Autumn Budget 2024

Fixing the Foundations?

Our quick round-up of the key tax measures in the Autumn Budget.

30 October 2024

Businesses

Corporation tax rates

The Government has committed in its Corporate Tax Roadmap to capping the main rate of corporation tax at 25 percent and maintaining the current small profits rate and marginal relief rates and thresholds for the duration of this Parliament.

Bank taxation

By contrast, the Roadmap simply indicates that the additional taxes payable by the banking sector (the Bank Levy and the Bank Surcharge) will be kept “under review” to maintain a balance between obtaining contributions from and supporting the growth of this sector.

Improving tax certainty

The Government will develop and consult on a process to give investors in major projects increased certainty on the taxes that will apply. The consultation is expected in Spring 2025.

Capital allowances

In the Corporate Tax Roadmap the Government has also committed to retaining full expensing relief for the duration of this Parliament, and to maintaining the £1 million annual investment allowance. In addition, the Government will extend the 100 percent first-year allowances for zero-emission cars and electric vehicle charge-points until 31 March 2026 for corporation tax.

The Government has also committed to exploring simplification of capital allowances including providing greater clarity on what qualifies, and the tax treatment of pre-development costs, and exploring an extension of full expensing to leased assets. A consultation on the effectiveness of Land Remediation Relief will be launched in Spring 2025.

Research and development (R&D) tax relief

The Government has committed to maintaining the current rates for the merged R&D Expenditure Credit (RDEC) scheme, and the Enhanced Support for R&D Intensive SMEs (ERIS). In order to tackle error and fraud in R&D claims and simplify administration, HMRC will establish an R&D expert advisory panel, improve signposting and guidance, and introduce an R&D disclosure facility by the end of the year. The Government has also committed to improve the effectiveness of the reliefs, look at longer term simplification and intends to launch a consultation on the use of advance clearances for R&D reliefs in spring 2025.

Business rates

A *Transforming Business Rates* discussion paper has been published setting out the Government’s priority areas of reform of the business rates system. The Government is inviting businesses to engage on this between November 2024 and March 2025.

The Government has confirmed that it intends to introduce permanently lower multipliers for retail, hospitality and leisure (RHL) properties with a rateable value (RV) under £500,000 from April 2026-27. This

will be funded via a higher multiplier on properties with RV of £500,000 and above. In the meantime, for 2025-2026 there will be 40 percent relief for retail, hospitality and leisure businesses up to a £110,000 cap per business and the small business tax multiplier will be frozen.

Charitable rate relief for private schools will be withdrawn from April 2025 with the exception of those which are 'wholly or mainly' concerned with providing full time education to pupils with an Education, Health and Care Plan which will remain eligible.

These announcements concern England only (business rates are devolved to Scotland, Northern Ireland, and Wales).

Transfer Pricing

The Government will further consult in Spring 2025 on changes to the UK's transfer pricing, permanent establishments, and diverted profits tax regimes. Potential changes being trailed at this stage include:

- reducing the existing thresholds of the small and medium sized enterprise (SME) exemption for transfer pricing, bringing more businesses within the scope of the transfer pricing rules;
- simplification of the rules, including the potential removal of UK-UK transfer pricing; and
- the introduction of a requirement for multinationals to report cross-border related party transactions to HMRC.

In addition, the Government will review the transfer pricing treatment of cost contribution arrangements.

Multinational and domestic top-up tax ('Pillar 2')

As expected, the Chancellor confirmed that the Government will legislate for the Undertaxed Profits Rule (UTPR) in the Finance Bill 2024-25. The UTPR is a key part of the G20-OECD Global Minimum Tax initiative and this builds on the UK's adoption of the Income Inclusion Rule and Domestic Minimum Top-up Tax which were enacted in 2023. The UTPR will take effect for accounting periods beginning on or after 31 December 2024. This is in line with expectations with draft legislation having originally been published in July 2023 under the previous Government.

The Chancellor also confirmed that various technical amendments to the existing UK multinational and domestic top-up tax legislation would be included in Finance Bill 2024-25 to incorporate latest international updates and inputs from stakeholder consultation, with most of these applying for accounting periods commencing on or after 31 December 2024, but some will take effect for accounting periods commencing on or after 31 December 2023.

The Government confirmed its intention to implement anti-arbitrage rules in respect of the Transitional Country-by-Country Reporting Safe Harbours and notes that this will be effective from 14 March 2024.

