# AUTUMN 2024 BUDGET

## MAIN TAX ANNOUNCEMENTS

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## Introduction

The Autumn 2024 Budget was the first delivered by a Labour Chancellor since 2010 and the first ever delivered by a woman. Some things did not change with the objective of all Chancellors to build a better Britain, to encourage growth, and to support the NHS. The objectives Rachel Reeves laid out would not have seemed out of place in any of her predecessors' speeches.

On a change of government, it is also normal to blame the previous administration for the lack of money. This was the Conservative line in 2010. In July, Labour announced that there was an undeclared £22bn 'black hole' in the public finances that would have to be filled. In the weeks leading up to the Budget, there was constant speculation about how Ms Reeves would raise the tax which her rebuilding plans would require.

In the event, some of the fears proved unfounded. There were no changes to the tax-free lump sum from pension funds, no extension of the freeze on income tax bands beyond the already distant horizon of April 2028. However, there were immediate rises in the rates of CGT, confirmation of the VAT charge on private school fees, and abolition of most of the tax advantages of being a 'non-dom'.

The biggest tax increase by far was a substantial increase in Employers' NIC. This will only apply from April 2025, given the complications of in-year changes that previous Budgets have imposed. It prompted a furious debate about whether this was a 'tax on working people', and the breaking of the manifesto promise not to raise NIC.

This document summarises the main tax changes that were announced by the Chancellor, with an explanation of what they are likely to mean for taxpayers. If you would like more information on any of the measures announced, please get in touch.

## Key Announcements

- Personal tax rates and allowances on income continue to be frozen at current levels, no increases until 2028/29
- No changes to income tax reliefs on pension schemes
- Substantial increases in Employers' NICs from 6 April 2025
- Increase in CGT rates from 30 October 2024
- SDLT surcharge for buying additional dwellings increased from 31 October 2024
- Confirmation that VAT will apply to private school fees from January 2025
- Major changes to taxation of 'non-doms' from April 2025
- IHT agricultural and business property reliefs restricted from April 2026

## Personal Income Tax

*Tax Rates and Allowances*

In 2023, the previous Chancellor announced that the main personal allowance and the 40% threshold would remain at their 2022/23 levels until the end of 2027/28. This has been widely criticised as a ‘stealth tax’, in that it increases the tax collected without apparently increasing rates or reducing allowances. For example, a person with a salary of £50,270 will pay £7,540 in income tax in 2024/25. If income increases by 10% to £55,297 in any of the years to 2027/28, all of the increase will be taxed at 40%, and they will pay £9,551.

The income level above which the personal allowance is tapered away also remains £100,000. It will be reduced to zero when income reaches £125,140, which is also the threshold for paying 45% tax. In the tapering band, the loss of tax-free allowance creates an effective marginal rate of 60%. Once again, annual increases in income will bring more people into these higher rates.

It was suggested that the new Chancellor could exploit this possibility for raising revenue, while keeping to the letter of Labour’s manifesto promises, by extending the freeze for another two years. In the event, she declared that the inflation-linked increases to the main bands and allowances, which applied in most years before 2022/23, will resume but from 2028/29 and later years. However, many more people will move into higher rates in the intervening three and a half years.

*Scottish and Welsh rates – 2025/26 (Table A)*

The Scottish government has the power to set its own income tax rates for Scottish taxpayers for non-savings, non-dividend income. Many Scottish taxpayers now pay higher rates of income tax than those elsewhere in the UK, although some low earners pay less. The Scottish Budget, which will confirm the rates for 2025/26, will take place on 4 December 2024.

The Welsh government has similar powers for Welsh taxpayers but has not yet varied the main UK rates. The draft Welsh Budget will be published on 10 December 2024 and will be finalised by 25 February 2025.

*Dividend Income*

The dividend allowance exempts some dividend income from tax, although that income still counts towards the higher rate thresholds. For 2025/26, the allowance is unchanged at £500. As HMRC does not routinely receive information about dividends received by taxpayers, more people may have to file tax returns to declare tax liabilities which previously would have been covered by the allowance (which was £2,000 up to 2022/23).

The tax rates on dividend income over £500 remain unchanged. The ordinary rate, paid by basic rate taxpayers, is 8.75%, the upper rate is 33.75%, and the additional rate is 39.35%. These rates apply across the UK.

The 33.75% rate also applies to tax payable by close companies (broadly, those under the control of five or fewer shareholders) on ‘loans to participators’ that are not repaid to the company within 9 months of the end of the accounting period.

Recent reductions in the dividend allowance and increases in the tax rates on dividends and capital gains add to the relative attractiveness of holding shares in a tax-free ISA or in a Venture Capital Trust (VCT). Dividends arising in an ISA or a qualifying VCT are not taxed and do not count towards the allowance.

*Savings Income*

The savings allowance remains £1,000 for basic rate taxpayers, £500 for 40% taxpayers and nil for 45% taxpayers. Higher interest rates are likely to mean more people have savings income above these limits and will have to declare them in order to pay tax.

