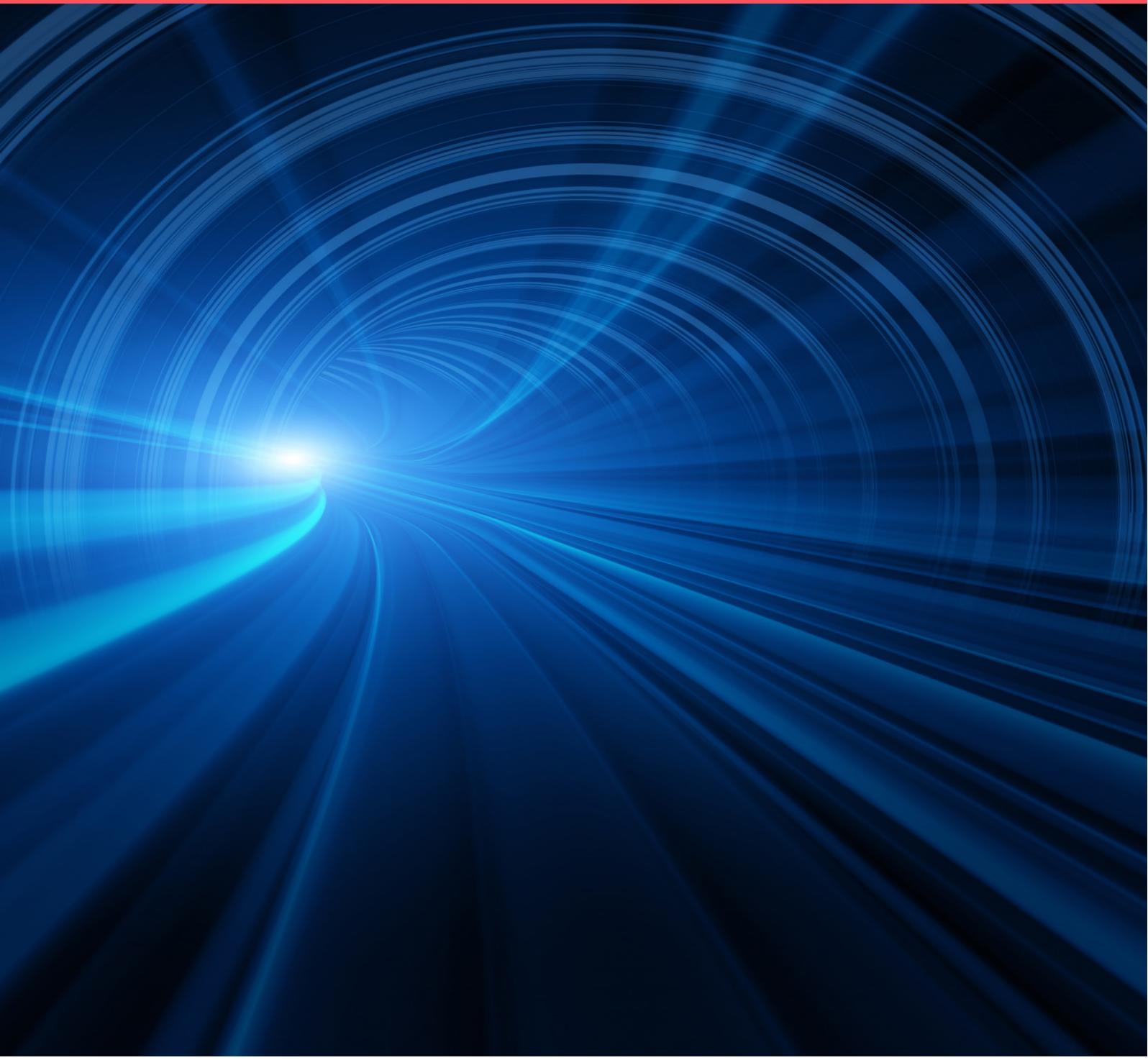


UK Autumn Budget 2024

Black Holes and Growth Goals

30 October 2024



A view from the market

Today's Budget was billed as the most consequential for many years – and in many ways it was: a stated £40bn of additional taxes, the same again for additional borrowing. All delivered without great disturbance to the financial markets, notably the gilt market. But while the “black hole” may have been filled, it appears to have been done by moving the goalposts on the ‘fiscal rule’ to allow that greater borrowing rather than by applying the hoped-for rocket boosters to the UK growth trajectory. More ‘damp squib’ than Titan.

From a tax perspective, the publication of the Corporate Tax Roadmap offered the government a chance to demonstrate its commitment to economic (and tax) stability. This includes the promise of only one fiscal event per year – though many of us have heard such promises before and not seen them adhered to. Overall, though, the fact that there is little to surprise the reader in the Roadmap may be seen as one of its virtues.

Indeed, this was a Budget of very few tax surprises – much of this down to the fact that many of the tax changes had been leaked in advance. The increase in the “tax on jobs” may seem to run counter to a commitment to growth, but the Labour Party triple lock on income tax, VAT and corporation tax (plus employee NICs) left them with little choice to look elsewhere to raise taxes to fill the controversial “black hole”.

Increases in CGT were relatively modest and changes to the taxation of carried interest appear to have been substantially watered down from what might have been expected from earlier rhetoric. Other areas of the tax system also survived relatively unscathed, including business asset disposal relief (formerly entrepreneurs' relief) and IHT. There was, however, no watering down or delays on the commitment to add VAT to private school fees.

The commitment to modernise and expand HMRC continues apace. Additional staff and additional modern IT and data systems are expected to produce a substantial return on investment, with the usual raft of anti-avoidance and anti-evasion measures included in the Budget.

But back to the markets. Any initial enthusiasm in financial markets during the Budget speech waned when the details and their devils were finally published. But that may count as a positive result compared to the so-called mini-budget of 2022. A new and economically more sensible fiscal rule created the headroom for an additional £40bn of borrowing while other measures look to raise the same again in additional tax revenue. But none of it appears to have shifted the dial on the UK's growth trajectory - and those increases have left precious little wriggle room in the event of any economic disturbances. One such headwind could begin blowing as early as next week and gather pace in 2025 if the US presidential election brings another round of protectionism and trade war.

Company Taxation

Tax rates and allowances

Since April 2023, the headline rate of corporation tax has been 25%, applying to profits over £250,000, and the Labour Party manifesto pledged to cap corporation tax at this level for the entire parliament.

A small profits rate (SPR) of 19% applies for companies with profits of £50,000 or less. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate to 25% at £250,000.

Since April 2023, the bank surcharge has been an additional 3% on banks' profits above £100m. Also from April 2023, the rate of Diverted Profits Tax (DPT) increased to 31%, retaining a 6% differential above the main rate of corporation tax.

For a table of the main tax rates and allowances, see pages 31-32.

The Corporate Tax Roadmap

Published together with the budget was a Corporate Tax Roadmap: a document that is fast becoming a tradition for incoming governments, having been produced in 2010 by the Conservative-Liberal Democrat coalition government and in 2016 by the Conservative government.

The striking contrast between those publications and today's is the emphasis on stability, and this comes across in the headlines:

- Corporation tax rate: capped at 25% for the duration of the Parliament, with a commitment to monitor "*international developments with a view to ensuring that the UK's regime remains competitive*".
- International corporation tax issues: consultations on the UK's transfer pricing rules, permanent establishments, and the Diverted Profits Tax.
- A consultation on a new process for advanced tax certainty for investors in major projects.
- Capital allowances: maintaining permanent full expensing for the duration of the Parliament, with the £1m Annual Investment Allowance, writing down allowances, and the Structures and Buildings Allowance; a commitment to "*provide greater clarity*" on the conditions for different allowances; and a potential extension of full expensing to assets bought for leasing or hiring.
- R&D reliefs: maintaining rates for the R&D Expenditure Credit scheme and the Enhanced Support for R&D Intensive SMEs scheme; the establishment of an R&D expert advisory panel; and a consultation on advanced clearances for R&D reliefs.
- The Patent Box: maintaining the Patent Box and "*preserving the UK's competitive regime for intangible fixed assets*".

- Maintenance of the Audio-Visual Expenditure Credit and the Video Game Expenditure Credit.
- A consultation on the effectiveness of Land Remediation Relief.

Altogether, the Corporate Tax Roadmap promises little change. That is probably the point. One of the government's stated key objectives is *"to make the UK the most attractive major economy in which to invest and do business"*, and on tax, that means resisting the urge to do anything drastic. The UK's main rate of corporation tax is the lowest in the G7 (albeit that it rose sharply in 2023) and there is a promise of no change there.

Groups with UK holding companies are unlikely to be spooked. There will be no alterations to the *"key features"* of the loss relief regime, deductions for borrowing costs, the exemptions for gains on disposals of substantial shareholdings and for dividends paid to UK corporations.