In other related announcements:

- The Government also confirmed its commitment to repeal the Offshore Receipts in respect of Intangible Property (ORIP) legislation from 31 December 2024, a measure announced by the previous Government.
- It is anticipated that the introduction of the UTPR and repeal of the ORIP rules will generate £85 million of additional tax revenues in 2024-25, rising to £515 million by 2029-30.
- The much anticipated Corporate Tax Roadmap noted that the Government will consider opportunities for simplification of the UK's rules for taxing cross-border activities in light of Pillar 2; this would be a welcome development.
- The Roadmap also highlights that HMRC have established a dedicated Pillar 2 compliance team which has been proactively engaging with relevant taxpayers and also references HMRC's ongoing development of extensive technical guidance.

Energy Profits Levy increased
With effect from 1 November, the rate of the Energy Profits Levy will increase from 35 percent to 38 percent and the 29 percent investment allowance will be removed. First year allowances and the decarbonsation allowance are to be retained. The levy is also being extended to apply until 31 March 2030 but legislation is already in place to end the levy earlier if prices fall to, or below, pre determined levels for a sustained period.

Film and high-end TV tax relief
Film and high-end TV tax reliefs announced by the previous Government in the Spring Budget 2024 will continue as planned. Film and high-end TV companies will be able to claim an enhanced 39 percent rate of Audio-Visual Expenditure Credit (AVEC) on UK visual effects (VFX) costs incurred on or after 1 January 2025 and can be claimed from 1 April 2025. These UK visual effects costs will be exempt from the AVEC's 80 percent cap on qualifying expenditure. In addition, from 1 April 2025, UK films with budgets under £15 million and a UK lead writer or director will be able to claim an enhanced 53 percent rate of Audio-Visual Expenditure Credit, known as the Independent Film Tax Credit on expenditure incurred on or after 1 April 2024 on films commencing principal photography on or after that date.

Late payment interest
The Government will increase the late payment interest rate charged by HMRC on unpaid tax liabilities by 1.5 percent with effect from 6 April 2025.

Consultation on HMRC powers and processes
HMRC have published a consultation on *The Tax Administration Framework Review - new ways to tackle non-compliance* inviting views on changes to HMRC's existing powers and processes including amendments to conditions for making claims, introduction of a new partial HMRC enquiry and a new power to require taxpayers to correct mistakes themselves. The consultation is open until 22 January 2025.

Stamp Duty Land Tax (SDLT)
The higher rates of SDLT payable by purchasers of additional dwellings and companies will increase from 3 percent to 5 percent above the standard residential rates. The single rate for companies and non-natural persons purchasing residential dwellings for a price greater than £500,000 will also increase from 15 percent to 17 percent. These changes will apply to transactions with an effective date on or after 31

October 2024. In addition, the annual chargeable amounts for the annual tax on enveloped dwellings (ATED) will be uplifted by the September consumer price index figure of 1.7 percent for the 2025-2026 ATED chargeable period.

VAT on private school fees
The date of this remains January 2025 as previously announced but some changes to the draft legislation have been made following over 17,500 responses to the consultation. The main changes involve both carve outs from and inclusions in the policy to address some concerns and potential distortions previously expressed. TEFL courses taught by private schools and connected parties will be carved out and remain exempt, while Non Maintained Special Schools (NMSS) will now be covered by the change. In general though the NMSS fees will be funded by bodies who can claim the VAT charged. The definition of a nursery class at a private school (where the fees remain exempt) has been changed to “a class that is composed wholly (or almost wholly) of children who are under compulsory school age or, in Scotland, school age, and would not be expected to attain that age while in that class”. This deals with the concern that the original wording of the law meant that just one child over school age in a nursery class would make the fees for that whole class taxable. Various other uncertainties and anomalies have also been addressed in the revised draft law.

Reporting regimes
The UK has previously committed to implementing the OECD’s Cryptoasset Reporting Framework (CARF), which requires relevant providers to report details of their users and transactions to tax authorities. The OECD CARF regime is primarily aimed at collecting information on non-resident taxpayers for exchange between tax authorities, but the previous Government had consulted on implementing an expanded regime which also required domestic reporting in relation to UK residents. The Government has now confirmed that it will proceed with this proposal and that the regime will apply from 1 January 2026, with relevant information being collected from that date and reported by 31 May 2027.