The savings rate band remains at £5,000. Non-savings income is treated as the ‘first slice’ of income. After using the tax-free allowance and the savings rate band, if any of the £5,000 band is not used by non-savings income, any savings income falling within that band is taxed at 0%.

*Employee Car Benefits*

The basis for taxing company cars and fuel provided for private use is set out in Table C. Annual increases in the rates for use of the car had been set up to 2027/28, and a further two years have been added (to 2029/30) ‘to provide long-term certainty for taxpayers and industry’.

The rates will continue to provide a strong incentive to use electric vehicles, while rates for hybrids will be increased to align more closely with the rates for internal combustion engine vehicles.

The figure used to calculate the benefit of free use of business fuel for private journeys increases with inflation from £27,800 to £28,200.

The taxable amounts for the availability of a van for more than incidental private use, and for an employee’s private use of fuel in a company van, increase in line with inflation. The van benefit will rise in 2025/26 from £3,960 to £4,020, and the fuel benefit will rise from £757 to £769.

*Foreign Domiciled Individuals*

It was the Labour Party's idea to abolish 'non-dom' status, so it is unsurprising that Rachel Reeves is taking forward (with some modifications) the principal changes outlined by Jeremy Hunt in the March 2024 Budget. These changes are complex and can only be briefly summarised here. Those who may be affected by them should take detailed advice.

The Chancellor confirmed that, from 6 April 2025, those who are resident in the UK but domiciled overseas (broadly, those whose natural or permanent home is outside the UK) will no longer have access to the 'remittance basis' of taxation, which up to now has allowed them to elect to not be taxed in the UK on unremitted foreign income and gains.

The new regime will be known as the FIG (foreign income and gains) regime. UK residents will be taxable on their worldwide income and gains, regardless of whether their FIG is remitted to the UK. However, new arrivals will not be taxed on foreign income and gains for their first four years of residence, if they have not been UK resident in the previous ten years.

There are transitional rules to deal with individuals who were taxed on the remittance basis before 6 April 2025 who have unremitted income and gains, and the removal of some of the protection from tax that has been available using certain types of trust.

For the first three years of the new rules, a reduced tax rate will apply to individuals who bring previously unremitted income and gains to the UK.

As a transitional provision, those who have claimed remittance basis in the past will, for CGT purposes, be able to rebase the CGT cost of any foreign assets that they held on 5 April 2017 to their value at that date. In some cases, this will significantly reduce the CGT liability on a disposal from 2025/26 onwards.

There are also significant changes to the assets that will be within charge to IHT for those previously regarded as foreign domiciled, and to Overseas Workday Relief that can exempt them from UK tax on earnings derived from non-UK duties.

## National Insurance Contributions (NIC)

In his 2023 Autumn Statement, Jeremy Hunt announced a reduction in the main rate of Employees' Class 1 NIC from 12% to 10% to take effect from 6 January 2024. In the Spring 2024 Budget he cut the rate further to 8% with effect from 6 April 2024. These were very substantial tax cuts, which the Labour manifesto promised not to reverse, and there would be no increase in the rates of income tax, NIC or VAT 'for working people'.

Not surprisingly, then, there has been a great deal of argument about a significant increase in Employers' NIC (ERNIC). The Chancellor insists that this is a tax paid by employers which does not appear on the worker's payslip. However, it increases the cost of employing people, so there will be an indirect effect on the employee. If ERNIC were lower, the employer might be able to employ more people, or pay higher salaries.

The increases from 6 April 2025 are twofold: the rate of ERNIC will rise from 13.8% to 15%, and the Secondary Threshold – the level of pay above which ERNIC applies – will fall from £9,100 to £5,000. The amount of additional tax raised is estimated at between £23.7bn and £25.7bn in each year from 2025/26 to 2029/30. The measure adds about £5bn each year to the government's own costs of employing civil servants.

Whether or not this is an increase in tax on working people, it will increase the temptation for businesses to seek to contract with self-employed people rather than employees. The rules on 'disguised employment' (commonly known as IR35) have been the subject of many HMRC investigations and court cases, and this is likely to increase their relevance.

Employment Allowance allows businesses with Class 1 ERNIC of £100,000 or less in the previous tax year to deduct £5,000 from their Class 1 ERNIC bill, provided there is more than one employee earning above the secondary threshold. The EA will be increased to £10,500 and the £100,000 cap removed with effect from 6 April 2025.

The self-employed have for many years had to pay flat rate Class 2 NIC, which have conferred entitlement to State pension, as well as profit-related Class 4 NIC. From 6 April 2024, Class 2 NIC are not required to secure benefits for anyone earning above the small profits threshold, which will rise in 2025/26 from £6,725 to £6,845. Anyone earning less than that can still pay Class 2 voluntarily (£182 in 2025/26) in order to maintain a full contribution record.