Banks were probably not expecting any changes to the Bank Levy and the Bank Corporation Tax Surcharge, and they will therefore not be surprised: the Roadmap reports that *"...sound fiscal policy is key to economic stability and growth. We can only deliver excellent public services by delivering on our commitment to responsible fiscal policy. At the same time, the government recognises that the tax system has a vital role to play in supporting our growth mission. We will keep the bank tax regime under review, to ensure that these objectives are appropriately balanced."*

The capital allowances regime is likely to be somewhat shaken up. Capital allowances reward particular types of spending, and it's perhaps unsurprising that the new administration might choose to reward somewhat different things. It's also a complicated area of tax and accounting. Hence the promise of new guidance to *"provide businesses with greater clarity on what qualifies for capital allowances to help make investment decisions"*. There is also a specific promise to clarify the capital allowance treatment of pre-development costs following [the Gunfleet Sands decision](#), which caused some investor uncertainty. This will be particularly important given the Government's hopes for private investment in infrastructure projects.

R&D reliefs pose a particular challenge, with very significant levels of fraud and error (in excess of 17% in 2021/22). However, an economy hoping to embed innovation as a means to break out of a growth rut cannot afford to disincentivise investment in the technology of the future. The Roadmap promises to maintain the R&D Expenditure Credit and the Enhanced Support for R&D Intensive SMEs, while committing to *"consider longer term simplifications and incremental improvements"*. Actions taken in other parts of the tax system to tackle rogue agents and promoters will be key to instilling confidence in the regime. On a similar 'key intangibles' note, the Patent Box and intangible fixed assets regime are to remain unchanged.

Two reliefs targeted at the creative industries – the Audio-Visual Expenditure Credit and the Video Game Expenditure Credit – will be maintained.

Land Remediation Relief is an old scheme, dating to 2003. There will be a *"consultation to review the effectiveness of Land Remediation Relief in Spring 2025. This will determine whether it is still meeting its objective of boosting development on brownfield land and evaluate its value for money."* Watch this space for a replacement.

All told: much continuity, a little tinkering around the edges, and some long-term commitments. The Roadmap, including its signposting of upcoming consultations, is likely to be well-received.

Carried interest

Following the Call for Evidence on the tax treatment of carried interest launched on 29 July 2024, the government has today published a “Summary of Responses and Next Steps”.

Carried interest arising on or after 6 April 2025 will be taxed at a minimum capital gains tax rate of 32% (the highest applicable rate of capital gains tax is currently 28%).

This rate, together with the broader current regime for the taxation of carried interest, will remain in place until the implementation of a wider reform package, which will take effect in April 2026. This wider reform package will:

- Tax all carried interest within the income tax framework, so it is taxed as trading profits and subject to income tax and Class 4 national insurance contributions. However, the amount of “qualifying” carried interest subject to tax will be adjusted by applying a 72.5% multiplier. At the current additional rate of income tax, this would give a rate of income tax of 32.625% on “qualifying” carried interest.
- Remove the “employment related securities” exemption from the income-based carried interest (IBCI) rules. The government does not want this to cause a disproportionate impact on private credit funds, and intends to work with expert stakeholders to ensure that the rules work appropriately for private credit funds, whilst ensuring that qualifying carried interest treatment is only available to funds engaged in long-term investment activity.

This new “qualifying” regime will sit alongside the DIMF rules, using existing concepts from the current capital gains carried interest rules, including when carried interest “arises”, as well as using the existing definitions and various computational concepts from those rules.

Significantly, in particular for credit funds, the new regime will be an exclusive charge (so for example qualifying carried interest which represents interest income will only be chargeable under the new rules).

Carried interest will be “qualifying” where it is not IBCI. In addition to the 40 month average holding period test, the government will consult on policy options for introducing further conditions to ensure that access to the “qualifying” carried interest regime is “appropriately limited”.

The policy options being considered for access to the “qualifying” carried interest regime are:

- A minimum co-investment requirement.
- A minimum time period between a carried interest award and receipt.

The government has set out some considerations and questions in relation to each. The government seems to be leaning towards the latter rather than the former, *“as a means of ensuring qualifying carried interest is limited to carried interest which is genuine long term reward”*. The consultation on these options will be relatively short – it will run to 31 January 2025. Views expressed as part of the consultation *“will feed into considerations on whether to proceed with introducing any additional qualifying conditions and the design of such condition”*.

The same territorial scope as currently applies to the capital gains carried interest rules will apply. Qualifying carried interest which relates to non-UK services will be able to benefit from relief under the new four year foreign income and gains regime (replacing the current non-dom regime).

There will be no transitional protection afforded to existing fund structures once the new regime takes effect in April 2026.

Technical changes relating to APAs for certain financing arrangements

This measure intends to address a technical gap in the UK's Advance Pricing Agreements (APAs) legislation, particularly affecting taxpayers seeking or having sought APAs in relation to financing arrangements where the UK's transfer pricing rules apply due to the "acting together" provisions under sections 161 or 162 of the Taxation (International and Other Provisions) Act (TIOPA) 2010. This gap has been identified where the transfer pricing legislation is only relevant because of these provisions, which was not previously covered under the existing APA framework. The proposed revision aims to ensure the validity of APAs for businesses in such situations, aligning with HMRC's Statement of Practice 1 (2012) and providing affected businesses with tax certainty.

This measure will be effective retroactively for all chargeable periods since the introduction of TIOPA 2010.

Repeal of the Offshore Receipts in Respect of Intangible Property (ORIP) rules

The Autumn Budget 2024 has confirmed that the offshore receipts in respect of intangible property (ORIP) rules, which at present impact multinational groups that hold intangible property in low-tax jurisdictions and derive income from it in the UK, will be repealed.

This move, effective from 31 December 2024, aligns with the introduction of the OECD and G20 Inclusive Framework's Pillar 2 undertaxed profits rule, which aims to address the tax planning strategies ORIP was initially designed to counter. The repeal of ORIP, announced in the Autumn Statement 2023, signifies a shift towards a more comprehensive global approach to discouraging profit shifting and tax base erosion in the UK. By removing the need for specific UK income tax returns for ORIP purposes, this promises administrative savings for affected businesses.

Transfer pricing announcements in the Corporate Tax Roadmap

There are plans to engage in further consultations on reforms to the UK transfer pricing, permanent establishment and Diverted Profits Tax rules as part of the UK government's Corporate Tax Roadmap, aiming to enhance taxpayer certainty, ensure alignment with international tax treaties, and safeguard the UK tax base. The initial round of consultations happened in August 2023 with a summary of responses published in January 2024, as outlined in our earlier [Insights article](#).

In the Corporate Tax Roadmap published alongside the Budget, HMRC indicated it will be exploring new areas for consultation, expected to be released in Spring 2025, which include:

- The potential reduction of existing thresholds for medium-sized businesses to bring them within the scope of transfer pricing rules, aligning with international standards while maintaining exemptions for small businesses. This clearly indicates the UK government's efforts to cast the transfer pricing net wider to increase the opportunity for and receipt of UK tax revenues.
- Proposals to introduce reporting obligations for multinationals on cross-border related party transactions to improve risk identification and streamline HMRC's compliance efforts with more targeted enquiries. To some extent, comments on this were requested in the transfer pricing documentation consultation in 2021 but it seems with the current government's HMRC investment strategy to tackle compliance and tax avoidance, this has been prioritised.
- Review the treatment of cost contribution arrangements to encourage investment and ensure the equitable development and sharing of intellectual property among group companies. This reflects a strategic effort to ensure the rules provide certainty and do not act as a deterrent to investment that brings economic benefits to the UK.



Alternative Finance: further levelling

In positive news, Autumn Budget 2024 confirmed the new government's commitment to place the tax treatment of alternative finance (including shariah compliant) arrangements on a level playing field with that of conventional finance.

The previous government had consulted on potential reform to the CGT treatment of alternative finance arrangements, in particular refinancing transactions involving properties that did not qualify for CGT private residence relief. Today's announcements confirm that relevant legislation will be amended in the forthcoming Finance Bill that will seek to secure that a person using alternative finance to raise capital using an asset that they already own will not incur a tax charge.

In response to that consultation, many had also flagged that the exemption for alternative finance contained in the Annual Tax on Enveloped Dwellings (ATED) rules did not provide clarity on how the rules were intended to operate where the customer was an individual. It was pleasing to see that alongside the CGT announcement, the government has also confirmed that legislation will be brought forward in the next Finance Bill to make clear that the financial institution is not liable for ATED in such circumstances. The ATED exemption, which relies on definitions from the SDLT alternative finance relief, will also be updated to introduce an exemption from ATED for Welsh transactions that benefit from the equivalent Welsh land transaction tax relief. The ATED and CGT changes are stated to take effect from 30 October 2024.

Reserved Investor Fund: nearly there

The new government announced in Autumn Budget 2024 that the proposed introduction of the Reserved Investor Fund would proceed.