The consultation by the previous Government had also proposed extending the Common Reporting Standard (CRS) regime, which broadly requires reporting by financial institutions of non-resident account holders, so that this would similarly incorporate domestic reporting. The current Government does not plan to proceed with this at this stage, but will continue to engage with stakeholders on the issues raised by the consultation. Other changes to the CRS regime discussed in the consultation will go ahead, but the Government has acknowledged a need for further guidance in respect of these.

Employers

Employer’s National Insurance Contributions (NIC)
With effect from 6 April 2025, employer’s NIC (secondary Class 1, Class 1A, and Class 1B) will increase by 1.2 percentage points from 13.8 percent to 15 percent. Additionally, the secondary earnings threshold above which employer’s NIC is due will reduce from £9,100 to £5,000 (on an annualised basis) and then rise in line with the Consumer Price Index from 6 April 2028. Also from 6 April 2025, the annual employment allowance, which currently reduces the employer’s NIC liability of eligible employers by up to £5,000, will increase to £10,500 and the qualifying requirement to have a total secondary Class 1 NIC

liability of less than £100,000 in the prior year will be removed, making this relief in practice available to all eligible employers. The Government will also extend employer's NIC relief for hiring qualifying veterans for a further year until 5 April 2026.

National Living Wage (NLW) and National Minimum Wage (NMW)
Large increases were announced immediately before Budget Day and confirmed in the Chancellor's Speech. From 1 April 2025 the NLW for employees aged 21 and over will increase from £11.44 to £12.21 per hour. Increases to the NMW will also apply to those aged 18 – 20 (from £8.60 to £10.00 per hour) and those aged 16 – 17 and apprentices (from £6.40 to £7.55 per hour). These are the largest increases to rates on record, marking the first steps in the Government's commitment towards a single adult rate. The accommodation offset rate will also increase (from £9.99 to £10.66 per day / from £69.93 to £74.62 per week).

Tackling non-compliance in the umbrella company market
As part of its commitment to closing the tax gap and making the tax system fairer, the Government has announced it will bring forward legislation to change who has responsibility to account for Pay As You Earn (PAYE) where an umbrella company is used in a labour supply chain to engage a worker. This will move the responsibility to account for PAYE from the umbrella company that employs the worker to the recruitment agency that supplies the worker to the end client. Where there is no agency in a labour supply chain, this responsibility will sit with the end client. This change will take effect from April 2026. This was one of the options outlined in the previous Government's consultation on tackling non-compliance in the umbrella market (discussed in our previous commentary). The Government will set out full details of how this measure will operate in the coming months, alongside draft legislation ahead of its introduction to Parliament as part of Finance Bill 2025. Please read the Budget policy paper for further details on this measure.

Mandatory payrolling of Benefits in Kind (BiKs)
The previous Government announced that employers would be required to report and pay income tax and Class 1A NIC on BiKs through payroll in 'real time' from April 2026 (discussed in our previous commentary). The current Government has confirmed that payrolling BiKs will become mandatory from April 2026. Whilst this date was already communicated, further guidance was awaited in terms of more complex benefits. This has now been published as part of the Budget with confirmation that beneficial loans and employer provided living accommodation will be excluded from the mandatory requirement and instead, these may be payrolled on a voluntary basis from April 2026. The P11D and P11D(b) process will still be available for employers that do not want to payroll these benefits, with further guidance to be published on when payrolling loan and living accommodation BiKs will become mandatory in due course. An end of year process will be introduced to amend the taxable values of any BiKs that cannot be determined during the tax year. However, HMRC expect the taxable values of most BiKs to be reported as accurately as possible in real time. HMRC estimate that 4 million working people will no longer pay the benefit related income tax liabilities in arrears, which is the current process, and a transition to 'real time' payroll processing will become the new normal. Further updates and draft legislation will be published in 2025 for technical comments. Please read the Budget policy paper for further details on this measure.

Setting the Official Rate of Interest (ORI)

Currently the ORI, which is used to calculate employees' tax liabilities in respect of employer provided living accommodation and beneficial loans, is set for an entire tax year. From 6 April 2025, the ORI will be reviewed, and may change, on a quarterly basis.

