



BUDGET BREAKFAST 2024

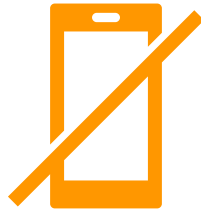
 **scruttonbland**

Part of the **SUMER**  Group

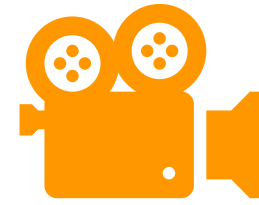
Housekeeping



No planned fire
drills



Please switch your
phone to silent



Please note we are
live-streaming this
event



Welcome

Jason Fayers



Economic Update

Luke Morris

Exhibit A: Workforce participation forecast to fall
Exhibit B: £140bn more borrowing
Exhibit C: Sluggish growth

Exhibit A:

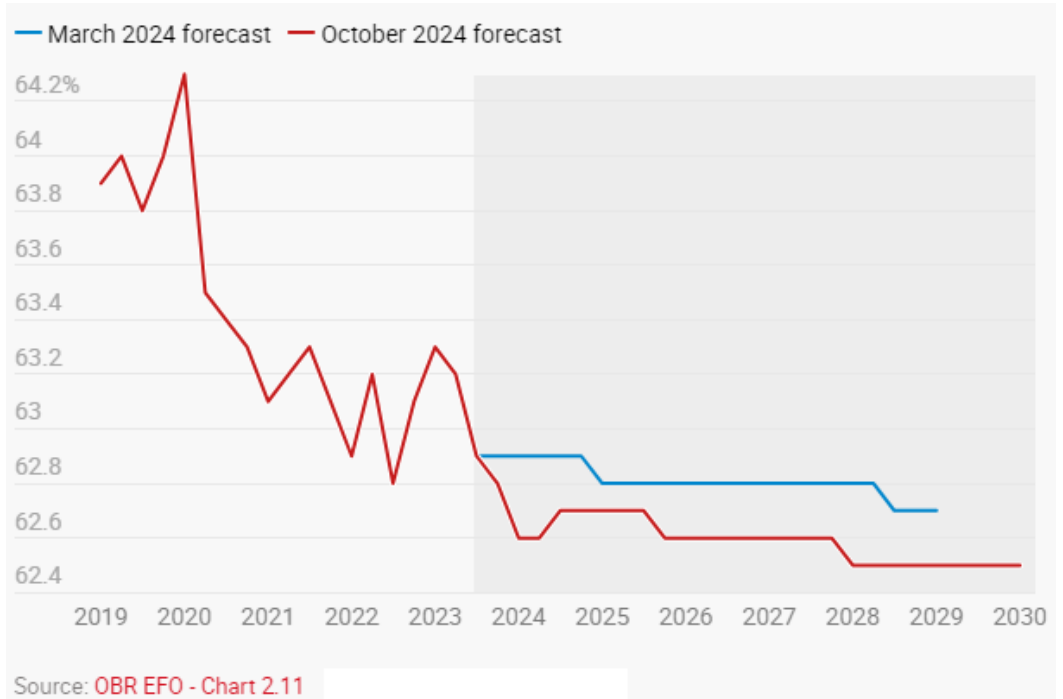


Exhibit B:

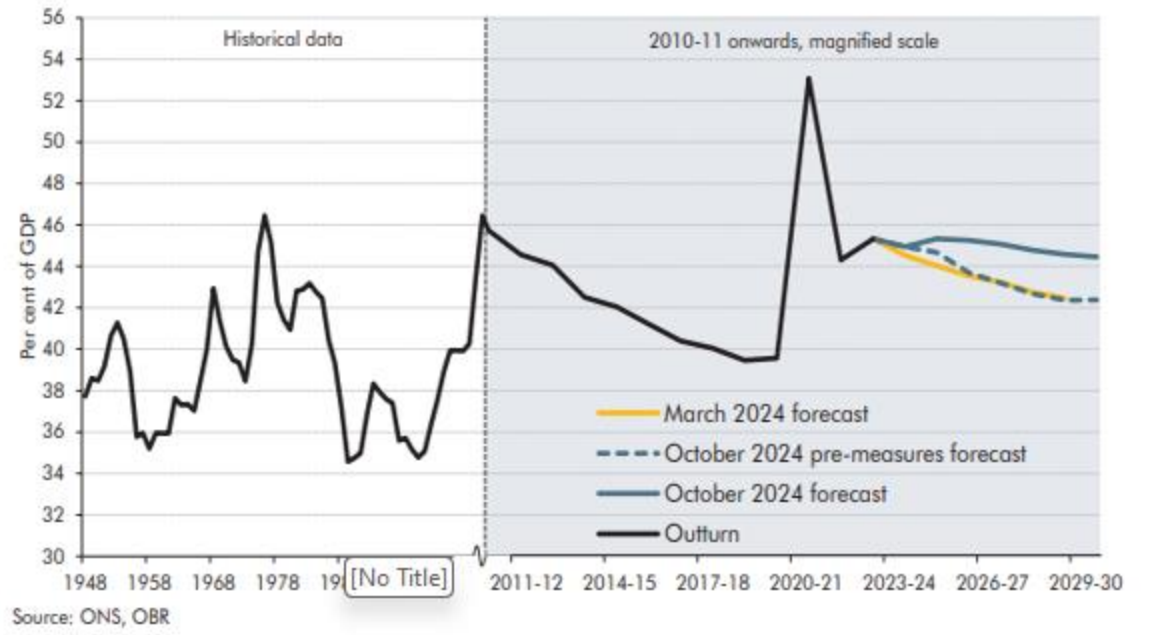
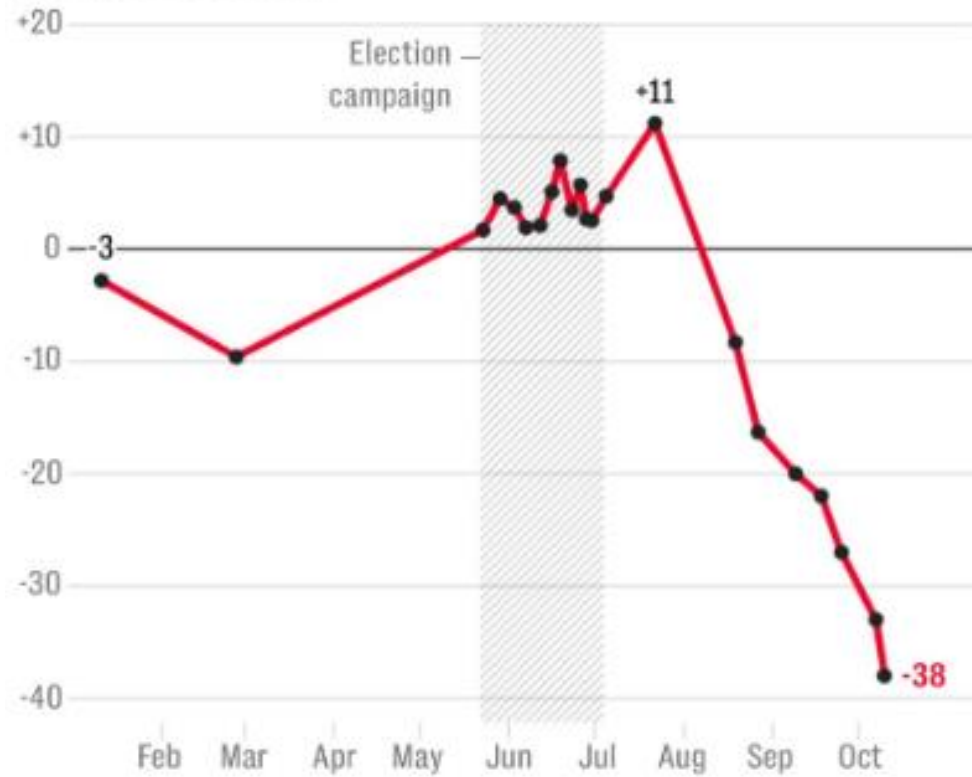


Exhibit C:

| YEAR | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
|--------|---------|---------|---------|---------|---------|---------|
| GROWTH | 1.1% | 2.0% | 1.8% | 1.5% | 1.5% | 1.6% |