The RIF is a new form of unauthorised vehicle that will take the form of a co-ownership contractual scheme, further details of which are summarised in our previous article: [The new Reserved Investor Fund – unreserved good news?](#) The latest announcement confirms that the intention is for relevant secondary legislation to be brought forward before the end of 2024/25. In addition to the RIF being introduced, minor changes are proposed to the treatment of Co-ownership Authorised Contractual Schemes (CoACS).

There has been a lot of interest in the RIF as an unregulated onshore structure for professional investors, in particular for tax exempt investors into UK real estate who wish to participate through a pooled vehicle but who do not need the regulated framework of a CoACS. Whilst the timelines for secondary legislation are not yet clear, it is positive to see a commitment to legislate for the introduction of this new vehicle before the end of the current tax year.

Pillar II: amendments

The government has proposed further amendments to the UK's implementation of the Global Anti-Base Erosion (GloBe) rules, in furtherance of the OECD's Pillar II reforms. These rules seek to impose a minimum effective tax rate on large multinational groups (with global annual revenues exceeding EUR 750m) and prevent profit shifting to low- or no-tax jurisdictions.

The UK has implemented the GloBe rules so far through its Multinational Top-up Tax and Domestic Top-up Tax, both introduced by Finance (No.2) Act 2023 and further amended by Finance Act 2024. The newly-proposed amendments, developed in consultation with stakeholders, would further amend Finance (No. 2) Act 2023 to keep UK legislation up-to-date with the latest international developments. The proposed amendments are currently high-level, but will include (among other things) clarifications to the treatment of joint ventures and qualifying asset holding companies (QAHCs) under the UK's GloBe rules, technical amendments relating to the calculation and allocation of profits for GloBe purposes and administrative changes (for example, to filing and payment dates). Most of the amendments will take effect for accounting periods beginning on or after 31 December 2024, though some amendments will take effect retrospectively, for accounting period beginning on or after 31 December 2023. Given that the amendments are intended to ensure that the UK legislation works in line with existing OECD commentary, they are not expected to have a significant impact on businesses within the scope of the GloBe rules.

The government has also announced that it will give effect to the "undertaxed profits rule" (UTPR) of the GloBe rules in UK legislation for accounting periods beginning on or after 31 December 2024, as planned. The UTPR will provide the mechanism by which the UK can charge a UK-based constituent entity of a multinational enterprise group to Multinational Top-up Tax to the extent that the amount of tax has not already been collected under a qualified "income inclusion rule" (IIR) or domestic top-up tax of another jurisdiction. It is, therefore, a residual charging mechanism. The introduction of the UTPR into UK law has been expected for a while now and should largely be consistent with OECD guidance and based on the draft legislation published on 27 September 2023 (as expected).



CARF, CRS amendments and extension to domestic reporting

The recent growth in the use of crypto-assets has led to concerns that tax authorities do not have sufficient information relating to crypto-asset transactions. Unlike traditional financial products, crypto-assets can be transferred and held without the intervention of traditional financial intermediaries, such as banks, and without any central administrator having full visibility on either the transactions carried out or on crypto-asset holdings. The crypto-asset market has also given rise to new and unregulated intermediaries and service providers, such as crypto-asset exchanges and wallet providers. The OECD was therefore mandated to develop a complementary compliance framework to address this issue.

In November 2023, 48 countries (including the UK and the US) committed to implement the OECD's flagship transparency standard to help combat tax evasion using crypto-assets - the Crypto-Asset Reporting Framework (the CARF). Countries are aiming to implement the CARF into local law by 2027.

The UK has been viewed as taking a pro-active approach to promote greater tax-transparency in the crypto market, having published a consultation earlier this year to seek views on the implementation of the CARF and related changes to the Common Reporting Standard and, in the meantime, launching an online voluntary disclosure facility specifically aimed at encouraging taxpayers to disclose any unpaid tax on crypto-assets. The UK has also published a consultation on the future regulatory framework for crypto-assets.

The government has now released the summary of responses to the consultation published on the implementation of the CARF, along with draft regulations entitled The Cryptoasset Service Providers (Due Diligence and Reporting Requirements) Regulations 2025 (the UK CARF Regulations).

In summary, the UK CARF Regulations set out the due diligence, record keeping and reporting obligations of a "UK reporting crypto-asset service provider" - broadly any person or entity that, as a business, operates as a crypto exchange. These obligations include:

- Applying, establishing and maintaining arrangements designed to apply the due diligence procedures set out in the CARF.
- For a period of five years, keeping a record of steps taken to comply with the UK CARF Regulations and of the information collected in the course of applying the due diligence procedures set out in the CARF.
- Making annual reports to HMRC of personal information relating to certain customers of the UK reporting cryptoasset service provider (including the name, address, residence and date of birth of such customer) and details for each type of "Relevant Crypto-Asset" with respect to which the UK reporting cryptoasset service provider has effectuated an exchange (including the number of units, the amounts paid and received for acquisitions and disposals of Relevant Crypto-Assets (respectively) and information on the aggregate fair market value of such Relevant Crypto-Assets).

The UK CARF Regulations also provide for penalties to be imposed for breach of any of the obligations set out therein, although the amounts of the penalties have not been published at this stage.

Unlike the Common Reporting Standard, the UK CARF Regulations cover reporting on UK customers by UK businesses. The government has confirmed that it will not extend the Common Reporting Standard in the same manner.

The UK CARF Regulations will come into force on 1 January 2026 and the first reports to HMRC covering the 2026 calendar year will be due by 31 May 2027.

Close companies: closing loophole in the loan to participators regime

The government has announced changes to the “loan to participators” regime (the LTP Regime) to close a loophole which has left the LTP Regime open to avoidance opportunities.

The broad purpose of the LTP Regime is to discourage close companies from making untaxed loans to their participators, rather than the participators receiving income chargeable to tax, e.g. as wages or dividends. It does this by imposing on the close company an amount of corporation tax equal to a percentage (currently 33.75%, reflecting the dividend higher rate) of the balance of the loan where it remains outstanding 9 months after the end of the accounting period in which the loan was made (the LTP Charge).

The LTP Regime captures not only loans directly made by close companies, but also indirect loans and loans made via non-close companies controlled by close companies. Relief can be claimed from the LTP Charge to the extent the loan is subsequently repaid or released/written off (although additional consequences can arise in the latter cases).

The scope of the LTP Regime was expanded in 2013 to include a targeted anti-avoidance rule (TAAR) which also imposed the LTP Charge on untaxed benefits conferred under tax avoidance arrangements to which a close company is party, but which did not otherwise fall within the LTP Regime. In a similar way to the “main” LTP Charge, these additional provisions allowed relief to be claimed from the LTP Charge under the TAAR to the extent a payment is made to the close company concerned in respect of the untaxed benefit (a return payment).

The 2013 changes also introduced provisions (Chapter 3B) to prevent an LTP Charge under the “main” LTP Regime or the TAAR from being relieved where loans are repaid, or return payments made, only for further loans to be made or benefits conferred a short time later. Notably, these provisions only capture loans by/benefits from and repayments/return payments to the same company.

The government has become aware of taxpayers exploiting the current mechanics of the TAAR, with its provision for relief for return payments made in respect of untaxed benefits, and the application of Chapter 3B only within a single company. To combat this, Finance Bill 2024/25 will include amendments to the LTP Regime, effective from 30 October 2024, that will remove the ability to claim later relief from a charge under the TAAR by making a return payment. The government will no doubt hope that this slams the door shut on remaining avoidance opportunities.

Tax relief for film and TV production

The UK government has unveiled significant enhancements to the Audio-Visual Expenditure Credit (AVEC), aimed at bolstering the film and high-end television production industry, with a special focus on the visual effects (VFX) sector. These changes, effective from 1 April 2025, mark a strategic effort to enhance the UK's appeal as a premier destination for film and television production.

Key enhancements include:

- **Increased AVEC Rate for VFX:** The AVEC rate for VFX costs will be increased to 39% from the current 34%. This adjustment is designed to provide more substantial tax relief on VFX expenditures.
- **Removal of the 80% Cap:** The existing 80% cap on qualifying UK VFX expenditures will be removed for expenses incurred from 1 January 2025. This change aims to encourage productions to utilise UK-based VFX talent and resources, offering full tax relief on eligible VFX costs.

In addition to the tax relief enhancements, the government has introduced amendments to the Corporation Tax Act 2009 to streamline administrative processes for companies in the film, TV, and video game production sectors. These amendments focus on simplifying the requirements for BFI certificates, adjusting the treatment of unpaid amounts, and streamlining the regulation procedures under Part 14A.

These legislative changes and tax relief enhancements are designed to support the UK's creative industries, ensuring the country remains a competitive hub for film, television, and video game production.

International Tax Compliance (Amendment) Regulations 2025

The government has responded to the consultation launched by the previous government at Spring Budget 2024 on implementing the OECD's amendments to the Common Reporting Standard (CRS) into UK law. The CRS places obligations on financial institutions to identify the tax residency of account holders and (in certain cases) their controlling persons and report on relevant financial accounts held directly or indirectly by non-UK tax residents to HMRC, for onward sharing with international tax authorities.

