



INSIGHTS

# Autumn Budget Insights: What's in Store for Individuals, Businesses, and Trusts?

The UK Chancellor's Autumn Budget on 30 October 2024 has ushered in a new era of tax reform under the Labour Government. This budget, a watershed moment, introduces sweeping changes that will impact UK resident, both domiciled and non-domiciled, businesses, property ownership, and trust structures.



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With tax increases across the board, ranging from Stamp Duty Land Tax to Capital Gains Tax (CGT) and National Insurance, the budget is set to raise £40 billion, much of which is earmarked for NHS funding (£22.6 billion), education (£6.7 billion), housing (£5 billion), and compensation for victims of past injustices. The economic predictions also look forward, with the Office for Budget Responsibility forecasting growth at 1.1% for 2024, 2% for 2025, and 1.8% by 2026.

As taxpayers navigate these changes, understanding their immediate and long-term impacts becomes crucial. Here, we break down the significant developments in personal and business taxation, property rules, non-dom reforms, and trusts, offering insight into this transformative fiscal landscape.



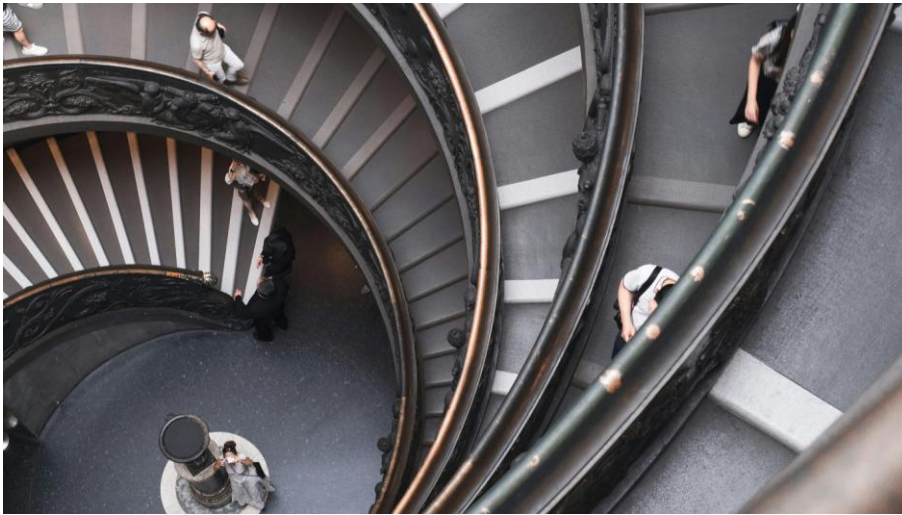
TRIDENT TAX



## Personal Taxes: Rising CGT Rates and Frozen Bands

In a move to generate significant tax revenue, the government has announced **increases in the main rates of CGT**. As of 30 October 2024, disposals will incur CGT rates of **18% and 24%**, up from the previous rates, with stockpiled trust gains potentially attracting a **top rate of 38.4%**, presenting a more complex environment for individuals with high-value asset portfolios.

The budget also **freezes income tax bands** until 2028 and Inheritance Tax (IHT) thresholds until 2030, meaning more individuals will find themselves within the scope of these taxes due to fiscal drag.



Additionally, starting from April 2027, unused pension funds and death benefits will be included in the deceased's estate for IHT purposes, with pension scheme administrators assuming responsibility for reporting and paying any IHT due on these assets. Life insurance policies, however, remain unaffected for now, though the final legislation may bring changes.

The Government has also halved the IHT relief for shares listed on London's junior AIM market, effectively **introducing a 20% charge on death**. It

was anticipated that the relief would be fully abolished and therefore stocks on AIM market rose following the announcement.