Taxation of company cars

The Government has set company car benefit tax rates for tax years 2028/29 and 2029/30. Most notably, and despite pre-Budget speculation that Electric Vehicle (EV) company car incentives would be withdrawn, the appropriate percentages for calculating the car benefit charge for zero emission and EVs will increase by 2 percentage points per year in 2028/29 and 2029/30, rising to an appropriate percentage of 9 percent in tax year 2029/30. First Year Allowances of 100 percent for zero emission cars and EV chargepoints have also been extended for a further year. By maintaining these incentives, the Government aims to help drive the transition to EVs. A further point of note in the Budget announcements related to the use of Employee Car Ownership Schemes (ECOS). The Government will publish draft legislation relating to perceived 'loopholes' in ECOS, through which an employer or a third party sells a car to an employee, often via a loan with no repayment terms and negligible interest, then buys it back after a short period. These arrangements currently avoid a company car benefit charge, and this measure will seek to ensure the appropriate benefit charge is levied where arrangements are 'contrived'. The changes for ECOS will take effect from 6 April 2026. Finally, the Government has confirmed that following a Court of Appeal decision, it will not introduce legislation to maintain the treatment of double cab pick-up vehicles with a payload of one tonne or more as goods vehicles. This reverses any announcement by the previous Government in February 2024 that it would legislate to ensure the treatment of these vehicles as goods vehicles, and now means that a car benefit charge will be applied to double cab pick-ups from 6 April 2025 (subject to transitional provisions for currently held vehicles).

Overseas Workday Relief (OWR) for internationally mobile employees

The Government has announced how the OWR rules will operate under the new Foreign Income and Gains (FIG) regime from 6 April 2025. Key changes are that OWR will be available for the four years that the individual is eligible for the FIG regime, compared to the three years under the existing regime for the taxation of non-domiciled individuals. Additionally, the requirement to keep income relating to non-UK workdays offshore will be removed. However, the new rules also introduce a restriction, where the relief that can be claimed will be limited to the lower of £300,000 and 30 percent of 'qualifying employment income' per year. Guidance was also published on transitional cases. Finally, under the current rules, employers need to wait for formal approval from HMRC before being able to restrict the amount of income that is subject to PAYE through the payroll. Under the new rules, this will move to a 'process now, check later' approach, and the employer will be able to restrict PAYE as soon as they receive an auto-acknowledgement on submitting an application. Please read the Budget announcements for further details on this measure.

International Pension Changes

The previous exemption from the 25 percent 'Overseas Transfer Charge' (OTC) on transfer payments from UK registered pension schemes to Qualifying Recognised Overseas Pension Schemes (QROPSs) where, essentially, both the relevant individual and the QROPS are both resident anywhere in the EEA (it also being possible for the QROPS to be established in Gibraltar and/or for the individual to be UK resident) has been removed from 30 October 2024. This exclusion will now only apply where the relevant individual and

the QROPS are both resident in the same country (or certain alternative criteria are satisfied). This is likely to have an adverse impact on international mobility – especially as, where an individual moves to another country following such a transfer, in certain circumstances the OTC can be imposed retrospectively (where a QROPS is established in the EEA/Gibraltar, it will no longer be possible to avoid such a retrospective tax charge so long as the individual moves to another EEA country or to the UK).

Individuals

Income tax and NI thresholds
The thresholds for Income Tax and National Insurance are currently frozen until 2028. From April 2028 these thresholds will rise every year in line with inflation.

Devolved Scottish and Welsh Income tax
For individuals who pay tax on relevant income at the Scottish or Welsh rates (i.e., on income other than savings income and dividends), the rates and, for Scottish taxpayers, bands for 2025/26 will be announced at the relevant devolved Budget in December 2024.

Inheritance Tax (IHT) thresholds - the IHT nil rate band and residence nil rate band
The following IHT thresholds were due to be frozen until April 2028:

- Nil rate band at £325,000
- Residence nil-rate band at £175,000
- Residence nil-rate band taper starting at £2 million

The Government is extending these threshold freezes for a further two years to April 2030.

Inheritance tax (IHT) move to residence-based regime
As announced by the previous Government in the Spring Budget, from 6 April 2025 IHT will move from being a tax based on domicile to a tax based on residence. This will make no difference to UK assets (and non-UK assets whose value is derived from UK residential property) which are always within scope of IHT, but will alter the rules which determine whether non-UK assets are within the scope of IHT on the death of an individual, when an individual makes certain lifetime gifts and where assets are held in trust.