The draft legislation provides for (among other things) a mandatory registration requirement with HMRC for reporting financial institutions and amendments to the existing penalties and appeals framework. Under the draft provisions, reporting financial institutions will be required to register with HMRC by the later of 31 December 2025 and the last day of the six month period beginning when it first falls within scope, by giving notice to HMRC. Penalties will be imposed for a range of defaults, including failure to comply with record-keeping requirements, file returns on time, or provide information to, or register with, HMRC – though the amounts of such penalties remain uncertain.

The government is seeking technical feedback on these draft regulations by 10 January 2025. Final regulations are expected to come into force on 1 January 2026.

Electric vehicles and fuel duty

A number of measures were announced in continued encouragement of electric vehicle (EV) adoption.

New company car tax rates for tax years 2028 to 2029 and 2029 to 2030 were announced. The value of a company car for benefit-in-kind tax purposes is calculated (broadly) by multiplying its list price by its “appropriate percentage”, which is set at different rates depending on a vehicle’s emissions. As a result of the announced changes, in tax year 2029 to 2030, the appropriate percentage will rise to 9% (currently 2%) for EVs and zero emissions vehicles, to a maximum of 19% (currently 14%) for low emissions (1-50g of CO₂ per kilometre) vehicles and to a maximum of 39% (currently 37%) for all other vehicle bands. It will continue, therefore, to remain more attractive to offer EVs than hybrid or internal combustion engine vehicles through company car schemes – though the disproportionate increase in the zero emission appropriate percentage reflects the tricky balance between encouraging widespread EV adoption and maintaining an appropriate public revenue from motoring if uptake increases as hoped.

Clarificatory legislation will also be introduced, effective from 1 April 2025, to ensure that EVs remain exempt from Vehicle Excise Duty, and the 100% first year capital allowances available for EVs and EV charging points will be extended until 31 March 2026 for corporation tax and 5 April 2026 for income tax. This maintains the strong tax incentive for both individuals and businesses to transition to cleaner vehicles.

Contrary to speculation, the government announced that it would extend the current 5p cut in the rate of Fuel Duty, which was introduced at the Spring Statement 2022. The cut will now expire on 22 March 2026 instead.

Energy profits levy reform

The Chancellor has announced a number of reforms to the Energy (Oil and Gas) Profits Levy (EPL) which will take effect from 1 November 2024. Introduced in May 2022, the temporary EPL aimed to tax the exceptional profits of energy companies active in the UK or on the UK Continental Shelf.

The Autumn Budget reforms include:

- A 3% rise to the EPL, bringing the rate to 38%.
- Extending the end date of the EPL from 31 March 2029 to 31 March 2030.
- Removing the EPL’s 29% Investment Allowance.
- Reducing the rate of the Decarbonisation Investment Allowance from 80% to 66%.

In early 2025, the government plans to release a consultation discussing its response to price shocks following the conclusion of the EPL.

Income Tax and NICs

Income tax rates and allowances

The basic rate of income tax will remain at 20%. Other rates will also remain unchanged as the Labour Party manifesto committed a Labour government to not increasing the basic, higher, or additional rates of income tax.

The personal allowance and higher rate threshold are fixed at their current levels until April 2028. The income tax additional rate threshold was lowered from £150,000 to £125,140 from 6 April 2023.

The dividend allowance was reduced to £500 from April 2024. The ordinary rate of income tax on dividends will continue to be 8.75%, the upper rate 33.75% and the additional rate 39.35%.

For a table of the main tax rates and allowances, see pages 31-32.

National insurance contributions

Few taxes have suffered as many rate changes as NICs in the last few years. From the heady highs (or lows depending on your perspective) of the increase to 13.25% in anticipation of the introduction of a Health and Social Care Levy to the scrapping of that increase by Kwasi Kwarteng and then a double 2% reduction in employee NICs. The so-called "tax on jobs" has been something of a political football!

The Labour Party manifesto contained a pledge not to increase NICs and, accordingly, the main rate of employee National Insurance (Class 1 NICs) will remain at 8%. The 2% rate of NICs for higher earners also remains unaffected as will other rates.

However, employer Class 1 NICs are set to rise. The government will increase the main rate of employer Class 1 National Insurance contributions from 13.8% to 15%. The Class 1A and Class 1B employer rates will also increase in line with this.

In addition, the government will reduce the Class 1 National Insurance contributions secondary threshold, from £9,100 to £5,000 per annum. This will take effect from 6 April 2025 until 5 April 2028. Thereafter, the secondary Class 1 National Insurance contributions threshold will be increased in line with the Consumer Price Index (CPI).

The government will also increase the Employment Allowance from £5,000 to £10,500 and remove the restriction that currently applies to the Employment Allowance, where only employers who have incurred a secondary Class 1 National Insurance contributions liability of less than £100,000 in the tax year prior are able to claim. This will take effect from April 2025 and will mean eligible employers will be able to reduce their National Insurance contributions liabilities by up to £10,500 per year.

Taxation of non-doms

Reforming the UK non-dom taxation regime to address perceived unfairnesses has been a topic of political debate for some time. Both the previous Conservative government and the current Labour government had committed to abolishing the current regime and replacing it with a regime based on tax residence rather than domicile. The Autumn 2024 Budget saw confirmation of the details of the new regime which will apply from April 2025.

The government claims that the new regime will ensure that everyone who is long term resident in the UK will pay their taxes in the UK. The government believes that the new residence based regime is internationally competitive and focussed on attracting the best talent and investment to the UK.

Current regime

Under the current rules, UK resident non-domiciled individuals can elect to be taxed on the remittance basis. UK resident non-domiciled individuals who elect to be taxed on the remittance basis are taxed on their UK income and gains as they arise but are only taxed on their foreign income and gains to the extent they remit those foreign income and gains to the UK.

Non-domiciled individuals are currently subject to inheritance tax only on their UK assets.

New residence based foreign income and gains (FIG) regime

The current non-dom regime will be replaced by a new residence based regime from 6 April 2025. The new regime will provide individuals who move to the UK with 100% tax relief on their foreign income and gains arising during their first four years of UK tax residence, provided they have not been UK tax resident in the previous ten tax years.

From 6 April 2025, former remittance basis users who are not eligible for the new regime will be taxed on their worldwide income and gains which arise from 6 April 2025 as they arise in line with the current treatment of UK resident domiciled individuals. Former remittance basis users will only pay UK tax on their foreign income and gains which arose prior to 6 April 2025 to the extent those foreign income and gains are remitted to the UK.

From 6 April 2025, the protection from UK tax on foreign income and gains arising within settlor-interested trust structures will no longer be available to individuals who do not qualify for the new residence based regime.

Overseas workday relief

Overseas workday relief will continue to apply to individuals who qualify for the new residence based regime. The period for which the relief is available will increase from three tax years to four tax years to align with the new regime. Where overseas workday relief applies, an individual is not subject to UK tax on their earnings attributable to their non-UK duties. Going forwards, given the removal of the remittance basis rules, earnings to which the relief applies will not be subject to UK tax even if they are remitted to the UK.

From 6 April 2025, overseas workday relief will be subject to a financial limit on the amount of relief that can be claimed. This limit will be the lower of £300,000 or 30% of an individual's total employment income.

Currently, employers need to receive approval from HMRC (in the form of a section 690 direction) in order to be able to apply PAYE only to an individual's earnings attributable to that individual's UK duties where that individual qualifies for overseas workday relief. From 6 April 2025, employers will not need to wait for HMRC to approve an application to apply PAYE on this basis. Instead, employers will need to notify HMRC of their intention to operate PAYE on this basis and can operate PAYE on that basis once they have received an auto-acknowledgment of their notification from HMRC. This is a welcome administrative simplification.

Rebasing of assets to April 2017

For capital gains tax purposes, current and former remittance basis users will be able to rebase their foreign assets held on 5 April 2017 to their value at 5 April 2017 in certain circumstances. The previous government's proposals had involved rebasing of relevant assets to April 2019, so this is a less attractive proposal.

Temporary repatriation facility

A new temporary repatriation facility (TRF) will be introduced for individuals who have been subject to tax on the remittance basis. Individuals who have previously claimed the remittance basis and have untaxed foreign income and gains will be able to make an election to designate amounts derived from previously untaxed and unremitted foreign income and gains that arose prior to 6 April 2025. Such individuals will be able to make such an election for any of the three tax years from 6 April 2025 provided they are UK resident in the relevant tax year.

Amounts which are designated in tax years 2025/2026 and 2026/2027 will be charged to tax at a rate of 12%. Amounts which are designated in tax year 2027/2028 will be charged to tax at a rate of 15%. Any designated amounts which are remitted to the UK will not be subject to any further UK tax.

Individuals who make a designation under the TRF and have paid the TRF tax charge can choose the tax year in which they remit the designated amounts to the UK. This can be after the tax year 2027/2028.