## Business Taxation: New CGT Rates and Bad News for Business Asset Reliefs

For businesses, key changes impact both Capital Gains Tax and Business Asset Disposal Relief (BADR). While the BADR's **favourable 10% rate remains** in place until April 2025, it will increase to **14% in 2025-26 and 18% in 2026-27**. The lifetime limit for an individual's BADR, however, **remains capped at £1 million**, urging business owners to assess when to take advantage of this relief before it becomes less favourable.

Inheritance Tax Reliefs for Business Property, which previously offered unlimited relief, will undergo significant reform starting April 2026. Going forward, only the **first £1 million** of qualifying assets will receive **100% relief**. Assets exceeding this threshold will be subject to a **20% tax charge** upon the death of the shareholder, as they will only qualify for **50% relief**.

Corporation Tax will remain capped at **25%** for this parliament, with a commitment to retain R&D reliefs and full expensing for capital allowances, and with the rise in Employer's NI many business owners will look to extract surplus profits by way of dividends as opposed to bonuses.

WE ARE PREPARING A COMPREHENSIVE SUMMARY OF HOW THESE CHANGES WILL IMPACT OWNER MANAGED BUSINESSES AND ENTREPRENEURS, AND MORE SPECIFICALLY THE IMPACT OF THE APR/BPR CHANGES WILL HAVE, WHICH WILL BE MADE AVAILABLE SHORTLY.



## Property: A 'Halloween Special' Stamp Duty Increase

For those with property holdings, the budget holds a few tricks. Starting on Halloween, 31 October 2024, Stamp Duty Land Tax (SDLT) on second homes will **increase from 2% to 5%.**



In addition, with effect from 1 April the removal of SDLT nil rate and first-time buyer bands – these were temporary measures that were due to end on 1 April and have not been renewed.

Agricultural Property Relief, previously an effective tool for avoiding IHT on farmland and similar assets, is now subject to the same limits as Business Property Relief, meaning that the **first £1 million** of qualifying property **is exempt**, but assets beyond this amount will only receive **50% relief.**

The budget also includes new rules to eliminate potential tax charges on unconventional finance options such as Islamic finance., ensuring equal treatment across financing methods.

## Non-Dom Reforms: A New Residence-Based Regime

As expected, the budget introduces a seismic shift for non-domiciled individuals (non-doms), replacing the current tax regime with a **residence-based system** from 6 April 2025. This new system is anchored by the "FOUR-YEAR FOREIGN INCOME AND GAINS (FIG) REGIME," which offers incoming residents a **grace period of 4 years** during which foreign income and gains are not subject to UK tax, provided they haven't been UK residents for 10 consecutive years prior.

The Temporary Repatriation Facility (TRF) provides a reduced tax rate for prior remittance basis users, allowing them to bring foreign income and gains earned before April 2025 into the UK at **rates of 12% for two years and 15% for the third.** The new rules also introduce the option to rebase foreign assets to April 2017, preserving historical gains from taxation upon sale.

Non-doms will no longer benefit from the protected trust status traditionally afforded to offshore settlements. Settlers with interests in offshore settlements will see changes in their tax liability, as they will no longer receive preferential treatment after the Four-year FIG period ends.

A DETAILED SUMMARY OF THE RECENT NON-DOM ANNOUNCEMENTS WILL BE AVAILABLE SHORTLY, ALONG WITH AN OVERVIEW OF THE FIG REGIME FOR NEW ARRIVALS TO THE UK. WE ARE ALSO PREPARING A DOCUMENT HIGHLIGHTING PRACTICAL PLANNING OPPORTUNITIES THAT CURRENT UK RESIDENT NON-DOMS (UKRNDs) SHOULD CONSIDER BEFORE APRIL 2025. ADDITIONALLY, A COMPREHENSIVE SUMMARY OF THE IHT CHANGES AND THEIR IMPACT ON UKRNDs AND EXCLUDED PROPERTY TRUSTS WILL BE PUBLISHED SOON.