Keir Starmer's approval

Net approval rating

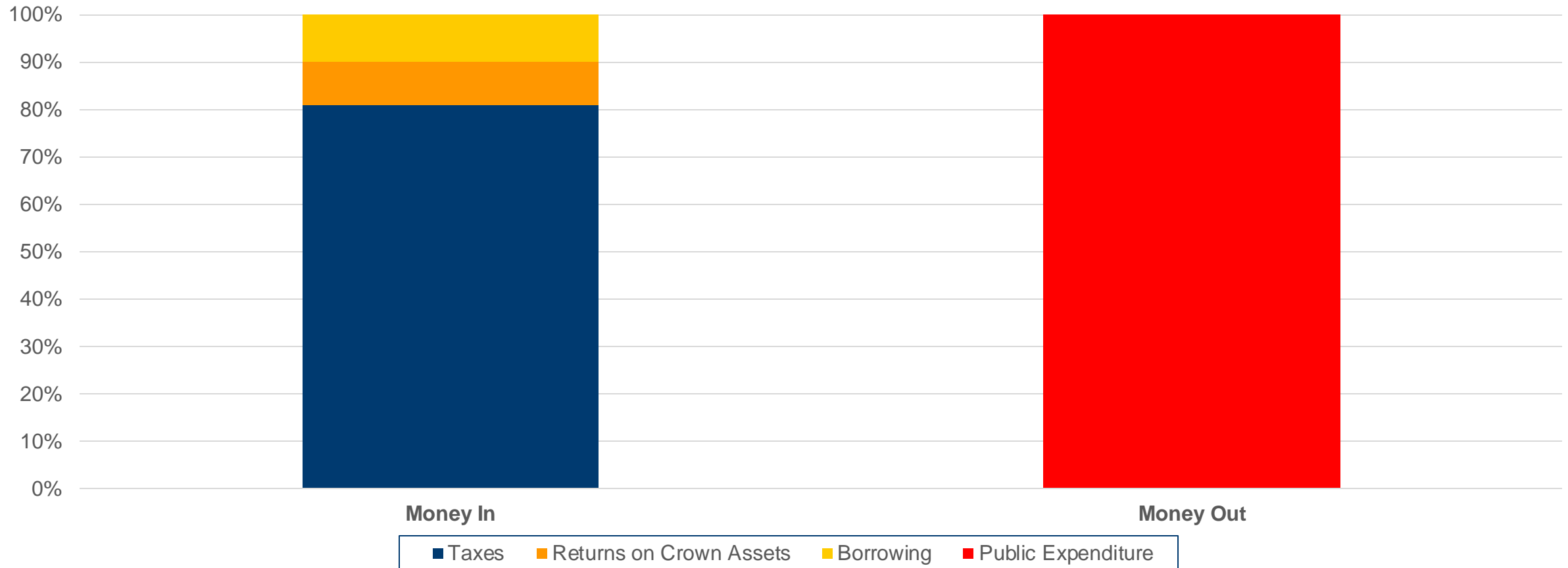


Proportion who think Starmer is doing a "somewhat good" or "very good" job, minus those who think he is doing a "somewhat bad" or "very bad" job | Source: More in Common (Oct 9-10)

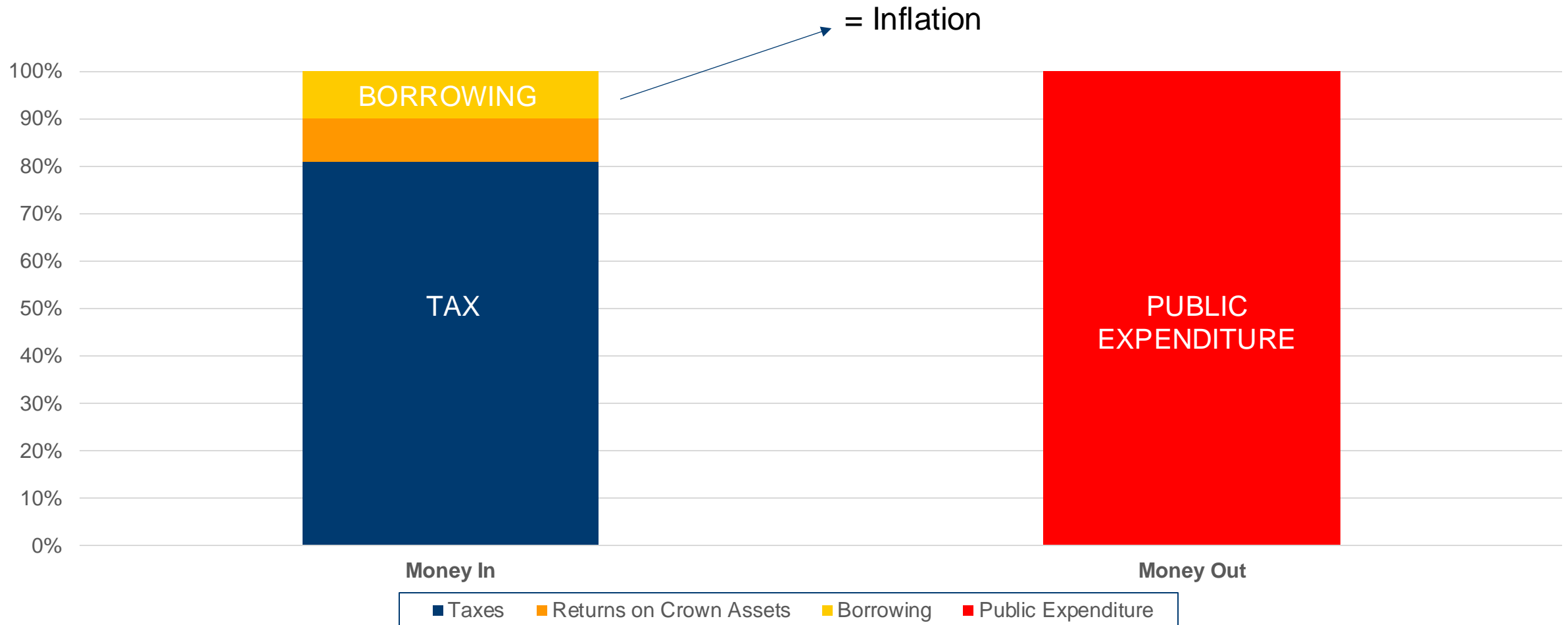
Keep your eye on one thing and one thing only!



A balanced Budget...

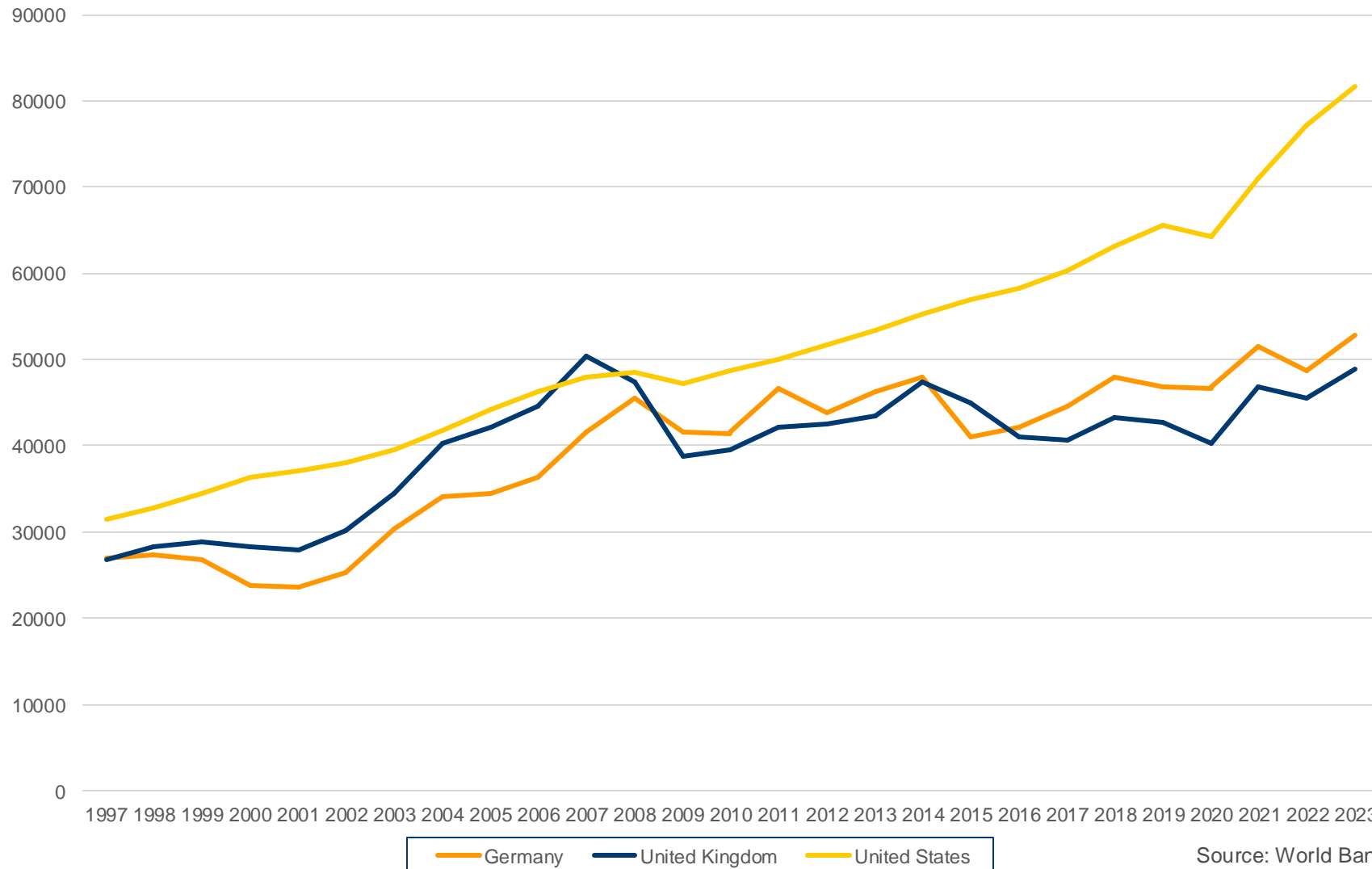


A balanced Budget...





