

# What might happen next?

## First Budget post the General Election

- The newly formed Labour Government has announced that the Budget will be on Wednesday, 30<sup>th</sup> October 2024.

## What might the new Government do from a tax perspective?

- The recent Labour party manifesto, plus other related party publications and recent comments made by senior members of the Labour party, may give us an inkling as to what to expect in the forthcoming Budget or even over the next 5 years.
- **Based upon that information, political and tax analysts have provided their predictions which are shown below.**
- Certain announcements have already been made by the government in advance of the forthcoming Budget.

## What personal tax and national insurance (NI) changes could arise?

- **Income tax rates – likely to be no changes.** Note however that the devolved governments of Scotland and Wales can vary the tax rates relating to non-savings and non-dividend income.
- **Income tax thresholds - likely to remain frozen until 2028.** Note however, that the devolved government of Scotland, but not Wales, can vary the tax thresholds relating to non-savings and non-dividend income.
- High Income Child Benefit Charge – No change expected.
- Carried interest for investment managers – Possibly to be taxed as income as opposed to capital gains with the tax rate moving from 28% to as high as 45%.
- **Employee NI rates – No cuts or increases planned.**
- **Self-employed NI rates – No cuts or increases planned.**

## What might happen as regards furnished holiday let (FHL) properties?

- The government have already made the following announcements in advance of the Budget:
  - a) **FHL will be treated the same as long term lets from April 2025 as regards income tax.**
  - b) **Loan interest relief will be restricted to a 20% income tax credit from April 2025.**
  - c) Where an existing FHL business has an ongoing capital allowances pool of expenditure, it can continue to claim writing down allowances on that pool post April 2025 but not in respect of new expenditure after that date.
  - d) Draft legislation has introduced an anti-forestalling rule which, with minor exceptions, prevents FHL owners obtaining capital gains relief through the use of unconditional contracts with effect from 6<sup>th</sup> March 2024.
  - e) **FHL income will not be counted as relevant income for pension contribution purposes from 6<sup>th</sup> April 2025 onwards.**

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- f) **Certain capital gains tax reliefs will cease from April 2025** except where the FHL conditions are satisfied up to April 2025 and the criteria for that particular relief includes conditions which can still come into play post April 2025.
- g) Where the FHL business ceased prior to 6<sup>th</sup> April 2025, business asset disposal relief (the 10% capital gains tax rate) may still apply to a disposal of the property within 3 years of the FHL business coming to an end.
- It is assumed that the rental supply from April 2025 will no longer be liable to VAT. Clarity still required.
- It is assumed that business rates and small business rates relief will not apply from April 2025. Clarity still required.

## What capital gains tax (CGT) changes could arise?

- **Private residence relief – No change likely.**
- Business asset disposal relief – Will be kept under review.
- **CGT rates – Maybe aligned with the income tax rates. Gains could be taxed at your highest rate.**
- Non-dom. rules – The government have already announced that they will implement the four year foreign income and gains regime announced by the previous government. It will take effect for all foreign income and gains arising from 6<sup>th</sup> April 2025.

## What inheritance tax (IHT) changes could arise?

- **IHT tax rates and thresholds – No changes mentioned.**
- Offshore Trusts – End the use of offshore trusts that help individuals avoid IHT.
- **Agricultural relief - Historical hints in the recent past this may be restricted or abolished.**
- **Business property relief – Historical hints in the past that this might be abolished.**
- The 6% charged on assets held within certain Trusts on each 10<sup>th</sup> anniversary date could be increased.

## What stamp duty land tax (SDLT) changes could arise in England and Northern Ireland?

- **SDLT threshold to return to £300,000 on 1<sup>st</sup> April 2025.**
- Increase SDLT surcharge for overseas buyer by 1% up to 3%.
- **Increase SDLT surcharge on acquiring second residential properties from 3% to 4%.**

## What Value Added Tax (VAT) could arise?

- **VAT rates – No change likely.**
- VAT thresholds – Not clear what the intention might be in this case.
- **VAT on private education – The government have announced a standard rate of 20% will apply from 1<sup>st</sup> January 2025 onwards, including fees relating to that period paid on or after 29<sup>th</sup> July 2024.**

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## What changes could arise on the employment front?

- Employment allowance – No changes are planned.
- Apprenticeship levy – To be replaced with a new Growth and Skills Levy.
- Employment status – A single status of a worker within employment to be determined.
- **IR35/ Off payroll working – No promise to change things at present but possibly a consultation at a later stage to review matters.**
- **National minimum wage – Low Pay Commission to take account of the cost of living. Removal of the age bands so that all adults are entitled to the same minimum wage.**

## What changes could arise on the pension front?

- **Tax relief on pension contributions could be restricted to 20%.**
- The pension allowance upon which relief is given may be reduced down from £40,000.
- **The ability to bring forward unused pension allowance from the 3 previous tax years may be abolished.**
- Income tax thresholds for pensioners – Retain the Triple Lock but not bring in Triple Lock Plus.

## What changes could arise on the corporate/business tax front?

- **Corporation tax (CT) rates – No changes expected.**
- **CT thresholds – Not clear if there is an intention to alter those thresholds.**
- CT Research & Development relief – As per their Business Growth Plan no changes are expected.
- CT patent box – No change expected.
- CT full expensing – No change expected.
- Business rates – Replace with a new property tax. The government have already announced that from April 2025, private schools will not be eligible for charitable business rates relief, with the odd minor exception.
- **Business road map – To be published within 6 months of the General Election result.**

## What miscellaneous changes could arise?

- **Council tax – Although not in the manifesto there could be band changes and/or a revaluation**
- Tax avoidance – Additional HMRC staff to be recruited. Aim to recover a total of £5 billion of tax.
- Oil companies – An increase in the level of windfall tax to be charged.
- Fuel duty – No mention in the manifesto but a fuel duty increase has not be ruled out.

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## What ought to be considered pre the Budget, if feasible and appropriate to do so?

- **Topping up your pension pot** to maximise the tax relief and to ensure that any unused pension allowances from earlier years are not lost.
- **Look at the implications of disposing of assets pregnant with gain prior to Budget day** in order to minimise the potential capital gains tax hit.
- **Pushing through the purchase of a second residential property** in order to potentially avoid an increase in the stamp duty land tax surcharge.
- **Consider distributing assets out of a Trust** to mitigate a hike in the 6% 10 yearly charge.
- **If you are a FHL owner consider pre April 2025:**
  - a) Where your pension contributions are tied to your FHL income top up the pension pot pre April 2025.
  - b) Is it worth selling your FHL property.
  - c) The implications of the loan interest relief being restricted to a 20% income tax credit relief post 5<sup>th</sup> April 2025. Will your net rental yield fall post April 2025?
  - d) How can you improve or restore your net rental yield post April 2025? Pay down debt? Increase rent? Incorporation?
  - e) Is there any capital expenditure worth incurring prior to April 2025 which could attract capital allowances relief but may not be eligible for income tax relief post that date?

## What should you do?

- **Firstly, with exception of announcements already made by the Labour government, please remember that these are only predictions** based on political and tax analysts reviews of the Labour manifesto, similar publications and recent comments made by senior Labour party members.
- **However, if you are concerned about what could happen in the near future as a result of the forthcoming Budget, please do not hesitate to contact us to express your worries and to see if anything can be done to mitigate that concern.**