Non-UK assets will be within the scope of IHT where they are owned by an individual who is a ‘long-term resident’. A long-term resident will be someone over the age of 20 who has been tax resident in the UK under the Statutory Residence Test (or the pre-SRT rules for tax years before 2013/14) for at least 10 out of the 20 tax years prior to the year in question. (Individuals aged 20 and under will be long term resident if they have been UK resident for at least 50 percent of the tax years since their birth). Where a long-term resident leaves the UK having been resident for fewer than 20 years, their non-UK assets will remain within scope of IHT for between three and 10 years, depending on how long they have been resident in the UK. For example, an individual who has been UK resident for between 10 and 13 years will cease to be subject to IHT on their non-UK assets after three consecutive years of non-residence. This will increase by one tax year for each additional year of residence.

Non-UK assets held in trusts will be subject to the IHT regime for trusts where the settlor is a long-term resident at the time of any charge. Whether or not they are within the scope of IHT may accordingly change over time if the settlor is a long-term resident and then ceases so to be and vice-versa. Where the trust is a 'qualifying interest in possession' settlement, the long-term residence status of the life tenant will also be relevant. Where trust assets cease to be within the scope of IHT as determined by these rules, an IHT 'exit charge' from the trust may arise, at a rate of up to 6 percent.

For those who are non-UK resident in 2025/26 the old rules of deemed domicile will apply to determine long term residence, provided they remain non-UK resident. The new rules will apply to these individuals should they return.

Where a trust's settlor has died before 6 April 2025, non-UK assets will be outside the scope of IHT if the settlor was non-UK domiciled and not deemed domiciled at the time the assets were settled i.e. under the current domicile based regime. Where the settlor dies on or after 6 April 2025, the position will depend on the settlor's long-term residence status at their date of death.

Reforms to IHT Business Property relief (BPR) and IHT Agricultural Property Relief (APR)
The Government has introduced significant reforms to IHT reliefs, specifically BPR and APR.

From 6 April 2026, the 100 percent rate of relief will continue for the first £1 million of combined qualifying agricultural and business assets to help protect family farms and businesses, and will be 50 percent thereafter in relation to qualifying asset values in excess of £1 million.

The Government will also reduce the rate of BPR to 50 percent in all circumstances for listed shares designated as 'not listed' for IHT purposes on the markets of a recognised stock exchange, such as AIM. (Whilst the wording is slightly opaque- we note that as unquoted shares in trading companies are unlisted rather than deemed to be unlisted for IHT purposes, this restriction should not apply to unquoted shares in trading companies).

These changes could affect estates of deceased individuals, individuals making lifetime gifts of assets to other individuals and gifts of assets into trusts and trustees needing to assess their exposure to IHT in the event of the trust IHT 10 year charge and IHT charges in respect of trust capital distributions.

Anti-forestalling rules have also been alluded to, although with little detail at this stage, which will apply to lifetime transfers made between 30 October 2024 and 6 April 2026. It looks like the rules will seek to ensure that the new BPR/APR regime applies to lifetime gifts made between 30 October 2024 and 6 April 2026 where there is a chargeable event (such as a death) post 6 April 2026. Whereas if there has been a lifetime transfer on/after 30 October 2024 but then a chargeable event such as a death before 6 April 2026, then the existing regime will apply. The Government provides the following example here "a lifetime gift of unquoted shares of £2 million made on or after 30 October 2024 will be a failed potentially exempt transfer if the donor dies within 7 years. 100% relief would apply to the first £1 million and 50% to the next £1 million under the new rules if the recipient owned the shares until the donor's death and the donor's death is on or after 6 April 2026."

According to the Government, almost three-quarters of estates claiming APR and the majority of estates claiming BPR in 2026 to 2027 are expected to be unaffected by these reforms. But all tax reforms mean

there are winners and losers and some taxpayers will see their IHT exposure significantly increase. For larger estates the IHT exposure from 6 April 2026 will be 20 percent (on death) or 3 percent (on 10 year charges) of the value of the agricultural or business property over the £1 million.

There are numerous practical implications of these reforms so the Government has committed to publishing a technical consultation in early 2025 and will focus on the detailed application of the allowance to lifetime transfers into trusts and IHT charges on trust property.

IHT - extension of agricultural property relief to environmental land management
The Government confirms it will extend the existing scope of APR from 6 April 2025 to UK land managed under an environmental agreement with, or on behalf of, the UK Government, devolved governments, public bodies, local authorities, or approved responsible bodies.

Inheritance tax to be charged on pension pots from April 2027
Inheritance tax will be charged on all inherited pension pots from April 2027. The IFS estimate this could raise £2 billion a year. This change would add pension pots to the death estate, meaning that the full inheritance tax charge could be applicable. This change ends the special treatment of pension pots on death, which has led to wealthier individuals keeping surplus assets in their pension for inheritance tax planning purposes.

