Main budget tax and allowances changes in England that affect exam candidates.

A phrase that was regularly used when positioning the Autumn 2024 budget was the need to 'fill a £22 billion black hole in public finances'.

This signposted changes that we now know are estimated to raise £40 billion.

The changes affect many different areas and will impact many businesses and individuals, including candidates studying for Financial Services exams.

At this point we should remember that standard budget changes that take effect from 6th April don't usually find their way into CII exams until the new syllabus goes live in September. However, any 'immediate' changes can usually be tested in exams three months after the effective date of the change. So, some announced changes *may* be tested from 30th January 2025, especially in advanced exams, where learners are required to have a much better awareness of changes on the horizon. To help you spot these immediate changes we've highlighted their effective date in **red** in the text that follows.

The good news for learners is that there are some allowances, limits and rules that haven't been changed. We start by listing these areas, before moving on to changes grouped into the general subject that they affect.

What's staying the same (lots of areas)?

- Personal Allowance (£12,570 until April 2028)
- Married Couples / Registered Civil Partnership **transferrable** allowance (approx 10% of PA, so £1,260)
- Adjusted Net Earnings threshold for PA (£100,000)
- Rent a room relief maximum (£7,500)
- Property allowance (£1,000)
- Trading allowance (£1,000)
- 20% basic rate band (£37,700 until April 2028)
- 40% higher rate band (next £87,440)
- 45% additional rate band (over £125,140)
- Saving starter rate (£5,000)
- Personal Savings Allowance (£1,000 or £500 or £0)
- Dividend Allowance (£500)
- Dividend tax rates (8.75%, 33.75%, 39.35%)
- Trust general exemption (£500)
- Dividend rate (39.35%)
- Other income rate (45%)

- High income child benefit charge
  - Budget scrapped the previous government's plan to base HICBC on household incomes
  - So, charge is still based on 1% of benefit per £200 adjusted net income of £60,000–£80,000 for the highest earner
- CGT exemptions
  - Staying as £3,000 for individuals and £1,500 for most trusts apportioned to a minimum of £300 for multiple trusts
- VAT thresholds
- ISA annual subscription limits until 05/04/2030, so:
  - £20,000 for ISAs
  - £4,000 for Lifetime ISAs
  - £9,000 for Junior ISAs and Child Trust Funds until
  - Plans to launch British being scrapped
- Help to save
  - Scheme being extended to 05/04/27
  - All in-work universal credit recipients eligible from 6/4/25 (a minor change!)
- NICS:
  - Upper earnings limit, upper secondary thresholds and class 4 upper profits limit are staying at the level of the higher rate income tax threshold of £50,270 (£12,570 + £37,700) for 2025/26 (and through to April 2028?)
  - Class 1 primary threshold staying at £12,570
- IHT thresholds (frozen to 05/04/30, so gradually bringing more people into the IHT regime)
- Corporation tax rates
  - Confirmed that the main rate of corporation tax at 25 percent will be capped and the current small profits rate and marginal relief rates and thresholds will be maintained for the duration of this Parliament
  - The current rates for the merged R&D Expenditure Credit (RDEC) scheme, and the Enhanced Support for R&D Intensive SMEs (ERIS) will also be maintained.
- Wages and state benefits
  - Universal Credit (UC) surplus earnings threshold (the amount you can earn above your earnings limit before losing access to UC) is staying at £2,500 until March 2026
  - The budget confirmed that from 06/04/26, payrolling benefits in kind (meaning employers would report and pay income tax and employer NICs on benefits in kind via their payroll systems in real time) will be mandatory

What's changing?

Income tax

- Married Couples' / Civil Partner's **age-related** allowance maximum increasing to £11,270
- Married Couples' / Civil Partner's **age-related** allowance minimum increasing to £4,360
- Blind person's allowance (to £3,130)
- Adjusted Net Earnings threshold for MCA / RCPA (£37,700)
- Company car tax 'Appropriate Percentage' rates (known as AP rates) increasing:
    - 2025/26
        - electric and ultra-low emission cars increasing by 1 percentage point *(subject to max of 5% for electric cars / 21% for ultra-low emission cars)*
        - all other vehicles increasing by 1 percentage point *(subject to max of 37%)*
    - 2026/27
        - electric and ultra-low emission cars increasing by 1 percentage point *(subject to max of 5% for electric cars / 21% for ultra-low emission cars)*
        - all other vehicles fixed at 2025/26 rates
    - 2027/28
        - electric and ultra-low emission cars increasing by 1 percentage point *(subject to max of 5% for electric cars / 21% for ultra-low emission cars)*
        - all other vehicles fixed at 2025/26 rates
    - 2028/29
        - zero emission and electric vehicles increasing by two percentage points to 7%
        - cars with CO_2 emissions of 1-50g/km rising to 18%
        - all other vehicles increasing by 1 percentage point
        - maximum AP rising to 38%
    - 2029/30
        - zero emission and electric vehicles increasing by two percentage points to 9%
        - cars with CO_2 emissions of 1-50g/km rising to 19%
        - all other vehicles increasing by 1 percentage point
        - maximum AP rising to 38%