GDP per Capita (USD \$)



Source: World Bank



6 April 2010

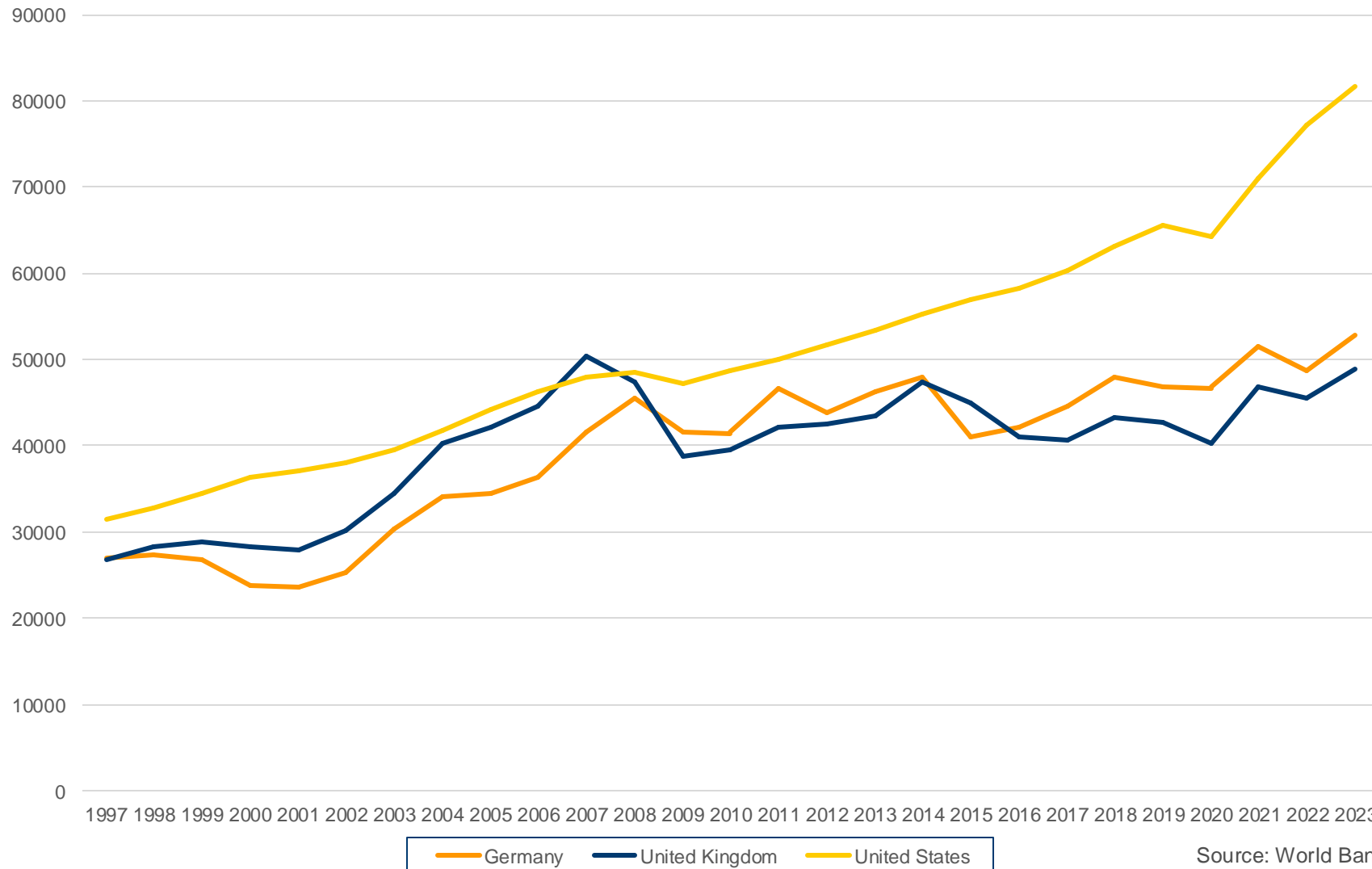
Dear Chief Secretary

I'm afraid there is no money.

Kind regards -
and good luck!



GDP per Capita (USD \$)



Source: World Bank

Tailwinds

Tailwinds to 2008

1. Demographics
2. Globalisation
3. Europe

Tailwinds...turn to headwinds

| Tailwinds to 2008 | Headwinds since 2008 |
|-------------------|----------------------|
| 1. Demographics | 1. Demographics |
| 2. Globalisation | 2. Globalisation |
| 3. Europe | 3. Europe |