HMRC have launched a 12-week technical consultation on how this policy will be implemented. Key issues will include the interaction of inheritance tax and income tax to avoid both being levied on the same pension pot.

IHT Digitalisation
The Government will invest £52 million to digitalise the inheritance tax service from 2027-28 to provide a modern, easy-to-use system, making returns and paying tax simpler and quicker.

Given the reforms to IHT BPR/APR which will bring more taxpayers within the scope of paying IHT, having digital facilities to submit returns will really be needed.

Increases to CGT rates and changes to CGT Business Asset Disposal Relief (BADR) and CGT Investors Relief (IR)
For disposals on or after 30 October 2024 the rates of CGT for disposals (other than residential property and carried interest) increase as follows:

For individuals:

- lower rate of Capital Gains Tax from 10 percent to 18 percent; and
- the higher rate of CGT from 20 percent to 24 percent.

For trustees and personal representatives, the CGT rate increases from 20 percent to 24 percent.

For disposals of residential property, the lower and higher rates of CGT remain at 18 percent and 24 percent respectively.

The rate for CGT where BADR and IR apply will increase to 14 percent from 6 April 2025, and will increase again to match the lower main rate at 18 percent from 6 April 2026.

The lifetime limit for Investors' Relief will be reduced to £1 million (down from £10 million) for all qualifying disposals made on or after 30 October 2024, matching the lifetime limit for Business Asset Disposal Relief.

For those individuals qualifying for BADR who had re-organisations of their share capital or had entered into share for share exchanges before 30 October 2024, anti-forestalling rules have been introduced which means it will not be possible to elect out of tax neutral rules unless this has already been done and this will also apply to transactions taking place between 30 October 2024 and 6 April 2025.

The Government says it:

- wants a package of changes to CGT that raises revenue whilst also ensuring that the UK tax system remains internationally competitive, with headline rates remaining below France, Germany and Italy; and
- is committing to a predictable tax system by phasing in the CGT BADR and IR changes.

Carried Interest
The rate of CGT on carried interest will increase to 32 percent from 6 April 2025 as an interim measure while further consultation is undertaken, with a commitment to simplify and reform the taxation of carried interest.

The consultation period will run to 31 January 2025, covering the potential qualifying conditions for carried interest. From April 2026 the intention appears to be that carried interest will come within the income tax framework, with qualifying carried interest benefiting from a 72.5 percent multiplier to the tax rate (bringing the top rate of income tax for such qualifying carried interest broadly back in line with the 32 percent rate applying from April 2025).

Employee ownership trusts
Employee ownership trusts (EOTs) will remain an option for shareholders looking to sell their trading businesses as gains on these sales will not be subject to tax provided certain conditions are met. These conditions have been tightened up from 30 October 2024 following the consultation in late 2023, however EOTs implemented prior to this date should be mostly unaffected by the changes.

However, in order to ensure that the EOT regime meets its intended purpose of encouraging employee ownership, the period in which the capital gains tax can be recovered from the original vendor if the relevant conditions cease to be met has been extended. This period will now run until the end of the fourth tax year following the initial sale to the EOT (previously this ran until the end of the second year following the initial sale).

Foreign Income and Gains regime
The Chancellor had confirmed in July that the reforms to the taxation of non-UK domiciled individuals announced by the previous Government in the Spring Budget would go ahead, subject to closing a number of 'loopholes'. A significant amount of further detail on the new regime has now been published, albeit the key aspects remain unchanged.

The current ‘remittance basis’ tax regime for non-UK domiciled individuals will be abolished from 6 April 2025, when the concept of domicile will be removed from the tax system. The new regime will be based on an individual’s tax residence, as determined under the Statutory Residence Test. There will be a four-year ‘FIG regime’ available to individuals who are within their first four years of UK tax residence after a period of at least 10 consecutive years of non-residence. As well as individuals who are not UK domiciled, the FIG regime will be available to UK domiciles who meet the residence criteria. Anyone who does not claim the FIG regime will be taxable on their worldwide income and gains with effect from 6 April 2025.

Individuals who claim the new ‘FIG regime’ in one or more of their first four years of residence will not pay tax on most foreign income and gains arising in that year(s), albeit there are some exceptions including certain offshore life insurance policies and investment bonds. Income and gains treated as an individual’s where they are the settlor of or receive a benefit from a non-resident trust will benefit from relief where the FIG regime is claimed, with knock-on impact for the future taxation of the trust and its beneficiaries.