## Individuals and IHT Changes: Residence-Based IHT Rules and Extended Exposure

### Residence-Based IHT Liability for Long-Term Residents

Effective from April 2025, long-term UK residents will be liable to IHT on their worldwide estate, shifting from a domicile to a residence-based regime. The long-term resident test **requires 10 years of UK residence** within the past 20 years to meet the threshold for IHT exposure. This change significantly extends the IHT scope, particularly for individuals with extensive overseas assets.

### Extended IHT Exposure Post-Residency

Under the new rules, individuals who become non-UK residents after meeting the long-term resident criteria can remain liable for IHT on their worldwide assets for up to 10 years.



The number of post-residency chargeable years is based on their length of UK residency beyond the original 10-year period but with a cap of 10 years for those who have been resident for 20 consecutive years.

For example, an individual who has been UK resident for 13 years (10 +3) will remain chargeable for 3 years following their departure, however if they

have been UK resident for 20 years (10+10) this tail extends to 10 years.

## Trusts: Navigating the New Tax Landscape for Overseas Trusts and Beneficiaries

### Overseas Trust Distributions and Benefits for Beneficiaries

Beneficiaries eligible under the Four-Year Foreign Income and Gains (FIG) regime can receive payments from overseas settlements without being subject to benefit-matching requirements within the initial four-year window. However, once this FIG window closes, any unmatched payments may be taxed by reference to future trust income and gains.

Beneficiaries also have the flexibility to exclude non-UK settlement benefits from their FIG claims, especially if this results in a more favourable tax outcome under the Temporary Repatriation Facility (TRF).

### Overseas Trust Distributions and Settlers with Interest

For settlors with an interest in offshore trusts, the end of the protected trust status represents a key shift. While the Four-Year FIG regime still offers relief for some



qualifying individuals in their first 4 years of residency, if this is not available then they will be subject to tax on the trust's income and gains.

## Trust IHT Changes: A New Approach to Inheritance Tax for Long-Term Residents

### IHT Changes for Trusts

From April 2025, the treatment of offshore trusts under the Inheritance Tax (IHT) regime will **transition to a "long-term resident" model rather than a domicile-based assessment**. This new approach significantly impacts how non-UK assets, previously considered excluded property, are handled for IHT and considers the status of the settlor.

### Long-Term Resident Test for Trust IHT

As discussed above, the **new "long-term resident" test** classifies an individual as a long-term resident if they have been a UK resident for at least 10 of the previous 20 tax years. Under this test, individuals can remain a "long-term resident" even after they leave the UK.

For example, an individual who has been a UK resident for 17 years would remain liable to IHT on their worldwide estate for up to seven years post-departure.

An individual, who is not resident in 2025/26 and subsequent years, will remain within the charge to IHT for three years from 2025/26 and cease to be within the charge to IHT from 2028/29. Any excluded property trust previously settled by that individual will become a relevant property trust on 6 April 2025 and only return to being an excluded property trust on 6 April 2028.

### IHT Implications

Trusts that are brought within the scope of IHT will be subject to principal charges of up to **6% at each ten-year anniversary** and proportional exit charges when making distributions.

There will also be an **exit charge when a trust returns to being an excluded property trust** – this means that even where settlors have become non-resident there may still be a charge once they lose their 'tail'.

Transfers of excluded property (including distributions from trusts) made before the introduction of the long-term resident test will continue to be exempt from IHT if the individual qualifies as a non-domiciled or deemed-domiciled resident. However, post-April 2025, long-term residents making transfers will see these excluded property protections lapse under the new test, which aligns IHT liability more closely with residency patterns rather than traditional domicile classifications.

A DETAILED SUMMARY OF THE IMPACT THESE ANNOUNCEMENTS WILL HAVE ON PROTECTED AND EXCLUDED PROPERTY TRUSTS, AS WELL AS THE INTERACTION WITH THE FIG REGIME, WILL BE AVAILABLE SHORTLY. ADDITIONALLY, WE ARE PREPARING A COMPREHENSIVE OVERVIEW OF THE IHT CHANGES AND THEIR IMPLICATIONS FOR UK RESIDENT NON-DOMS (UKRNDs) AND EXCLUDED PROPERTY TRUSTS, WHICH WILL ALSO BE RELEASED SOON.

