closing the much hyped £22Bn 'Blackhole', but increasing taxes by a further £18Bn. However, it's not as much of a fundamental re-framing of taxation or spending as it was hyped to be, and although it impacts the UK more broadly, it's not going to significantly influence your individual investment strategy to the degree that the US election will, which will have far-reaching global investment opportunities, and consequences, following the election of whoever ends up in the most powerful public office in the world.

Rachel Reeves Main Budget Points in Numbers

- Taxes increase by £40Bn overall
- 2% inflation target maintained
- Bring UK budget into balance by 2029/2030 with an aim to create a surplus.

Pensions, Taxes and Investments

Pensions

- The Pension's Triple Lock is maintained, so the state pension will increase by £470 in 2025/2026.
- Standard pensions minimum guarantee will increase by around 4.1%, from £11,400 to £11,850 for single pensioners

Individual Savings Account (ISA)

- The ISA system will not be subject to any changes as a result of the Autumn Budget. The Treasury set out that annual subscription limits will remain at £20,000 for individual savings accounts, £4,000 for Lifetime ISAs and £9,000 for Junior ISAs and child trust funds until 5 April 2030.
- In addition, the much hyped 'British ISA' has been scrapped.

Inheritance Tax Planning (IHT)

- The current IHT threshold is maintained and extended by two years to 2030. So, the tax-free limit remains at £325,000, rising to £500,000 when passed to direct descendants and rising again to a £1m tax free allowance, when wealth is passed to a surviving partner. Anything above these limits could be subject to a tax rate of 40%.
- Additionally, the treatment of IHT relief on agricultural property and business property will change with no IHT on first £1m, but for over £1m, a 50% relief will apply at an effective rate of 20%.

Lifetime Allowance (LTA)

- The Lifetime Allowance abolition by the previous government remains.
- However, the most significant change in this area will be how inherited pensions are treated. From 2027 they will qualify for IHT.

Personal Income Tax and National Insurance

- The threshold freeze on both will not extend beyond 2028. From 2028 this freeze will be removed.
- National Insurance on employees and those that are self-employed has not increased.
- Income tax has not increased

Value Added Tax (VAT)

- VAT remains unchanged at 20%

Capital Gains Tax (CGT)

- CGT for non-residential assets will rise as follows, the lower rate increases from 10% to 18% and the higher rate increases from 20 to 24%.

Investments

- From an investment perspective, tax relief on shares in Alternative Investment Markets (AIM) has increased, gone is 100% relief. Now only a 50% relief will apply, with the other 50% being taxed at an effective rate of 20%.
- Enterprise Investment Schemes and (EIS) and Venture Capital Trusts (VCT) will be maintained.

For Small Businesses

Employers National Insurance (NI) Contribution

- For Employers and Small Businesses, Employers National Insurance contribution increased rise by 1.2%, to 15% from 2025.
- At the same time the Secondary Earnings NI Threshold has also been decreased from £9,100 to £5,000. This is expected to be the largest revenue 'earner' in the budget.

Tax Relief for high street businesses

- High street businesses (retail, hospitality and leisure) will be subject to a decrease in tax relief, from 75% to 40% tax relief up to a cap of £110,000 per business. However, the system will be overhauled in 2025/26.
- In addition, the wider small business tax multiplier will be frozen next year.

Small Business Employment Allowance

- The employment allowance has increased from £5,000 to £10,500 for NI contributions.

Business Asset Disposal Relief (BADR)

- For small businesses the lifetime limit for BADR is maintained at £1m, but tax rates will increase from 10% this year, to 14% in 2025/2026 and 18% in 2026/2027. Business Asset Disposal Relief for assets over £1m will attract a 50% tax relief, with the remaining 50% being taxed at an effective rate of 20%.

Corporation Tax

- The cap on Corporation Tax at 25% will be maintained for the duration of the Parliament. However full expensing will remain in place and the £1m Annual Investment Allowance (AIA) for qualifying businesses.

Carried Interest Tax

- In relation to the Fund Management Industry the tax rate on carried interest will increase on any Capital Gains. This will rise on carried interest to 32% from April 2025. From April 2026 further changes will follow.

Other Taxes Changes

Stamp Duty

- The Stamp Duty Land Tax Surcharge known as the higher rate for additional dwellings has increased by 2% to 5%. This will increase from Thursday 31st October.
- There is an ongoing freeze on fuel duty, i.e. the 5p cut brought in by the previous government is maintained.
- However, alcohol duty will be increased in line with RPI, but in slightly better news draft duty will be cut by 1.7%... so that equates to 1 pence off a pint in the pub.

UK Company Car Tax

- Company car Tax is also changing, with increasing Benefit in Kind (BiK) for electric vehicles. Under company car tax rules, fully electric vehicles qualify for a low Benefit-in-Kind rate of 2% in the current tax year, rising to 3% in 2025/2026, 4% in 2026/2027 and 5% in 2027/2028. The Chancellor has also revealed a 2-percentage point rise for 2028/29 and 2029/30, increasing BiK to 7% and 9%.

Air Passenger Duty Tax

- Unfortunately, it's going to get more expensive to fly away on holiday. Air passenger duty will be subject to adjustment, increasing by no more than £2 on economy tickets. However, those jetting off in Private jets will have their air duty increased by 50%.

Non-Dom Tax

- The government wants to ensure people pay tax's when they are in the UK – so the so called 'Non-Dom' tax regime will be cancelled... and entirely removed from UK tax from April 2025.

Private Schools VAT

- Private Education Planning has been affected with the introduction of VAT on private schools. From January 2025 Private Schools will no longer qualify for VAT exceptions or charitable business rates relief.

Tobacco Taxation

- For smokers, the government will renew Tobacco duty escalators at RPI +2% from this year and +10% on all hand rolled tobacco from this year.
- In addition, a fixed duty on all vaping in will be introduced from October 2026

Soft Drinks Taxation

- For Soft Drinks, the lower rate of the Soft Drinks Industry Levy will increase from 18 pence per litre to £1.94 per 10 litres. The higher rate will increase from 24 pence per litre to £2.59 per 10 litres.

If you have any further questions about how this latest UK budget affects you, or more pertinently the likely investment ramifications related to the outcome of the US election, please do get in touch via the contact page or call us on 0118 334 3500.

You can also email us at post@berkshireifa.com.

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