Claims for the FIG regime will need to be made in an individual’s tax return and specify the amount of income and gains in respect of which relief is being claimed. Making a claim will result in the individual losing their income tax personal allowance and annual capital gains tax exempt amount for the relevant tax year, as well as meaning they cannot claim for any foreign income or capital losses arising in the year.

Overseas workday relief will remain available for a four year period on a simplified basis to those who are eligible for the FIG regime.

There are two main transitional provisions for individuals who have previously been taxed on the remittance basis and will not benefit from the FIG regime. Firstly, a capital gains tax rebasing will be available for non-UK assets owned personally by the individual on 5 April 2017 and disposed of on or after 6 April 2025, subject to certain conditions being met. The rebasing will be to the asset’s market value as at 5 April 2017, which is an earlier date than previously proposed. Secondly, there will be a ‘Temporary Repatriation Facility’ (TRF) available for three years from 6 April 2025. The TRF will allow individuals to designate previously unremitted foreign income and gains, whether liquid or illiquid, to be taxed at a reduced rate of 12 percent in 2025/26 and 2026/27 and 15 percent in 2027/28. The tax charge will be payable on the designation, following which no further UK tax will be payable regardless of when the designated income/gains are remitted. It will not be possible to claim a foreign tax credit against the TRF charge.

Personal Tax Offshore Anti-Avoidance legislation

The Government has published a call for evidence as the first stage in its intention to conduct a review of personal tax offshore anti-avoidance legislation, including the Transfer of Assets Abroad and Settlements legislation, to modernise the rules and ensure they are fit for purpose in the light of the removal of non-domicile status from 6 April 2025 and the fact that new offshore structures could be brought into the scope of these rules.

The call for evidence will run for 16 weeks starting on 30 October 2024 and ending 19 February 2025. Responses received will be evaluated, alongside other evidence, to identify areas for improvement and highlight priority areas for further consultation in 2025. The document highlights the settlements legislation, the transfer of assets abroad legislation and capital gains tax rules for offshore trusts as areas being considered, but also requests suggestions of other areas which may need to be reviewed.

As set out in a prior speech by the Chancellor on 29 July 2024, it is not anticipated that any changes to the offshore anti-avoidance legislation will be introduced before the start of the 2026 to 2027 tax year.

Setting the Official Rate of Interest (ORI)

Currently the ORI, which is used to calculate employees' tax liabilities in respect of employer provided living accommodation and beneficial loans, is set for an entire tax year. From 6 April 2025, the ORI will be reviewed, and may change, on a quarterly basis.

Stamp Duty Land Tax (SDLT)

The higher rates of SDLT payable by purchasers of additional dwellings and companies will increase from 3 percent to 5 percent above the standard residential rates. The single rate for companies and non-natural persons purchasing residential dwellings for a price greater than £500,000 will also increase from 15 percent to 17 percent. These changes will apply to transactions with an effective date on or after 31 October 2024. In addition, the annual chargeable amounts for the annual tax on enveloped dwellings (ATED) will be uplifted by the September consumer price index figure of 1.7 percent for the 2025-2026 ATED chargeable period.

Air Passenger Duty

The Government launched a consultation on proposals to extend the scope of the higher rate of Air Passenger Duty (APD) to all private jets, including business jets. APD has applied to private jets since April 2013. The higher rate was also introduced in April 2013 for the larger, more luxurious, private jets, reflecting the higher class of service they provide.

The main aim of this consultation is to seek views on whether the higher rate could be further aligned to its objectives of ensuring that operators and passengers of such aircraft contribute fairly to the public finances relative to commercial operators, including whether the rate's scope based on aircraft weight and passenger capacity remains appropriate. As a first step in ensuring the private jet industry is taxed more fairly, the government announced in the Autumn Budget a 50 percent increase to the higher rate as well as increases to the other APD rates.

VAT on private school fees

The date of this remains January 2025 as previously announced but some changes to the draft legislation have been made following over 17,500 responses to the consultation. The main changes involve both carve outs from and inclusions in the policy to address some concerns and potential distortions previously expressed. TEFL courses taught by private schools and connected parties will be carved out and remain exempt, while Non Maintained Special Schools (NMSS) will now be covered by the change. In general though the NMSS fees will be funded by bodies who can claim the VAT charged. The definition of a nursery class at a private school (where the fees remain exempt) has been changed to “a class that is composed wholly (or almost wholly) of children who are under compulsory school age or, in Scotland, school age, and would not be expected to attain that age while in that class”. This deals with the concern that the original wording of the law meant that just one child over school age in a nursery class would make the fees for that whole class taxable. Various other uncertainties and anomalies have also been addressed in the revised draft law.