## Employers and Payroll: National Insurance and Minimum Wage Increases



April 2025 will see employers facing heightened payroll costs, with Employer's National Insurance rising from **13.8% to 15%**. The threshold for Employer's contributions will also decrease from **£9,100 to £5,000**. For small businesses, the Employment Allowance will increase from **£5,000 to £10,500** to offer some respite.

The National Minimum Wage will rise to **£12.21 per hour**, narrowing the gap with the Living Wage Foundation's recommendation of £12.60 per hour. These increases mean that businesses will need to budget carefully, especially as wage costs and National Insurance expenses climb.

A DETAILED SUMMARY OF HOW THESE ANNOUNCEMENTS WILL IMPACT OWNER-MANAGED BUSINESSES (OMBS) WILL BE AVAILABLE SHORTLY.

## Other Key Announcements: HMRC Compliance and Interest Rate Hike

Perhaps most surprising was the **1.5% increase** in the late payment interest rate, raising it to **9%** annually—a move aimed at tackling the UK's £43 billion tax debt. This rate hike is expected to put pressure on businesses and individuals already facing cash flow challenges and could lead to higher rates of insolvency.

Additionally, HMRC is recruiting 5,000 compliance officers to close the "tax gap" and 1,800 debt management officers to improve collections. Significant IT investment will support these efforts by enhancing HMRC's data analytics to better identify "tax ghosts" and enforce offshore compliance.

FOR THOSE WITH KNOWN TAX IRREGULARITIES, HMRC'S NEWLY INCREASED WORKFORCE SUGGESTS A MORE AGGRESSIVE STANCE TOWARD INVESTIGATIONS, ESPECIALLY AS THEIR RESOURCES INCREASE.

### Further Measures

- ▶ **Increased Tax on Carried Interest:** The rate of tax on carried interest will rise from 28% to 32% for carried interest arising on or after 6 April 2025. A further commitment has been made to simplify and reform the taxation of carried interest from 6 April 2026.
- ▶ **VAT on Private School Fees:** As previously trailed, private school fees will attract VAT starting 1 January 2025, aligning independent school tuition with the VAT policies on most goods and services.
- ▶ **Windfall Tax on Energy Profits and Duty Changes:** Additional duties will be levied on energy profits, aligning with the government's strategy to redistribute industry windfalls in response to rising costs and economic pressures.
- ▶ **Increased Air Passenger Duty on Private Jets:** A proposed 50% increase to Air Passenger Duty will apply to all private jets, including business jets, aiming to reduce environmental impacts and contribute additional revenue from higher-income travellers.
- ▶ **Employee Benefit Trusts and Employee Ownership Trusts:** New Rules for Employee Benefit Trusts and Employee Ownership Trusts to combat abuse and give clarity in relation to potential tax risks.
- ▶ **Umbrella Companies:** From April 2026, HMRC will be able to transfer responsibility to account for PAYE from umbrella companies to recruitment agencies and end clients.



## An Urgent Call for Strategic Planning

With so many changes impacting personal, business, property and trust taxation, it is imperative to engage in detailed tax planning. For UK resident non-doms, understanding the FIG regime and its tax implications is crucial. Businesses must prepare for increased payroll expenses and re-evaluate their corporate structures considering reduced BPR and APR. And trustees must necessitate careful planning to minimise IHT exposure.

This budget is both a warning and an invitation for taxpayers to assess their financial and tax planning strategies. With the impending legislation expected next week, we strongly advise consulting with tax professionals to devise a comprehensive approach to the new tax regime. Early planning will be the key to successfully navigating this landscape, securing tax efficiencies, and preparing for the future.

### Want to know more?



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