Inefficiency drive

Britain, productivity by sector, 1997=100



Source: ONS

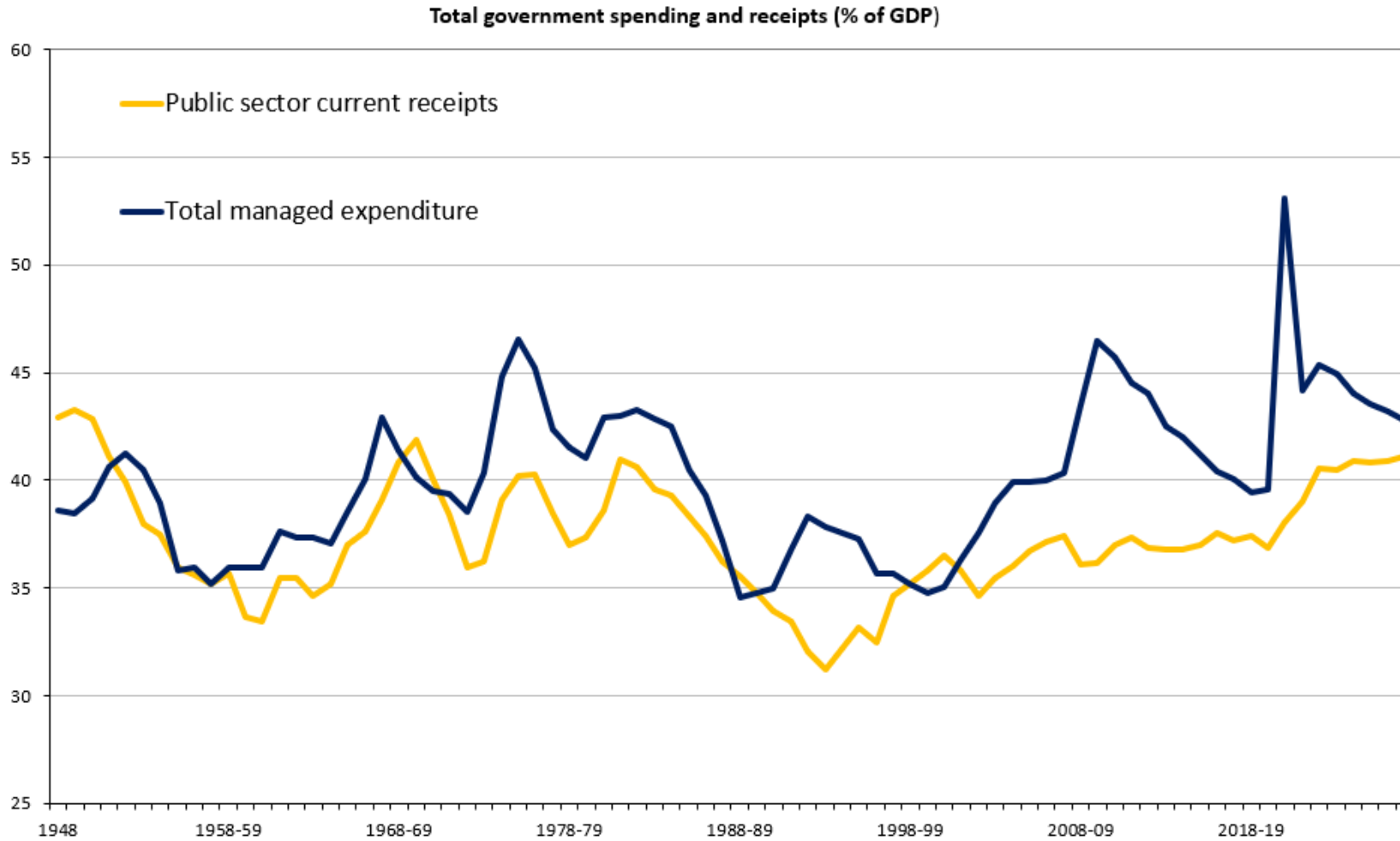
*2021-22 data are experimental



Public Expenditure

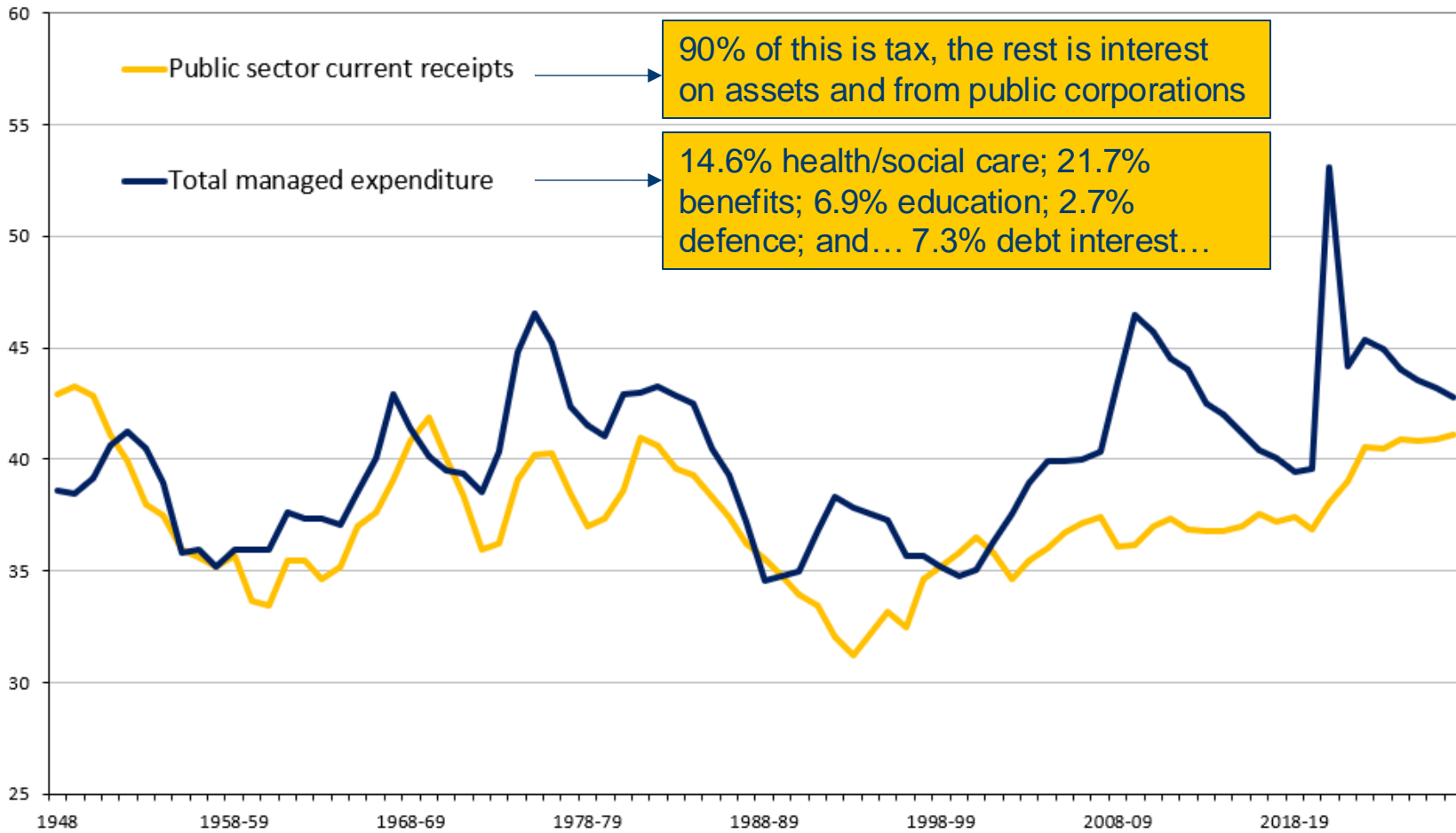
...the one thing to keep your eye on

Blue line above yellow line = living beyond means



Blue line above yellow line = living beyond means

Total government spending and receipts (% of GDP)

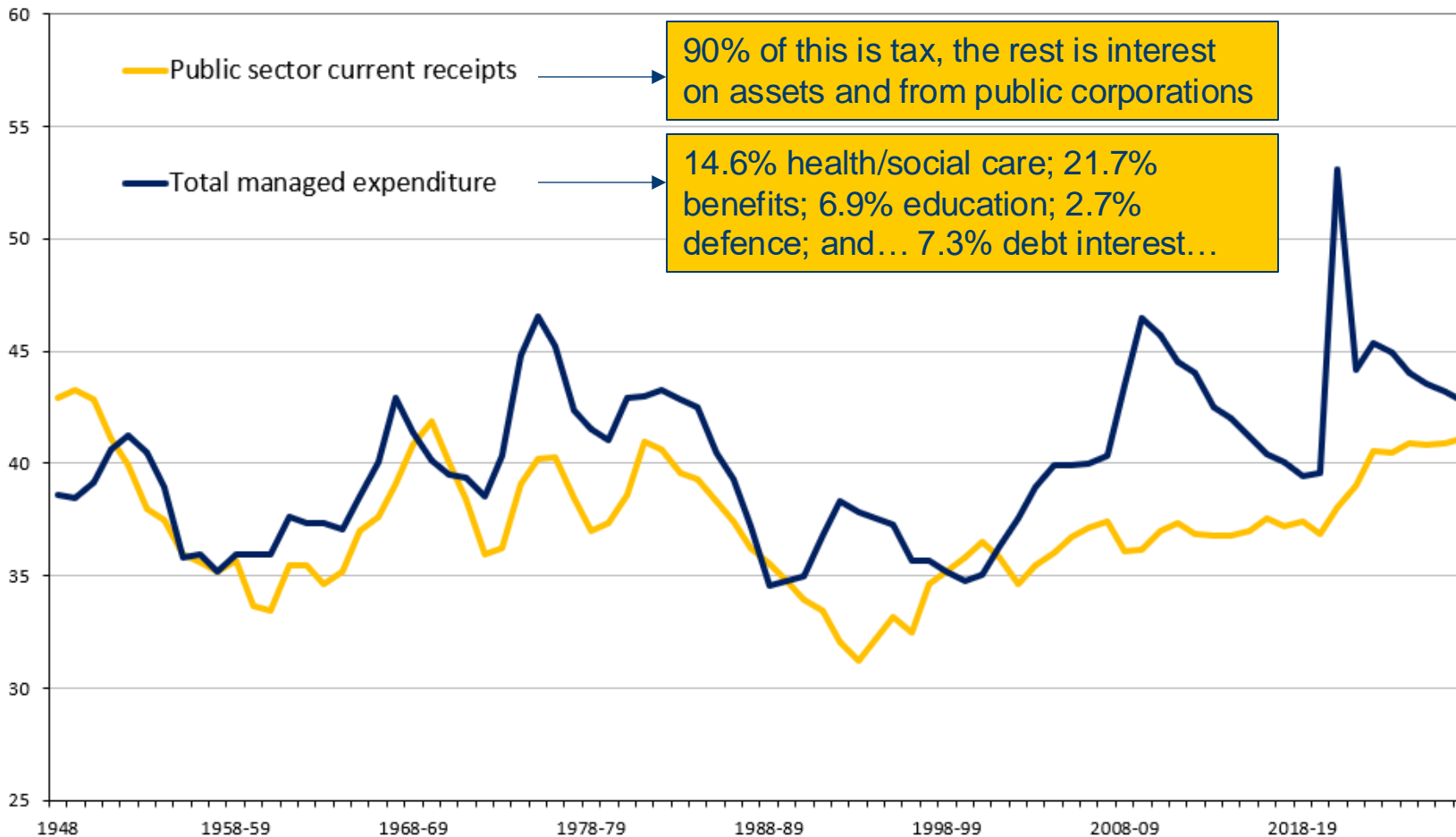


£1,223bn in 2023/24
(~£42k per household)

£1,101bn in 2023/24
(~£38k per household)

Blue line above yellow line = living beyond means

Total government spending and receipts (% of GDP)