No exit charge

There were suggestions in the media that many individuals would leave the UK before April 2025 in order to escape the effects of these changes. In light of this, there was speculation that the government would introduce an exit charge which would deem individuals leaving the UK to have disposed of their assets for capital gains tax purposes when they ceased UK residence. Despite this, the government has not introduced an exit charge at this time.

For details of the new residence based IHT regime, see the Inheritance Tax section below.

Employee Ownership Trusts and Employee Benefit Trusts

The UK government has announced significant reforms to the taxation of Employee Ownership Trusts (EOTs) and Employee Benefit Trusts (EBTs), following a consultation period from 18 July 2023 to 25 September 2023. These changes, set to be implemented in the Finance Bill 2024 and effective from 30 October 2024, aim to enhance the effectiveness of these trusts in promoting employee ownership and engagement, while preventing their misuse for unintended tax advantages.

For EOTs, key reforms include tightening the conditions for CGT relief on the disposal of shares, to prevent former owners from retaining control after sale, and mandating UK residency for EOT trustees. Additionally, the government will ensure that the purchase price of shares sold to EOTs does not exceed their market value and introduce a requirement for individuals to provide more detailed information when claiming relief. A specific relief will also clarify the tax treatment of contributions made to EOTs for repaying former owners for their shares, and adjustments will be made to the conditions for income tax relief on annual bonuses to employees, allowing for the exclusion of directors from these bonuses.

For EBTs, the reforms are designed to ensure that the trusts benefit a wide range of employees and include conditions to qualify for IHT exemption. These conditions include applying lifetime restrictions on connected persons benefiting from an EBT, limiting the IHT exemption to shares held for two years prior to settlement into an EBT, and ensuring that no more than 25% of employees receiving income payments are connected to the company's participators.

These measures are not expected to have a significant economic impact or affect the Exchequer's finances but are projected to improve the experience for individuals and businesses dealing with HMRC. The reforms will be monitored through tax return information and stakeholder feedback, ensuring they remain focused on their intended goals of encouraging employee ownership and engagement and that they are not being exploited for tax advantages.

Simplifying the taxation of offshore interest

The government has launched a [consultation](#) on simplifying the taxation of offshore interest. This consultation aims to address the complexities arising from the current method of taxing investment income from non-UK sources, particularly focusing on the administrative challenges caused by the mismatch between the UK tax year and the calendar year reporting system used internationally. This mismatch complicates tax reporting for both HMRC and taxpayers, especially with anticipated increases in individuals required to report non-UK investment income due to reforms affecting non-domiciles and the removal of the remittance basis in the UK tax system.

The consultation is open for 12 weeks, from 30 October 2024 to 22 January 2025, giving stakeholders the opportunity to email their responses to the consultation questions directly to HMRC.

ISAs

The Spring Budget included a proposal to introduce a new British ISA with its own additional allowance of £5,000 a year, accompanied by a consultation which ran until 6 June 2024. The Autumn Budget has confirmed that the new Labour government will not be taking forward this proposal.

There were no further announcements on changes to other subscription limits and so the adult ISA annual subscription limit for 2024/2025 will remain unchanged at £20,000 and the annual subscription limits for Child Trust Funds and for Junior ISAs for 2024/2025 will remain unchanged at £9,000, and these will remain fixed until 5 April 2030.

Reporting of benefits in kind via payroll software

The government confirms that the use of payroll software to report and pay tax on benefits in kind will become mandatory, in phases, from April 2026. This will apply to income tax and Class 1A National Insurance contributions.

Loan charge review

The government has announced that it will commission a further independent review of the Loan Charge to help bring the matter to a close for those affected whilst ensuring fairness for all taxpayers. Further details about the review will be set out by the Exchequer Secretary in due course.

Capital Gains Tax

Tax rates and allowances

As widely expected, the Budget announced a number of changes to the CGT rates. The government will introduce legislation in Finance Bill 2024/25 to increase the main rates of CGT from 10% and 20% to 18% and 24% respectively. The change will take effect for disposals made on or after 30 October 2024, subject to anti-forestalling measures.

The rate of CGT for Business Asset Disposal Relief and Investors' Relief is increasing to 14% for disposals made on or after 6 April 2025, and from 14% to 18% for disposals made on or after 6 April 2026. The lifetime limit for Investors' Relief qualifying disposals is reducing from £10 million to £1 million for qualifying disposals made on or after 30 October 2024.

No changes will be made to the 18% and 24% rates of CGT that apply to residential property gains.

The CGT annual exempt amount reduced from £6,000 to £3,000 from April 2024.

For a table of the main tax rates and allowances, see pages 31-32.

Capital gains on liquidation of an LLP

The government has announced that for liquidations that commence on or after 30 October 2024, a deemed disposal will arise when a limited liability partnership is liquidated and assets that a member has contributed pre-liquidation are disposed of to the member or to a company or other person connected to them.

The chargeable gain that will arise to the relevant member will be equal to the gain that would have arisen at the time the asset was contributed to the limited liability partnership, had such contribution been treated as a disposal by the relevant member.

This change may potentially be connected with the recent decision of the First-tier Tribunal in *GCH Corp Ltd and others v Revenue and Customs Commissioners*.



Stamp Duty and SDLT

Rates

Once again, stamp duty land tax (SDLT) rates are going up in the Budget in relation to residential property. The following two measures have been announced to take effect from midnight on 31 October (i.e. for all transactions after Budget Day, but with transitional relief available for acquisitions pursuant to a contract dated before 31 October):

- The higher rates applicable to dwellings (HRAD) surcharge rate is going up from 3% to 5%.
- The flat rate of SDLT applicable to certain acquisitions by non-natural persons is going up from 15% to 17%.

The HRAD rates are payable by individuals purchasing additional residential properties and for all corporate acquisitions of residential properties unless six or more dwellings are bought in the same transaction or the acquisition is of mixed use property. The flat rate of 17% potentially applies to all corporate acquisitions of dwellings worth more than £500,000; however, it is rarely paid due to the wide availability of reliefs, including in respect of any purchases intended for commercial letting or for use in a commercial trade.

This newest rate increase means that the top rate of SDLT potentially applicable to residential purchases in England and Northern Ireland is 19%, if both HRAD / the flat rate and the 2% surcharge applicable to non-resident purchases apply.

What didn't change?

The rates applicable to acquisitions of non-residential property remain the same. In addition, it remains the case that an acquisition of six or more dwellings in a single transaction will generally be taxed as a non-residential acquisition. As residential property acquisitions continue to get more expensive in SDLT terms, expert advice on the distinction between residential and non-residential property from an SDLT perspective becomes ever more valuable.

Mixed-use property acquisitions also remain subject to the non-residential rates on the entire consideration. The previous government had consulted on the introduction of apportionment for such acquisitions, but abandoned those plans earlier this year.

The timing for the end of the adjusted rate thresholds has also not changed, and buying residential property will become even more expensive in SDLT terms from 1 April 2025, when some of the rate thresholds will reduce.

No further changes were announced to stamp duty rates and thresholds. For a full table of the main tax rates and allowances, see pages 31-32.

Stamp taxes reform

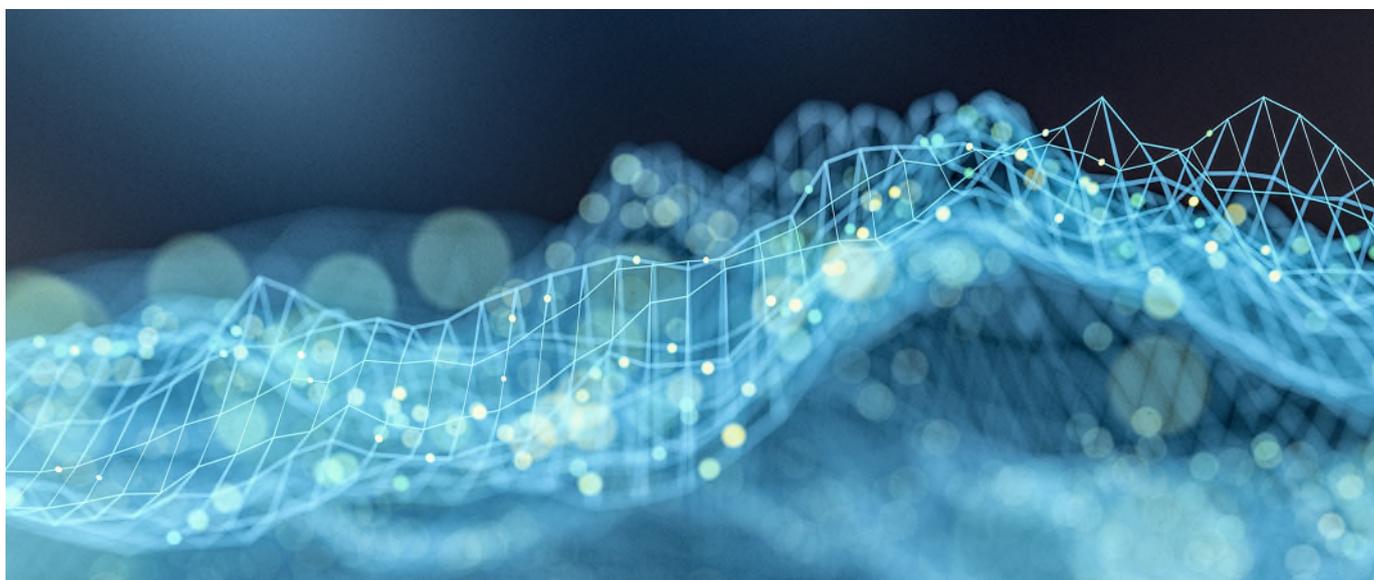
In spring 2023, the government launched a consultation on proposals to put an end to stamping by introducing a new single tax on transactions in securities, largely based on the existing SDRT framework. The consultation on replacing Stamp Duty and SDRT with a new single tax on transactions in securities ran until 22 June 2023. There were hopes that the Budget might pick up this sensible suggestion for reform, but there remains no sign of any response to the consultation as yet.