NICs

- Class 1 employer (secondary) NIC main rate increasing from 13.8% to 15.0% from 6/4/25 (*so, higher employer NIC rate*)
- Secondary threshold reducing from £9,100 to £5,000 (*so, more earnings subject to employer NICs*) from 6/4/25 until 5/4/26; then indexed by CPI
- Employment allowance (the amount that eligible employers can reduce their annual NI liability by) rising from £5,000 to £10,500 from 6/4/25

- £100,000 upper eligibility threshold is being removed from 6/4/25 (*so more companies will qualify for the employment allowance*)
- Lower earnings limit increasing to £6,500
- Small profits threshold rising to £6,845
- Increasing rate of voluntary Class 2 contributions for self-employed individuals with profits below the SPT who wish to receive contributory benefits (e.g. state pension) to £3.50 a week for 2025/26
- The voluntary class 3 rate is rising to £17.75 a week from 6/4/25

CGT

- For disposals after **30/10/24**, main rates increasing to 18% for non and basic rate taxpayers and 24% for higher and additional rate taxpayers. This puts the rates in line with the residential property rates, so there will no longer be a surcharge for residential property
- Business Asset Disposal rate increasing to 14% for tax year 2025/26 and 18% for tax year 2026/27
- From **30/10/24,** lifetime limit for disposals qualifying for investors relief (usually AIM shares / unlisted company shares) reducing to £1m (from £10m)
- From 06/04/25, furnished holiday lettings will lose their specific tax treatment. Income and capital gains will be taxed in the same way as other property income and gains

IHT

- From 06/04/26, 100% business and agricultural reliefs being limited to combined total of £1 million
- Above £1 million cap, tax relief rate will be 50%
- Cap won't apply to AIM shares which will qualify for 50% relief
- From 06/04/25, the definitions within agricultural property are being extended to include land managed under an environmental agreement with certain government and other bodies
- From 06/04/27, on death any 'unused' pension funds and death benefits will form part of the deceased pension holder's estate for IHT purposes

SDLT

- From **31/10/24:**
    - the additional SDLT rate for second homes and buy-to-let properties will increase from 3% to 5%
    - the rate of SDLT charged on dwellings costing more than £500,000 purchased by corporate bodies is increasing to 17%

- From 01/04/25
  - the temporary increase in the 0% SDLT band for first time and other property buyers is being cut, so the band is going from £250,000 to £125,000
  - between £125,001 and £250,000 the rate is 2%
  - The 0% band for first time buyers (for properties valued up to £500,000) is reducing to £300,000

Pensions

- From 06/04/26, all scheme administrators of registered pension must be UK resident
- From **30/10/24**, transfers to qualifying recognised overseas pension schemes (QROPS) in the European Economic Area (EEA) or Gibraltar will no longer be excluded from the overseas transfer charge, which is levied at 25%
- Not a change, but the budget confirmed that the 'triple lock' is being retained, so basic and state pensions will increase by 4.1% from April 2025
- From 06/04/27, the IHT exemption for death benefits from pensions is being removed
  - Includes lump sums, beneficiary's drawdown /annuity, lump sums paid to bypass trusts
  - Does not include member / dependants' pensions from some Public Sector DB Schemes
  - Spousal exemption available to avoid an immediate charge to IHT
  - Trustees' discretion regarding who beneficiary benefits are paid to is no longer relevant
- The practicalities of the charge are still under consultation, but it is anticipated that:
  - the pension scheme will pay the IHT charge
  - if income tax is due because of the benefits being paid after age 75 or being more than the available LSDBA, then this will be on the post IHT payout
- As pension benefits will now form part of an estate, this could also affect the tapering calculation for Residence Nil Rate Band

VAT

- From 01/01/25, private school education and boarding services will be subject to 20% VAT

Non-dom taxation

- Income and capital gains
  - From 06/04/25 remittance basis being replaced with residence-based
  - Qualifying individuals pay no UK tax on foreign income and gains arising in first four years of tax residence
  - *NOTE: Previous government's proposal to reduce foreign income subject to tax to 50% in the first year of the new basis has been scrapped*
  - Existing remittance-basis individuals can rebase personally-held foreign assets to their value at 05/04/17, subject to conditions
- IHT and trusts
  - From 06/04/25, residence-based IHT system being introduced so stop the use of excluded property trusts to shelter assets from IHT

Carried interest

- From April 2026, all carried interest, (mainly held by individuals using private equity and hedge funds) will be taxed using income tax framework and will be subject to class 4 NICs
- A 72.5% multiplier will be applied to qualifying carried interest that's brought within charge
- From 06/04 25, the two CGT rates for carried interest are increasing to 32%

Business rates

- From 01/04/25, charitable relief for business rates will be withdrawn

Private schools

- From 06/04/25, private schools in England will stop being eligible for charitable rate relief from April 2025, as previously announced
- If the school wholly or mainly provides full-time education to pupils with an education, health and care plan, they will retain eligibility for VAT relief

Wages and state benefits

- From 04/04/25, the National Living Wage (for those aged twenty-one and over), the National Minimum Wage (for those of at least school leaving age), and the Apprenticeship rate (AR) are increasing.
    - Age 21+ £12.21
    - Age 18-20 £10.00
    - Under 18 £7.55
    - AR £7.55
- Employment and support allowance claimants moving to Universal Credit (UC) from **01/09/24**
- The fair repayment rate (which limits the amount that can be taken from UC payments) reducing to 15% of the standard allowance (it was 25%)