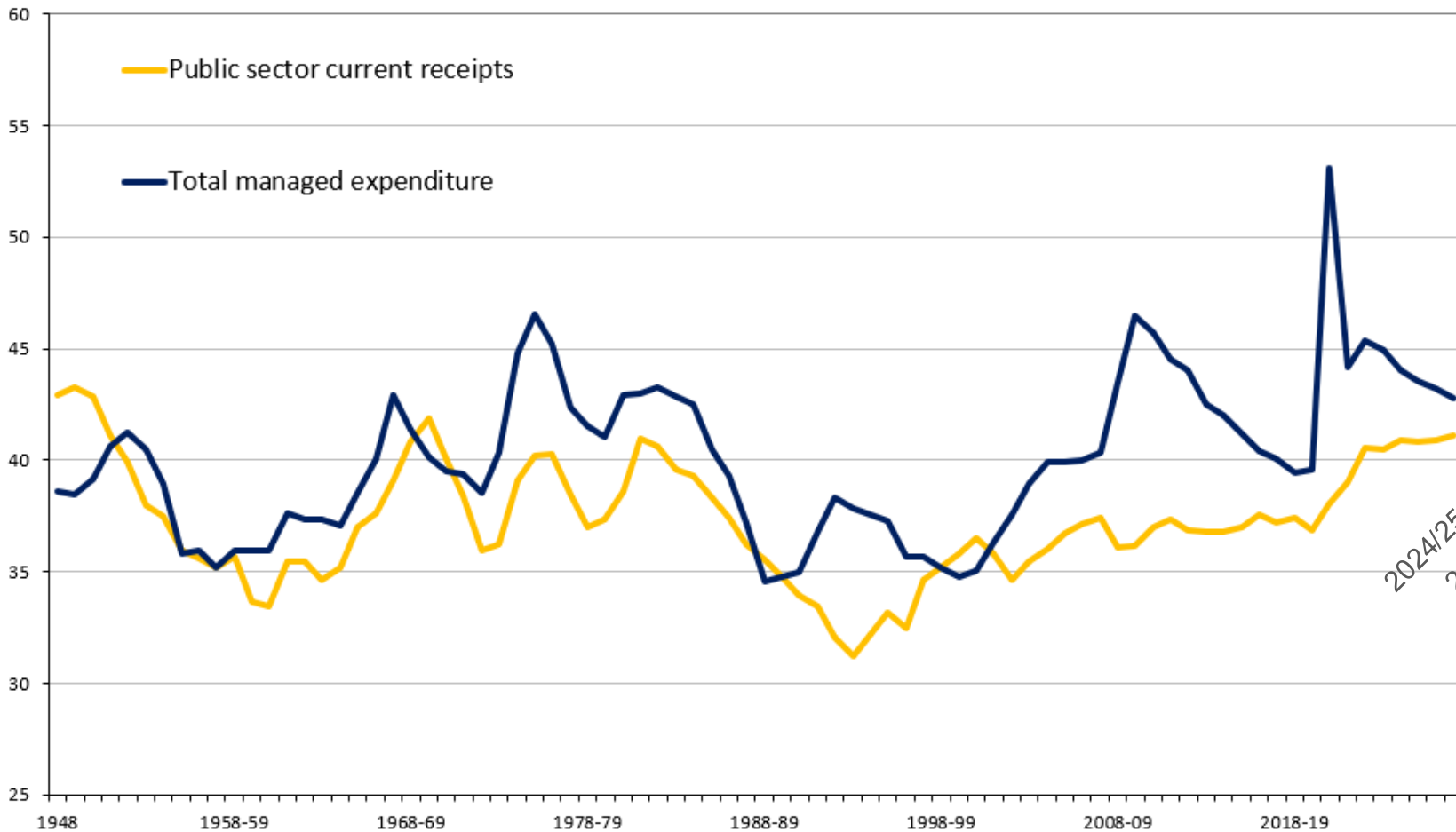
£1,223bn in 2023/24
(~£42k per household)

$\Delta = \text{£}122\text{bn} / \text{£}4\text{k per household}$
(AKA the real "black hole")

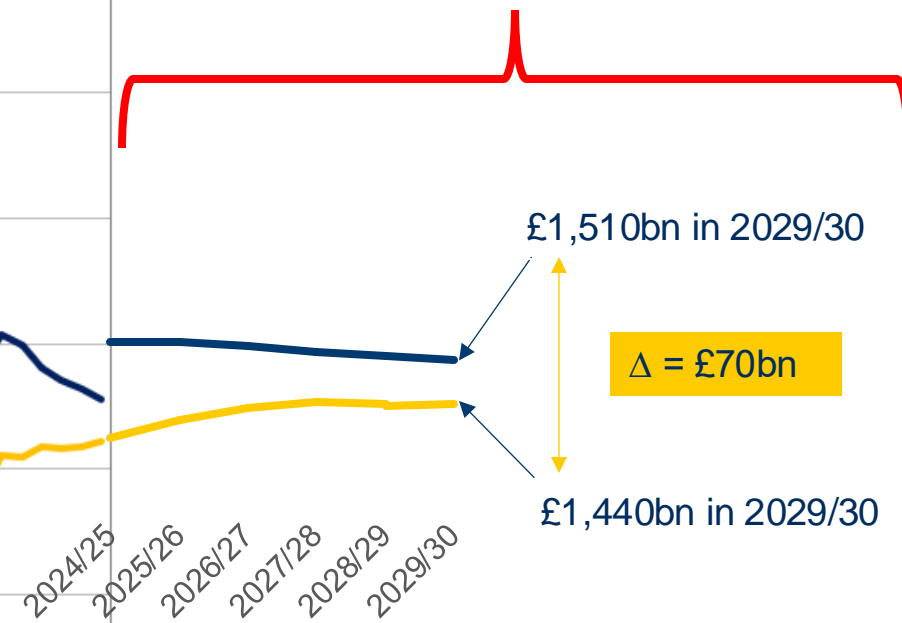
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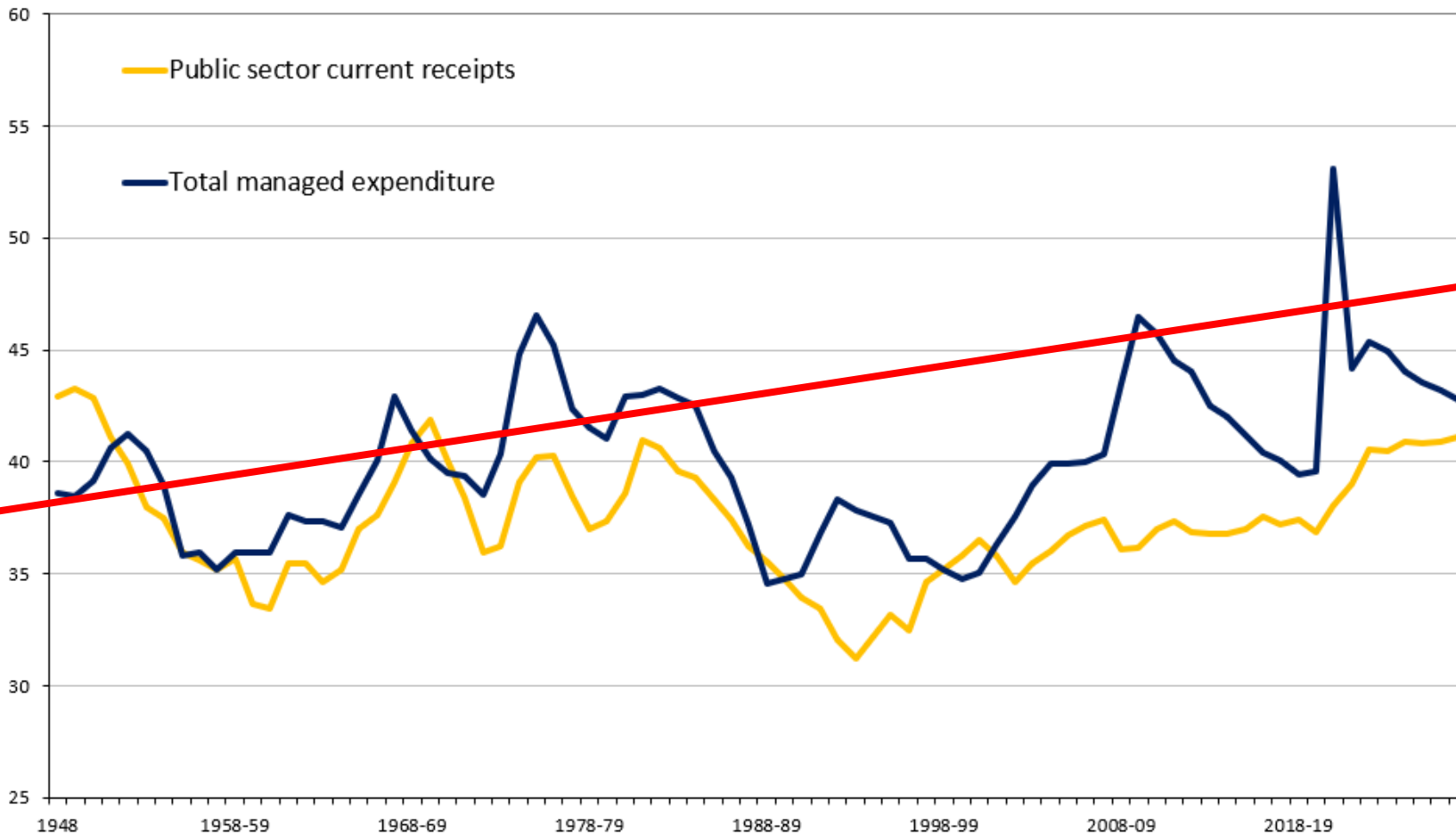