PMI sandbox and PISCES related changes

Following the Spring Budget 2024, the government launched a consultation on the proposal to develop the Private Intermittent Securities and Capital Exchange System (PISCES); a new type of trading platform providing for the intermittent exchange of shares in companies not admitted to trading. By launching PISCES, the government intends to provide a helpful means for (1) companies to scale up and grow, (2) shareholders to realise their gains and (3) investors to access a wider range of companies.

Although the response to the consultation has not yet been published, the government notes that stakeholders asked for clarity on the stamp duty and stamp duty reserve tax treatment of such trades.

At the Autumn Budget 2024, the government announced that HM Treasury will be granted powers to make changes to the stamp duty and stamp duty reserve tax legislation to introduce a specific exemption from stamp duty and stamp duty reserve tax for PISCES related transfers. An exemption from stamp duty and stamp duty reserve tax on PISCES related transfers will be attractive to investors, as is currently the case for unlisted shares traded on recognised growth markets.



Value Added Tax and Indirect Taxes

Thresholds

The standard rate of VAT remains at 20%. The Labour Party manifesto committed a Labour government not to increase the rate of VAT. For a table of the main tax rates and allowances, see pages 31-32.

No changes were announced to the VAT registration threshold, which was increased to £90,000 from April 2024. The deregistration threshold is currently £88,000.

VAT on private school fees

The Autumn Budget confirms that the intention to levy VAT on private school fees, included in the Labour Party manifesto, will come into effect from 30 October 2024 and, as previously announced, will apply VAT on private school fees for terms starting on or after 1 January 2025. Currently, Schedule 9 of the Value Added Tax Act 1994 exempts education provided by eligible bodies, including private schools, from VAT. The legislation will remove this exemption for private schools, subjecting the provision of education, vocational services and related board and lodging services to VAT at the current standard rate of 20%. The legislation does exclude teaching English as a foreign language, provision of nursery education, and higher education courses.

The legislation also includes anti-forestalling measures, applying to pre-payments made from 29 July 2024 for terms beginning on 1 January 2025 or the first day of that term (if later), ensuring that VAT is due on these pre-payments.

The government's policy paper confirms that private schools will not lose their eligible body status for the purposes of the education exemption, and therefore any supply of goods or services closely related to a supply of education or vocational training, other than boarding, will continue to be exempt under the separate exemption at Item 4 of Group 6 of Schedule 9 to the Value Added Tax Act 1994. This may include, for example, catering, transport, school trips and field trips.

While VAT at the standard rate does not necessarily mean a 20% increase in school fees, the government (perhaps somewhat optimistically) anticipates an average fee increase of around 10%. This is due to schools' ability to reclaim VAT on their inputs, reducing the net impact on fee increases. Nevertheless, the government predicts that this will lead to a reduction of approximately 37,000 pupils in private education, which represents around 6% of the current private school population.

This legislation should come as no surprise, given the extensive press coverage in the UK regarding VAT on private school fees. There is open acknowledgement in the government policy paper that there will be disruption caused by children moving schools, and a negative impact on those families who are struggling to pay private school fees and may have to increase working hours to fund the additional cost. However, the government has concluded that this should not have a significant impact on family formation, stability and breakdown as a result of this policy, given that all children of compulsory school age are entitled to a state-funded school place if they need one. The measure is expected to generate significant revenue for the Exchequer, with projections indicating a gradual increase from £460 million in 2024/2025 to £1,725 million by 2029/2030.

Electronic invoicing

The government has announced that it will publish a consultation in early 2025 to explore electronic invoicing and how it can establish standards, increase the adoption, and support businesses.

The proposed UK CBAM

Alongside the Autumn Budget, the government has published a consultation response on the design of the UK Carbon Border Adjustment Mechanism (CBAM) to be introduced in January 2027, aiming to mitigate carbon leakage and align with its net-zero emissions target.

The CBAM will apply a carbon price on imports of carbon-intensive goods such as aluminium, cement, fertilisers, hydrogen, and iron & steel, with potential future inclusion of glass and ceramics sectors. It's designed to ensure that imported goods face a comparable carbon cost to those produced domestically, promoting fair competition and encouraging global decarbonisation efforts.

To facilitate compliance and reduce administrative burdens, a minimum registration threshold of £50,000 worth of CBAM goods over a 12-month period has been introduced, significantly reducing the number of businesses required to register.

The response document confirms a number of key features of the CBAM, including:

- **Liability Calculation:** Businesses can use actual emissions data or government-provided default values to calculate their CBAM liability.
- **Adjustments for Overseas Carbon Pricing:** Imports will be adjusted for any carbon price already paid in the country of origin.
- **Quarterly Rate Setting:** The CBAM rate will be adjusted quarterly, reflecting the UK ETS market price and domestic carbon pricing mechanisms.

VAT and private hire vehicles

The 2023 Autumn Statement contained the announcement that the government would consult on the VAT treatment of private hire vehicles in early 2024. The decision follows the High Court ruling in *Uber Britannia Ltd v Sefton MBC*, where Uber successfully sought a declaration that all private hire operators in the UK should be subject to the same rules as Uber on classification of workers and status as principal. This has resulted in a requirement to charge VAT on such services not only for Uber but other operators in the same position.

The Autumn Budget 2024 announced that the government is considering the responses to the recent consultation on the VAT treatment of private hire vehicle services and will respond to the consultation in due course.

Landfill tax rates

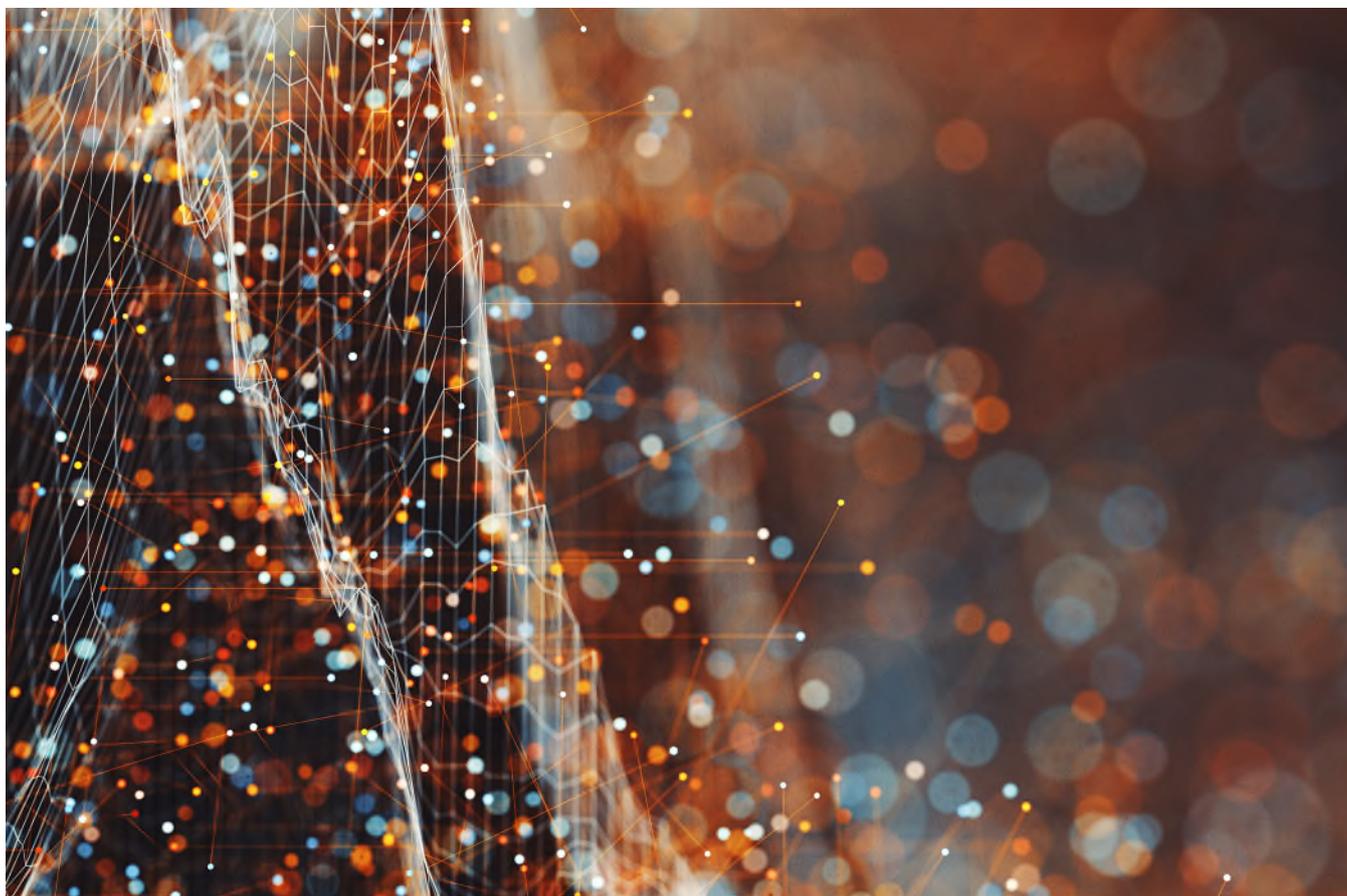
As announced at the Spring Budget 2024, the government will introduce legislation in Finance Bill 2024/25 to increase the standard and lower rates of Landfill Tax (LFT) in line with the Retail Price Index (RPI), adjusted to account for high inflation in the period from 2022 to 2024 and rounded up to the nearest 5 pence.