Freeze starting rate for savings income
The Starting Rate for Savings will be retained at £5,000 for 2025-26, allowing individuals with less than £17,570 in employment or pensions income to receive up to a maximum of £5,000 of savings income without a charge to income tax. Eligibility for this amount reduces where other income exceeds £12,570.

Individual Savings Accounts, Lifetime ISA, Junior ISA and Child Trust Fund Allowance
Contrary to speculation, the Government has confirmed that annual subscription limits will remain at £20,000 for ISAs, £4,000 for Lifetime ISAs and £9,000 for Junior ISAs and Child Trust Funds until 5 April 2030.

Abolition of Furnished Holiday Lets tax regime
The Government has confirmed that it will introduce legislation in Finance Bill 2024-25 to remove the specific tax treatment and separate reporting requirements for Furnished Holiday Lettings (FHL). Income and gains from a FHL will form part of the person's UK or overseas property business. These changes will take effect on or after 6 April 2025 for Income Tax and Capital Gains Tax and from 1 April 2025 for Corporation Tax and for Corporation Tax on chargeable gains.

Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT)
As anticipated EIS and VCT will be extended until 2035.

Late payment interest
The Government will increase the late payment interest rate charged by HMRC on unpaid tax liabilities by 1.5 percent with effect from 6 April 2025.

Consultation on HMRC powers and processes
HMRC have published a consultation on The Tax Administration Framework Review - new ways to tackle non-compliance inviting views on changes to HMRC's existing powers and processes including amendments to conditions for making claims, introduction of a new partial HMRC enquiry and a new power to require taxpayers to correct mistakes themselves. The consultation is open until 22 January 2025.

Making Tax Digital for income tax
The Government has confirmed the intention for Making Tax Digital (MTD) for Income Tax to be rolled out as previously announced. Individuals with gross self-employment and/or rental income of over £50,000 will be mandated from April 2026, while individuals with gross self-employment and/or rental income of over £30,000 will be mandated from April 2027. The Government has announced this will be extended to individuals with income over £20,000 by the end of the Parliament, with precise timing to be confirmed at a later date.

Reporting regimes
The UK has previously committed to implementing the OECD's Cryptoasset Reporting Framework (CARF), which requires relevant providers to report details of their users and transactions to tax authorities. The OECD CARF regime is primarily aimed at collecting information on non-resident taxpayers for exchange between tax authorities, but the previous Government had consulted on implementing an expanded regime which also required domestic reporting in relation to UK residents. The Government has now confirmed that it will proceed with this proposal and that the regime will apply from 1 January 2026, with relevant information being collected from that date and reported by 31 May 2027.

The consultation by the previous Government had also proposed extending the Common Reporting Standard (CRS) regime, which broadly requires reporting by financial institutions of non-resident account holders, so that this would similarly incorporate domestic reporting. The current Government does not plan to proceed with this at this stage, but will continue to engage with stakeholders on the issues raised by the consultation. Other changes to the CRS regime discussed in the consultation will go ahead, but the Government has acknowledged a need for further guidance in respect of these.

Changes to the tax rules on liquidations of Limited Liability Partnerships
From 30 October 2024, the Government will change the way capital gains are taxed when a Limited Liability Partnership is liquidated, and assets are disposed of to a contributing member or person connected to them, to close a route used for avoidance of tax.

The Government advises that currently legislation provides that assets held by a Limited Liability Partnership are treated as if held by its members in a normal partnership. Consequently, in some situations no chargeable gains accrue when a member contributes an asset to the Limited Liability Partnership. It goes on to provide that this treatment ceases to apply on appointment of a liquidator and that the cessation of treatment does not give rise to a disposal of any assets by its members.

New legislation will be introduced that will deem that a disposal arises when a Limited Liability Partnership is liquidated and assets a member has contributed are disposed of to the member, or to a company or other person connected to them. The amount of chargeable gain that is to accrue to the member is to be that amount equal to the amount that would have accrued at the time they contributed the asset to the Limited Liability Partnership.

The Limited Liability Partnership will be liable in the normal way for gains from that time on their actual disposal of the asset.

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