Per OBR from yesterday

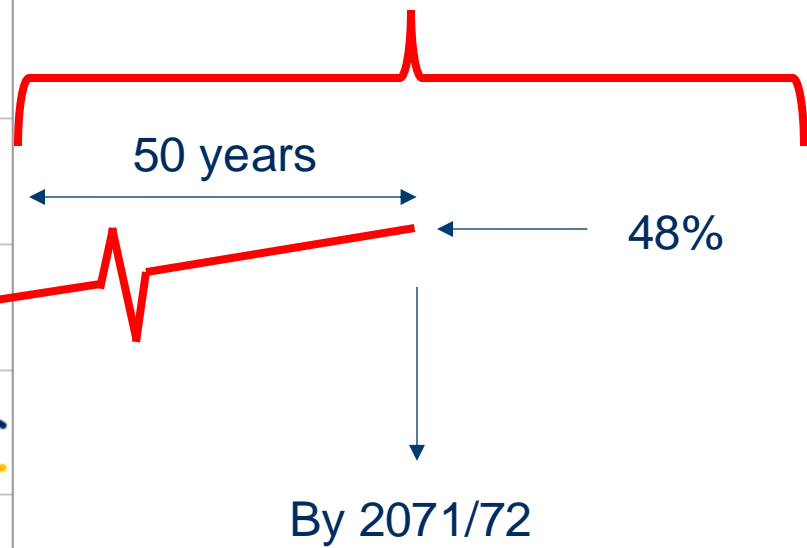


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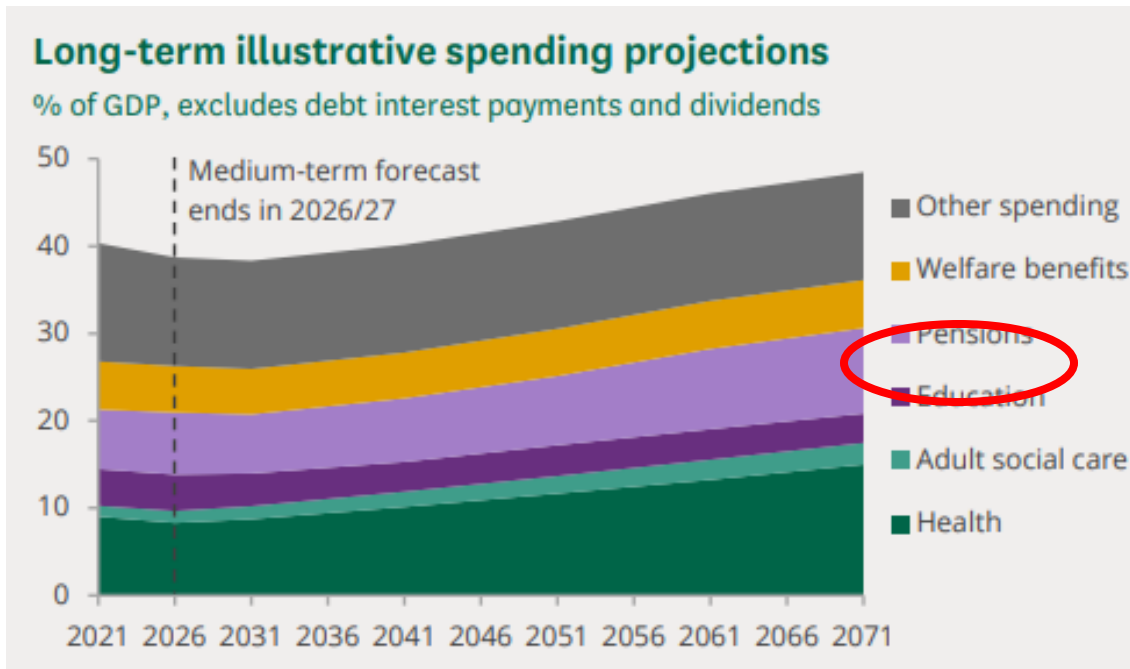
Total government spending and receipts (% of GDP)



According to the OBR long term



“A conspiracy of silence”



Source: OBR, [Fiscal risks and sustainability - July 2022](#), Table 4.9, 7 July 2022

- A 2022 (well pre-election) OBR report said:
 - “Over the next 50 years, total spending under current policies is projected to rise, reaching around 48% of GDP by 2071/72”
 - “Health spending would be the largest contributor to this increase”
 - “Pensions would be the second largest contributor”
- The IFS asked whether there was there a “conspiracy of silence” between both parties?



Taxes

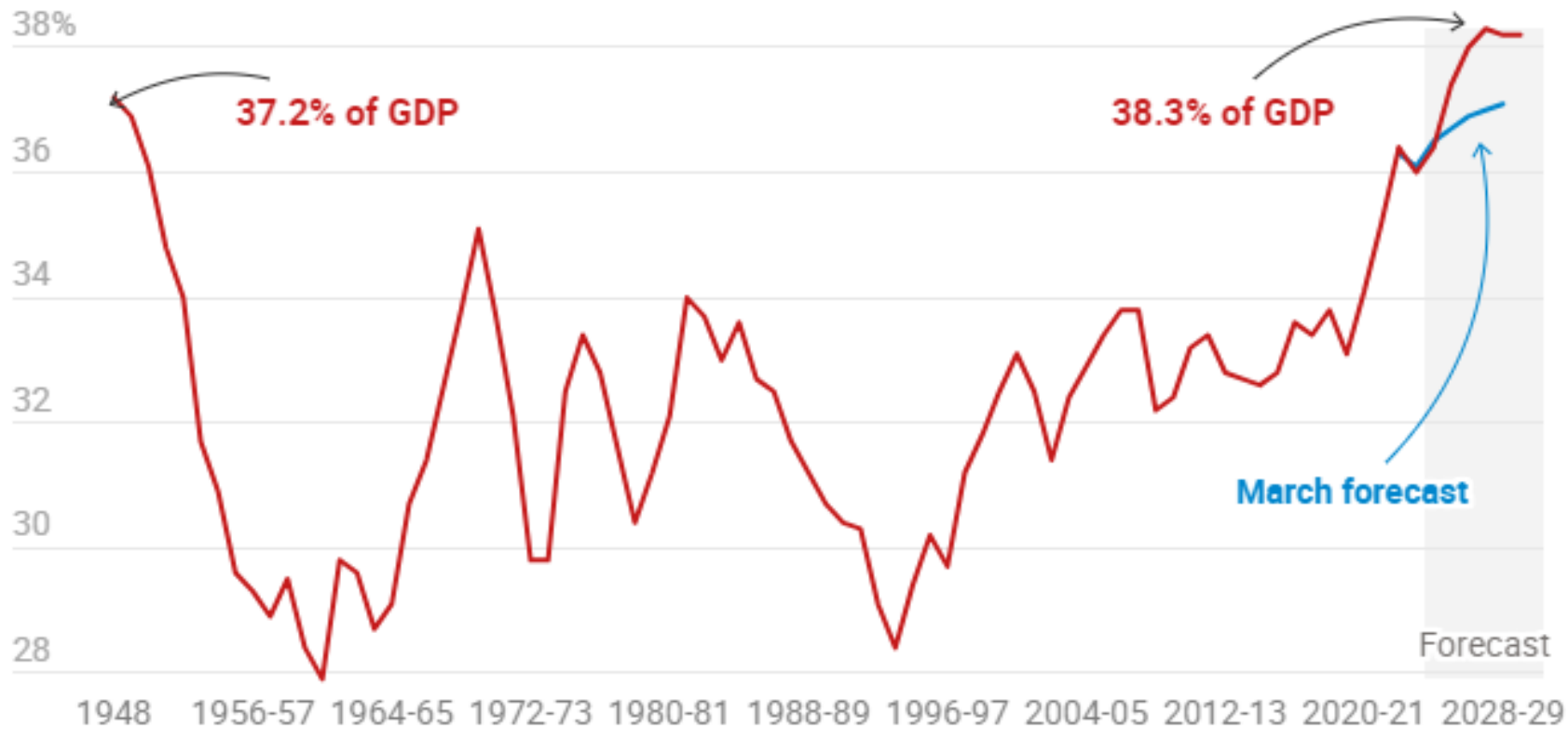
...should be regarded from the point of view of social and economic consequences



“Given control of a central banking system and an inconvertible currency (a currency not backed by gold) a sovereign national government is finally free of money worries and needs no longer levy taxes for the purpose of providing itself with revenue.

All taxation, therefore, should be regarded from the point of view of social and economic consequences.”

Tax as a share of GDP heading to a record high



Source: OBR EFO Oct 2024 chart 4.1



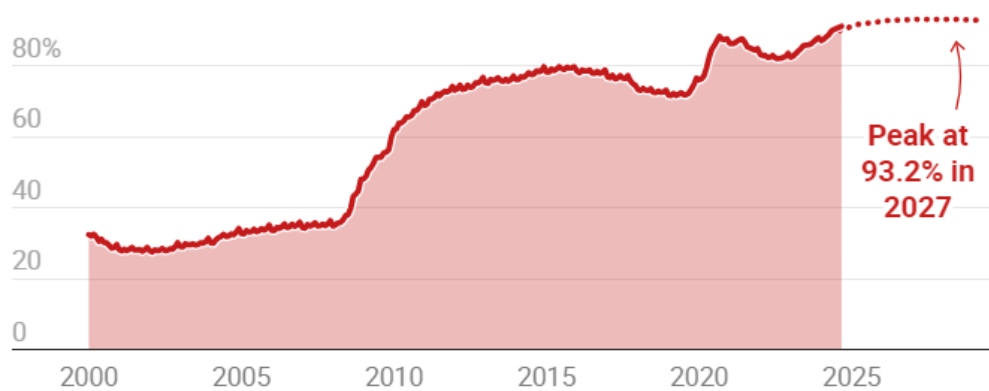
Borrowing

...debt continues to rise for as long as there is a deficit, and is currently **£2,500,000,000,000**