The standard and lower rates of LFT will increase for taxable disposals that take place or which are treated as taking place on or after 1 April 2025 in line with RPI as follows:

- Standard rate: £126.15 from April 2025.
- Lower rate: £4.05 from April 2025.

Aggregates levy

The government will increase the Aggregates Levy in line with RPI. The rates from 1 April 2025 will be £2.08 per tonne.



Inheritance Tax

Tax rates and allowances

The inheritance tax (IHT) threshold is currently frozen at £325,000 until 2027/2028. In addition, the residence nil-rate band is also frozen at £175,000. When added to the IHT threshold of £325,000, it allows each individual to pass on £500,000 with no IHT payable - or £1m per couple. There is a tapered withdrawal of the additional nil-rate band for estates with a net value of more than £2m. This is at a withdrawal rate of £1 for every £2 over this threshold.

The Autumn Budget announced that these thresholds will now continue to be frozen at these rates for a further two years until 2029/2030.

The rate of IHT remains at 40%.

For a table of the main tax rates and allowances, see pages 31-32.

IHT on unused pension funds and death benefits

The government intends to bring unused pension funds and death benefits payable from a pension into a person's estate for inheritance tax purposes from 6 April 2027. The intention is to restore the principle that pensions should not be a vehicle for the accumulation of capital sums for the purposes of inheritance, as was the case prior to the 2015 "pensions freedoms" reforms which increased member flexibility over how pension savings could be used.

The government has issued a consultation paper on its proposed changes. Under its proposals the pension scheme administrator will be liable for reporting and paying the inheritance tax and would have to work with the deceased member's personal representatives to establish the amount of inheritance tax due.

Notably, the government intends that defined benefits lump sum death benefits and pension protection lump sum death benefits will be subject to inheritance tax. At present, death in service lump sums and the "5 year guarantee" are usually outside of the scope of inheritance tax as the trustees exercise a discretion as to whom the benefit is paid. The consultation paper says that life policy products will be outside the scope of these changes, and we may see an increase in their use over providing life assurance benefits under a registered pension scheme.

IHT and non-doms

A new residence based regime for inheritance tax will also be introduced from 6 April 2025. This will affect the scope of property brought into the charge to inheritance tax.

Under the new regime, an individual's non-UK assets will be within the charge to inheritance tax if the individual is long-term resident at the time of the relevant chargeable event (including death). An individual will be long-term resident for these purposes if the individual has been resident in the UK for at least ten out of the last twenty tax years immediately preceding the tax year in which the chargeable event arises. However, if the individual leaves the UK, the individual will only remain long-term resident for between three and ten years after leaving the UK depending on how long the individual was resident in the UK.

In addition, subject to transitional provisions, the excluded property status of non-UK settled assets will no longer be fixed at the time the assets are added to a settlement. Instead, non-UK settled assets will only be excluded property at times when the settlor is not long-term resident. As a result, when a settlor is long-term resident, any assets they have settled (even when not long-term resident) will be subject to inheritance tax. An exit charge may also arise where a settlor then ceases to be long-term resident.

For more details of the proposed reforms to the taxation of non-doms, see the Income Tax and NICs section above.

Agricultural Property Relief (APR) and Business Property Relief (BPR)

The government has announced an extension of the scope of the APR to land managed under environmental agreements, with the aim to encourage farmers and land managers to contribute to climate and environmental outcomes without the loss of APR deterring them. Effective from 6 April 2025, the APR reforms will enable land with environmental value under an environmental land management agreement to qualify for APR for deaths and other value transfers. APR will also apply to land under environmental agreements with the UK government, devolved administrations, public entities, local authorities, or certified responsible organisations.

The Autumn Budget also announced that from 6 April 2026, the government will reform APR and BPR. Currently, qualifying agricultural and business assets can receive up to 100% relief and in conjunction with the existing nil-rate bands and exemptions, the full 100% relief will be preserved for the initial £1m of combined agricultural and business property to support family farms and businesses, with the relief rate reducing to 50% for amounts exceeding this threshold. The BPR rate will also be lowered from 100% to 50% for shares classified as "not listed" on the markets of recognised stock exchanges, including AIM, in all circumstances (a list of recognised stock exchanges can be found [here](#)).

Tax Administration

Boosting HMRC resources

As part of a package of measures to close the so-called Tax Gap, the government has earlier announced it is recruiting an additional 5,000 compliance staff – with the first 200 starting training in November – and providing funding for 1,800 debt management staff. The intention is to ensure more of the tax that is owed is paid and that more taxpayers pay outstanding tax due. The government will invest £1.4bn over the next five years on the recruitment drive and estimates it will raise £2.7bn per year in additional revenue by 2029/30.

The government will also increase collaboration between HMRC, Companies House, and the Insolvency Service to tackle those using contrived corporate insolvencies and dissolutions, often referred to as “phoenixism”, to evade tax. The government will expand HMRC’s counter-fraud capability to address high value and high harm tax fraud.

The government is also investing in modernising IT and data systems to improve HMRC’s productivity and improve taxpayers’ experience of dealing with the tax system, delivering the modern and digital service businesses and individuals expect.

Given the low levels of “customer” satisfaction with HMRC helplines, it can only be hoped that some of the investment will go to improving this frontline service.

Tax policy making and simplification

The Budget Red Book notes that a stable and predictable tax system is vital to create the conditions for sustained economic growth: it provides businesses with the stability and certainty needed to make long-term investment decisions, it ensures that taxpayers pay the right amount of tax the first time round, and it reduces the administrative burden on taxpayers allowing businesses and workers to focus on adding value to the economy.

With this in mind, the government will engage with stakeholders over the coming months to understand their views on where the tax policy making process works well, and what could be improved.

The government will simplify the tax system and will take this forward as part of its three strategic priorities for HMRC: closing the tax gap, modernisation and reform, and improving service. The government will announce a package of measures to simplify tax administration and improve the customer experience in spring 2025 with a focus on reducing burdens on small businesses. The government will meet stakeholders to understand the priorities for administration and simplification, ensuring that this work is driven by the views of taxpayers.

Finally, there is a promise to stick to a single major fiscal event per year. This is, however, a promise that tax lawyers have heard many times down the years and it remains a promise that is yet to be fulfilled.

Broadening Tax Conditionality

HMRC has launched a consultation aimed at extending tax conditionality checks to the waste, animal welfare, and transport sectors. This move is part of a broader effort to ensure tax compliance across various industries and to tackle the hidden economy.

The focus is on integrating tax compliance checks into the licensing processes for specific sectors, with the consultation running from 30 October 2024 to 31 January 2025. Stakeholders, including businesses and licensing bodies within these sectors, are encouraged to contribute their insights.

Following the successful implementation of tax conditionality in the taxi and scrap metal sectors, the initiative seeks to level the playing field for compliant businesses by ensuring that all licence holders meet their tax obligations.

The proposed expansion requires businesses in the targeted sectors to be prepared for compliance with new tax checks as part of their licensing requirements. This development underscores the importance of understanding and adhering to tax registration obligations to avoid penalties and ensure business continuity.