Public Debt: 91.2% of GDP in September

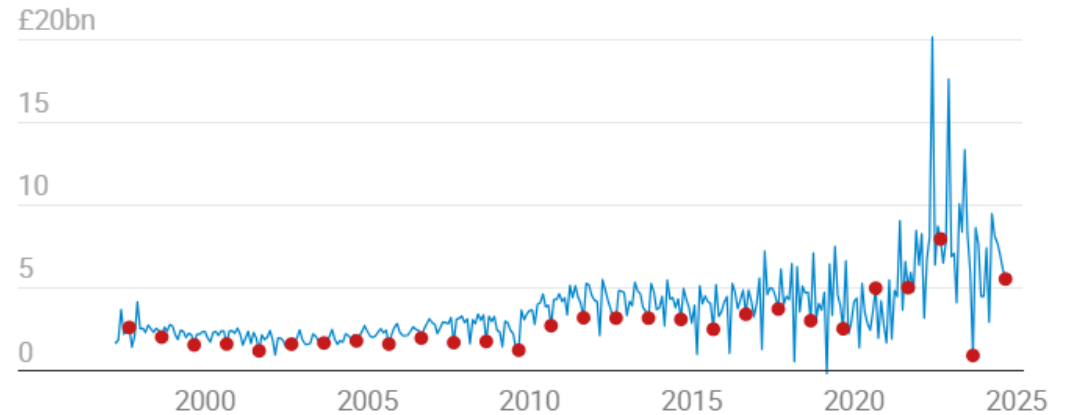
Debt Interest: £5.6bn in September

Dotted line shows OBR forecast as of Mar '24. View: In £ As % of GDP



Actual figures published 22 Oct.
View: Excluding PS banks, Excluding PS banks and BoE
Source: [ONS \(CPOA\)](#) / [OBR EFOs & historical forecast](#)

Monthly central government debt interest payable.



Figures to Sep '24, published 22 Oct. Next update: 21 Nov
Source: [ONS \(Public Sector Finances series NMF\)](#)

“Debt wish”

- Two global shocks, but also deeper structural reasons
- The “timebomb” of an ageing population
- Important: As debt mounts lenders become more wary
- The “right” level of debt? Hotly disputed, but the Maastricht fiscal rules set 60% of GDP as an “upper limit”
- 2023/24 interest bill > than both the education budget and the defence budget





Inflation

"The only cure for inflation is to reduce the rate at which total spending is growing"

Inflation is caused by too much money chasing after too few goods

UK inflation at 1.7% in September 2024



Source: Office for National Statistics

What would goods and services costing

in cost in ?

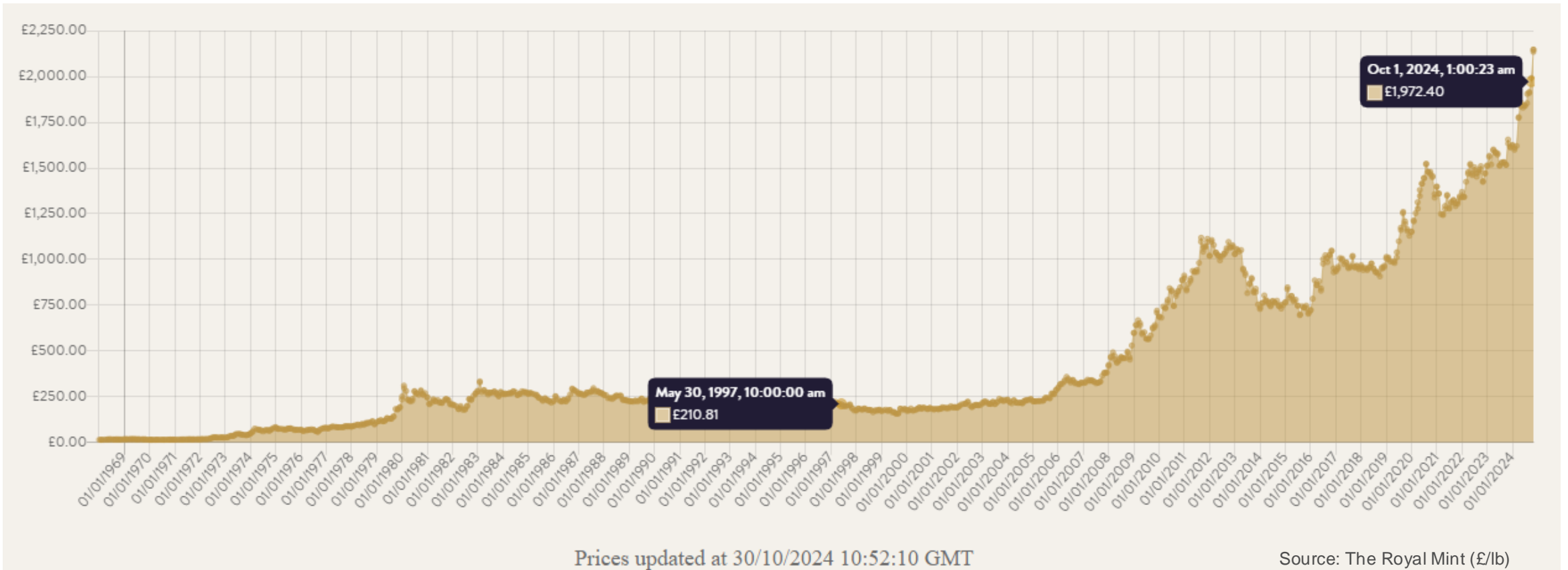
Show amount

£19.15

Source: Bank of England



Imagine if money was sound?



Imagine if money was “sound”???



I'm over time... Personal view on what next (not advice!!)?

Issue?

- More government, more spending, more technocracy, more bureaucracy, more quangos, more regulation, more taxation, further declines in the purchasing power of money, further erosion of individual liberty, more state solutions to things that would sort themselves if government stayed out of it?

Solution?

- Keep as much wealth as you can outside the system? Do not hold sterling?
Embrace the state?



Private Client Tax

Paul Harris

Personal Tax Rates and Bands

| | | 2025/26 | 2024/25 |
|-------------------------------------|---------------------|----------------------|--|
| Personal Allowances | | £12,570 | £12,570 |
| Income limit for Personal Allowance | | £100,000 | £100,000 |
| Personal Savings Allowances | | | |
| Basic Rate Taxpayer | | £1,000 | £1,000 |
| Higher Rate Taxpayer | | £500 | £500 |
| Additional Rate Taxpayer | | N/A | N/A |
| Dividend Allowance | | £500 | £500 |
| Band | Income | Non Savings Tax Rate | Dividend Tax Rate (after £500 allowance) |
| Personal Allowance | Up to £12,570 | 0% | 0% |
| Basic rate | £12,571 to £50,270 | 20% | 8.75% |
| Higher rate | £50,271 to £125,140 | 40% | 33.75% |
| Additional rate | £125,141+ | 45% | 39.35% |

Pension Tax Relief

- Annual Allowance still £60,000
- Income tax relief still at marginal rate
- Tapered Annual Allowance - adjusted income threshold still £260,000
- Minimum Tapered Annual Allowance still £10,000
- Lifetime Allowance Charge – not reintroduced
- 25% tax free lump sum retained (max. £268,275)
- But IHT...
- QROPs



Other Income Tax Points

- ISAs - £20,000 annual limit until April 2030
- High Income Child Benefit Charge (HIBC)
- Making Tax Digital (MTD)



What is a Non-Dom?

- Residence - Your current home
- Domicile - Your permanent home
- Individuals who live or work in the UK but don't class the UK as their permanent home are 'Non-Dom'
- Can be for up to 15 years



Main changes to take effect from 6 April 2025

- Axing of Remittance Basis of taxation
- 4-year period tax-free on Foreign Income & Gains (FIG) for anyone arriving in UK after 10 years of continuous Non-UK residency
- Temporary Repatriation Facility (TRF) extended from 2 to 3 years, only for previous Remittance Basis users. Does not apply to income/gains before 6 April 2025



Other changes

- End of Trust protections for Non-Doms
- New residence-based system for Inheritance Tax (IHT), 10 out of 20 years.
- Capital rebasing of assets up to their value at 5 April 2017
- Extension of Overseas Workday Relief (OWR) to 4 years to align with FIG, but limits on the amount of relief. No need to keep the income offshore

Potential treasures from the measures?