Tackling non-compliance in the umbrella company market

The UK government has recognised a significant issue within the temporary labour market, particularly in the context of umbrella companies. These companies, which act as intermediaries between workers and employers, have been found to frequently engage in non-compliant activities, including tax avoidance and fraud. This has not only led to substantial losses for the Exchequer, estimated at £500m due to tax avoidance schemes in 2022/2023 alone, but also placed workers at risk of facing large unexpected tax bills.

In response, the government announced a new legislative measure in the 2024 Budget aimed at tackling these challenges. Starting from April 2026, the responsibility for ensuring that Pay As You Earn (PAYE) taxes are correctly accounted for will shift from the umbrella companies to the recruitment agencies that supply workers to their end clients. If no agency is involved, this responsibility will fall to the end client directly. This change is intended to improve compliance, protect workers from non-compliant tax arrangements, and ensure a fairer playing-field for all businesses in the labour supply chain.

The measure is expected to safeguard against the tax loss arising from non-compliance which is estimated to be £2.8bn across the period to 2030. While this change will not affect the underlying tax and National Insurance contributions liabilities for workers employed through umbrella companies, it aims to make the tax position consistent across different types of agency workers. The government plans to work closely with businesses and the recruitment sector to smoothly implement this reform and will in the near future provide further details, draft legislation, and technical guidance.

Call for evidence: personal tax offshore anti-avoidance legislation

On 29 July 2024, the government announced its intention to conduct a review of certain offshore anti-avoidance legislation in recognition of the likelihood that the removal of non-domicile status from 6 April 2025 may bring new offshore structures into the scope of these rules. HMRC has now issued a call for evidence in connection with this review, which covers the Transfer of Assets Abroad, Settlements and Capital Gains Tax legislation.

The call for evidence runs from 30 October 2024 to 19 February 2025 and will be followed by a government consultation on reform proposals in 2025. Further details on the call for evidence can be found [here](#).

Policy paper: tackling offshore tax non-compliance

HMRC has [published](#) a paper focussing on its approach to offshore tax non-compliance in respect of income covered by AEOI (Automatic Exchange of Information).

The paper first explains some of the measures adopted to date in relation to tax transparency and offshore non-compliance and then sets out some further measures to address what it calls the remaining challenges on offshore tax non-compliance. The further measures include 'significant' additional resources, enhanced analytical capabilities, better use of data and intelligence drawn from domestic and international data sharing sources, and further efforts with international partners to plug remaining gaps in global tax transparency frameworks.

Consultation outcome: raising standards in the tax advice market

HMRC has [published](#) the outcome of a consultation into standards in the tax advice market, announcing that, from April 2026, all tax advisers who interact with HMRC on behalf of a client will have to register with HMRC before doing so. HMRC will publish a technical consultation on the legislation ahead of Budget 2025 and will communicate further detail to relevant stakeholders in due course.

HMRC explains that it intends to consult on further reforms to (1) improve HMRC's ability to act against a tax adviser where the adviser facilitates a taxpayer's non-compliance and (2) require advisers to obtain an Advanced Electronic Signature from their client if they wish to submit an income tax repayment claim on their behalf.

The Tax Administration Framework Review: enquiry and assessment powers, penalties, safeguards

In February 2024, the government published a call for evidence, “The Tax Administration Framework Review: enquiry and assessment powers, penalties, safeguards”. This covered a range of reform opportunities within the existing UK tax administration framework.

HMRC has now [published](#) a summary of responses to the call for evidence, announcing that it intends to consult further on three specific areas:

- Potential reforms designed to make it quicker and easier for taxpayers to correct mistakes early compared to a lengthy investigation.
- Opportunities to reform HMRC’s use of behavioural penalties to make these simpler and more effective.
- Ways to improve taxpayer access to alternative dispute resolution and statutory review to help resolve more disputes before they reach the Tax Tribunals.

At the same time, HMRC has opened a consultation in relation to the first of these three areas, seeking views on the proportionality and efficiency of HMRC’s current correction powers and their potential modernisation and reform, as well as the potential for a new power which would require taxpayers to self-correct their return.

The consultation runs from 30 October 2024 to 22 January 2025. Further details on the consultation can be found [here](#).

Evaluation of the change to UK Deemed domicile policy 2017

The government has published [an evaluation report](#) looking at the Exchequer revenue change and mobility response of deemed domiciled taxpayers as a result of the 2017 Deemed Domicile reforms.

The reforms meant that individuals born in the UK with a UK domicile of origin and those who had been UK residents for at least 15 of the previous 20 tax years were deemed domiciled for tax purposes. This 2017 change aimed to increase tax revenue by bringing more people into the scope of UK taxation on their worldwide income and gains.

The new report finds that the majority of taxpayers impacted by the reforms remained in the UK and, on average, made higher tax contributions than expected. The evaluation indicates that the reforms have successfully raised additional revenue from deemed domiciled taxpayers, with over £700 million collected in the tax year ending 2018 and over £1 billion by the tax year ending 2020. The report also concludes that the UK remains an attractive place for non-domiciled taxpayers, with many choosing to stay due to factors such as family, employment ties, and cultural connections.

HM REVENUE & CUSTOMS TAX RATES AND ALLOWANCES

Income tax allowances	2024/25 (£)	2025/26 (£)
Personal allowance	12,570	12,570
Higher rate threshold	50,270	50,270
Income limit for personal allowance ¹	100,000	100,000
Transferrable marriage allowance	1,260	1,260
Blind person's allowance	3,070	3,070

¹ The individual's personal allowance is reduced where their income is above this limit. The allowance is reduced by £1 for every £2 above the limit.

Other allowances/thresholds	2024/25 (£)	2025/26 (£)
Capital gains tax annual exempt amount for individuals etc.	3,000	3,000
Inheritance tax threshold ²	325,000	325,000

² The inheritance tax threshold is increased to £500,000 where the estate includes a residence passed to direct descendants and the entire estate is worth less than £2 million..

Income tax bands	2024/25 (£)	2025/26 (£)
Starting savings rate 0% ³	5,000	5,000
Basic rate 20%	1 – 37,700	1 – 37,700
Higher rate 40%	37,701 – 125,140	37,701 – 125,140
Additional rate 45%	Over 125,140	Over 125,140

³ If non-savings taxable income exceeds the starting rate limit, the starting savings rate will not apply to savings income.

Capital gains tax rates ⁴						
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26
	Main rate		Residential property		Carried interest	
Lower rate	10%	18%	18%	18%	18%	32%
Higher rate	20%	24%	24%	24%	28%	32%

⁴ The updated capital gains tax main rates for 2025/26 will apply to gains made from 30 October 2024.

Corporation tax profits ⁵		
	2024/25 (£)	2025/26 (£)
Main rate 25%	Whole of profits	Whole of profits
Small profits rate 19%	Profits up to 50,000	Profits up to 50,000

⁵ For businesses with profits between £50,000 and £250,000, tax is charged at the main rate, subject to marginal relief provisions which will provide a gradual increase in the effective corporation tax rate.

Stamp duty land tax – residential property ^{6 8 10}			
Total value of consideration	Rate	Rate with surcharges (UK resident) ⁷	Rate with surcharges (non-UK resident)
0 – 250,000	0%	5%	7%
250,001 – 925,000	5%	10%	12%
925,001 – 1,500,000	10%	15%	17%
Over 1,500,000	12%	17%	19%
Purchases over 500,000 by non-natural persons to which relief does not apply	17% ⁹	17%	19%

Stamp duty land tax – non-residential or mixed-use property	
Total value of consideration	Rate
0 – 150,000	0%
150,001 – 250,000	2%
Over 250,000	5%

⁶ Stamp duty land tax changes will take effect for transactions with an effective date on or after 31 October 2024, but with transitional relief potentially available for acquisitions under contracts dated before that date.

⁷ Stamp duty land tax will be charged with a surcharge of 5% above the usual stamp duty land tax residential rates from 31 October 2024 on purchases by individuals of additional residential properties (such as second homes and buy-to-let properties), and by non-natural persons (companies, partnerships including companies or collective investment schemes) of dwellings, even if they do not own another dwelling.

⁸ For purchases by first-time buyers of property worth £625,000 or less up to 31 March 2025, the stamp duty land tax rate for a property valued £0 – 425,000 is 0% and for a property valued £425,001 – 625,000 is 0% on the consideration up to £425,000 and 5% on the remainder. From 1 April 2025, for purchases by first-time buyers of property worth £500,000 or less, the stamp duty land tax rate for a property valued £0 – 300,000 is 0% and for a property valued £300,001 – £500,000 is 0% on the consideration up to £300,000 and 5% on the remainder.

⁹ The 17% rate applies to certain acquisitions of dwellings worth more than £500,000 by “non-natural persons” (a company, a partnership including a company or a collective investment scheme), though in many cases a relief is available from this flat rate.

¹⁰ A 2% surcharge applies on purchases by non-UK residents acquiring dwellings in England and Northern Ireland (when combined with the additional 5% rate (see note 7 above), a 7% surcharge applies on non-UK residents purchasing additional residential properties).