According to OBR

- 2025-26 = Negligible
- 2026-27 = +£4.17b
- 2027-28 = +£5.89b
- 2028-29 = +£2.45b
- 2029-30 = Negligible



Summary

- Pledges to 'working people' honoured?
- Pensions - lifetime tax reliefs remain attractive, but beware the IHT sting in the tail
- Making Tax Digital is now just around the corner
- Out with Non-Doms - but there are benefits for new residents



Capital Gains Tax Update

Chris George

Increase in CGT rates

| Type of Disposal | Previous Rates | New Rates |
|---|----------------|-----------|
| Main rate: Basic rate taxpayers | 10% | 18% |
| Main rate: Higher & Additional rate taxpayers | 20% | 24% |
| Residential rate: Basic rate taxpayers | 18% | 18% |
| Residential rate: Higher & Additional rate taxpayers | 24% | 24% |

Timings

- Rates increase for disposals on or after 30 October 2024
- No change in Annual Exemption - £3,000 (£1,500 for trusts)
- No change in the use of losses
- CGT for residential properties still due within 60 days



Business Asset Disposal Relief & Investors Relief

Qualifying Conditions

Business Asset Disposal Relief

- Disposal of a trading business or shares in a trading company
- Owned for at least 2 years leading up to the disposal
- For shares, the individual must have owned at least 5% and been an employee or office holder for the 2 year period leading up to disposal

Investor Relief

- Subscriber shares issued after March 2016 and held for a minimum of three years

Increase in BAR & IR Rates

| Phased increase in CGT rates | Previous Rates | From 6 April 2025 | From 6 April 2026 |
|--------------------------------|----------------|-------------------|-------------------|
| BADR and Investor Relief Gains | 10% | 14% | 18% |
| In excess of limits | | | |
| Basic rate | 10% | 18% | 18% |
| Higher & Additional rate | 20% | 24% | 24% |

Example

- SME trading business with shares owned jointly by two individuals
- Total capital gain on sale of £5m (£2.5m each)
- Both are Higher rate taxpayers
- All relevant conditions met to qualify for Business Asset Disposal Relief
 - Trading business
 - Ownership of business for two years
 - Directors of the company

Example: Sale before Budget

| Sale proceeds | Tax rate | Individual | Total |
|---------------|----------|-----------------|-----------------|
| £1,000,000 | 10% | £100,000 | £200,000 |
| £1,500,000 | 20% | £300,000 | £600,000 |
| Total | | £400,000 | £800,000 |

Example: Sale prior to 6 April 2025

| Sale proceeds | Tax rate | Individual | Total |
|---------------|----------|-----------------|-----------------|
| £1,000,000 | 10% | £100,000 | £200,000 |
| £1,500,000 | 24% | £360,000 | £720,000 |
| Total | | £460,000 | £920,000 |

Example: Sale between 6 April 2025 and 5 April 2026

| Sale proceeds | Tax rate | Individual | Total |
|---------------|----------|-----------------|-------------------|
| £1,000,000 | 14% | £140,000 | £280,000 |
| £1,500,000 | 24% | £360,000 | £720,000 |
| Total | | £500,000 | £1,000,000 |

Example: Sale after 5 April 2026

| Sale proceeds | Tax rate | Individual | Total |
|---------------|----------|-----------------|-------------------|
| £1,000,000 | 18% | £180,000 | £360,000 |
| £1,500,000 | 24% | £360,000 | £720,000 |
| Total | | £540,000 | £1,080,000 |

Example - Effective CGT rates

| Timing of sale | Effective rate | Total CGT |
|---|----------------|------------|
| Sale pre budget | 16% | £800,000 |
| Post budget but pre 6 April 2025 | 18% | £920,000 |
| After 6 April 2025 but pre 6 April 2026 | 20% | £1,000,000 |
| 6 April 2026 onwards | 22% | £1,080,000 |

Additional Points

- No changes to any other reliefs - Holdover, Rollover, etc
- Anti-forestalling measures for disposals exchanging prior to rate changes but completing after
- Anti-avoidance rules for individuals looking to disapply share for share exchange transactions



Inheritance Tax

Samantha Stent

Inheritance Tax - Current Regime

- £325,000 Nil Rate Band
- £175,000 Residence Nil Rate Band
- Agricultural Property Relief and Business Property Relief
 - Generally relief given at 100% and *unlimited*

Inheritance Tax - From 6 April 2026

- APR and BPR Relief at 100% on **first £1m only**
- APR and BPR on qualifying assets > £1m now only given at **50%**
- Unused reliefs on first death **not transferable**

Inheritance Tax – Family Example

- £1m home and £2m family business (farm, trading company, partnership)
- Current Inheritance Tax position
 - No first death planning - IHT £140k
 - First death planning - IHT £Nil
- Revised position from 6 April 2026
 - No first death planning - IHT £340k
 - First death planning - IHT £Nil

Inheritance Tax – Application of revised rules to Trusts

- 10 Year anniversary charge still applies at 6%
- £1m APR/BPR allowance will also apply to Trusts
- Effect of changes is therefore an additional tax charge of 3% on assets > £1m

Inheritance Tax - APR and BPR - Planning points

- Lifetime gifts
- First death planning
- Insurance
- Election to spread the Inheritance Tax over 10 years

Inheritance Tax - Pensions

- From 6 April 2027, pension funds will be included in IHT estate
- PSAs will be liable for reporting and paying the IHT

Inheritance Tax - Pensions Case Study

- Pension fund of £700,000, home and remainder of estate worth £800,000
- Current rules - IHT £190,000
- From 6 April 2027 - IHT £470,000
 - PSA would pay £219,333 from the pension fund
 - PR would pay £250,667 from the rest of the estate



Stamp Duty Land Tax

Stamp Duty Land Tax - Additional Dwellings

| Purchase Price | Completion Date – 30/10/2024 | Completion Date – Post 31/10/2024 | Completion Date – Post 01/04/2025 |
|----------------|------------------------------|-----------------------------------|-----------------------------------|
| £250,000 | £7,500 | £12,500 | £15,000 |
| £500,000 | £27,500 | £37,500 | £40,000 |
| £1,000,000 | £71,250 | £91,250 | £93,750 |



SDLT Planning - Example

- Lana owns a small flat worth £180,000
- Lana and her boyfriend Scott would like to buy a property worth £500,000 to live in
- SDLT on second home = £37,500
- Can save £16,000 in SDLT by transferring the flat to a company





Business Tax Update

Jason Fayers

Employer NIC

Employer NIC
Increase from
13.8% to 15%



Employer NIC
Threshold to reduce
from £9,100 to £5,000



Employment allowance
to increase from
£5,000 to £10,500



These changes will take effect from 6 April 2025

Employer NIC - Example

| | Year Ended 31 March 2025 | | |
|----------------------------|--------------------------|--------------|---------------|
| | 1 Employee | 10 Employees | 100 Employees |
| Salary | £40,000 | £400,000 | £4,000,000 |
| Employer NIC Threshold | (£9,100) | (£91,000) | (£910,000) |
| Subject to Employer NIC | £30,900 | £309,000 | £3,090,000 |
| Employer NIC | £4,264 | £42,642 | £426,420 |
| Less Employment Allowance | (£-) | (£5,000) | (£-) |
| Total Employer NIC Payable | £4,264 | £37,642 | £426,420 |

| | Year Ended 31 March 2026 | | |
|----------------------------|--------------------------|---------------|----------------|
| | 1 Employee | 10 Employees | 100 Employees |
| Salary | £40,000 | £400,000 | £4,000,000 |
| Employer NIC Threshold | (£5,000) | (£50,000) | (£500,000) |
| Subject to Employer NIC | £35,000 | £350,000 | £3,050,000 |
| Employer NIC | £5,250 | £52,500 | £525,000 |
| Less Employment Allowance | (£-) | (£10,500) | (£10,500) |
| Total Employer NIC Payable | £5,250 | £42,000 | £514,500 |
| Increase in NIC | £986 | £4,358 | £88,080 |

Employee Ownership and Employee Benefit Trusts

- New conditions to obtain 0% CGT:
 - Former owners cannot retain control post-sale
 - Requires the trustees of the EOT to be UK resident
 - Consideration paid must not exceed market value
- Ensures relief is focused on the intended purpose of encouraging and supporting employee ownership



Corporate Tax Roadmap

Further commitments for advanced assurances and simplifying/improving tax administration to follow...

Main rate of Corporation Tax at 25%

Small profits rate of 19%

Full Expensing allowance

Annual Investment Allowance of £1,000,000

Current R&D rates

Vehicles & Benefits

- 100% FYA for electric vehicles extended to April 2026
- Ongoing increases for company cars through to 2029/30
- **Van benefit:**

| Tax Year | 2023/24 | 2024/25 | 2025/26 |
|------------------------------------|---------|---------|---------|
| Van benefit charge | £3,960 | £3,960 | £4,020 |
| Van fuel benefit charge | £757 | £757 | £769 |
| Car fuel benefit charge multiplier | £27,800 | £27,800 | £28,200 |

- From April 2026, payrolling benefits-in-kind through approved software will become mandatory

Double Cab Pick-ups

- Yet another 'U Turn'
- Will be cars for capital allowances and benefit-in-kind purposes
- From April 2025
- Transitional arrangements will apply

| | Capital Allowances Available |
|-------------|------------------------------|
| Pre change | 100% AIA |
| Post change | 18%/6% WDAs |



Furnished Holiday Lettings

From April 2025:

- No Capital Allowances
- Losses c/fwd as normal property business losses
- Reliefs no longer available
- Former FHL properties now part of the UK and overseas business



VAT

From 1 January 2025:

- Private school fees subject to 20% VAT
- Includes prepaid fees
(paid on or after 29 July 2024)



Tax Compliance and Administration

- Late payment interest rate up by additional 1.5%
- Anti-avoidance rules on loans to participators
- Crypto-Assets Reporting Framework (CARF)
- Modernise and simplify transfer pricing, permanent establishment and diverted profits tax
- Exploring thresholds at which transfer pricing applies
- Measures to tackle promoters of marketed tax avoidance
- Investing in additional HMRC compliance and debt management staff
- Latest tax gap figures show a gap of 4.8% = £39.8 billion

CLOSING REMARKS



Please share your feedback



SCAN
ME





THANK
YOU

 scruttonbland

Part of the  SUMER Group