## Pensions and Savings

### *Pension Contributions*

Before the Budget, there was speculation that the Chancellor would raise significant tax revenues from pension schemes. She might restrict the tax relief on pension contributions, change the rules on drawing benefits, or impose Employer NIC on employer contributions to employees' funds. This could however have discouraged pension saving and be seen as a tax on 'working people'. In the event, she made no changes.

The maximum amount that can be withdrawn as a tax-free lump sum remains £268,275 unless the person is entitled to 'protection' in relation to the original introduction of the Lifetime Allowance or any of the subsequent reductions of the limit.

The only changes relating to pension funds include transfers of UK pension funds to other foreign arrangements, with effect from 30 October 2024, and the inclusion of unused funds and death benefits in the IHT estate on death from 6 April 2027, which are covered in the IHT section below.

## Capital Gains Tax (CGT)

Labour made no manifesto commitments on CGT and it was widely expected there would be significant rises in rates, perhaps even bringing them up to income tax levels. In the event, a number of changes were announced, but they did not go that far.

From 30 October 2024, the main CGT rate for all assets is now 24% (other than receipts of carried interest, which remains at 28%). This 24% rate previously only applied to residential property that was not exempted under principal private residence relief. Where the gain can be matched against the taxpayer's basic rate band, the rate is now 18% for all assets. Previously it was 10%, except for residential property and receipts of carried interest.

Also from 30 October 2024, the CGT rate payable by trustees and personal representatives increases from 20% to 24% (other than receipts of carried interest, where it remains 28%).

From 2025/26, the rate of CGT on carried interest will increase to a flat rate of 32% for individuals, estates and trusts. From 2026/27, carried interest will be brought within income tax, subject to a multiplier of 72.5% in some cases.

The lifetime limit for qualifying gains, which attract a 10% tax rate for Business Asset Disposal Relief purposes, remains £1m. However, for 2025/26, the BADR rate will rise to 14% and, in 2026/27, it will become 18%.

Investors' Relief can also give a 10% tax rate to qualifying investors in qualifying companies for which they do not work. The lifetime limit is cut from £10m to £1m from 30 October 2024 whilst the rate of tax will rise in line with BADR.

There are anti-forestalling rules that may prevent taxpayers benefitting from the previous lower rates, where contracts are entered before the dates of change and do not complete until afterwards.

## Inheritance Tax (IHT)

The IHT nil rate band has been fixed at £325,000 since 6 April 2009. The Chancellor extended the freeze on this figure for two further years until the end of 2029/30.

Holding the threshold at the same amount for 21 years from 2009 to 2030 will bring far more people into the scope of the tax. However, the £175,000 'residential nil rate band enhancement' on death transfers can reduce the impact where it applies.

A married couple may be able to leave up to £1m free of IHT to their direct descendants (£325,000 plus £175,000 from each parent), but the rules are complicated, and the prospect of the nil rate band being fixed for another five years increases the importance of proper IHT planning.

It was widely predicted that the Chancellor would reform some of the generous reliefs that are available to shelter the value of an estate from IHT. She announced two significant changes to apply from 6 April 2026.

Agricultural Property Relief and Business Property Relief can, at present, provide a 100% deduction from the value of qualifying assets. From 6 April 2026, this will only apply to the first £1m of total value of agricultural and business property in an estate. Above that value, the relief will be restricted to 50%.

From 6 April 2025, Agricultural Property Relief will be extended to land managed under an environmental agreement with, or on behalf of, the UK government or other approved responsible bodies.

Shares quoted on certain markets of recognised stock exchanges, such as AIM, have been eligible for 100% relief once they have been owned for two years, provided the company is a qualifying trading business. This relief will be restricted to 50% for any such shares, regardless of total value, from 6 April 2026.

It was also widely predicted that the Chancellor would end the ability to leave a pension fund free of IHT on death. She has announced that this change will take effect from 6 April 2027. Unused pension funds and death benefits payable from a pension into a person's estate will become chargeable, restoring the position before the 2015 pension reforms.

The current domicile-based system of IHT will be replaced with a new residence-based system. This will affect the scope of non-UK property brought into UK IHT for individuals and trusts. An individual is a long-term resident and in scope for IHT on their non-UK assets when they have been resident in the UK for at least 10 out of the last 20 tax years and then remain in scope for between 3 and 10 years after leaving the UK.

Subject to transitional points, any non-UK assets a person put into a settlement will be subject to IHT charges at times when the settlor is long-term resident.

## Business Tax

### *Furnished Holiday Lettings (FHL)*

In the Spring 2024 Budget, the Chancellor announced that the tax advantaged treatment of FHL will be abolished from 6 April 2025. Anyone who has benefited from this treatment up to now, and who has not yet taken advice about the consequences of the change, should do so as soon as possible.

### *Business Rates*

During COVID-19, temporary business rates relief was introduced to support the retail, hospitality and leisure (RHL) sectors. This short-term measure was extended several times, but the current 75% relief is due to end on 31 March 2025.

The government plans to bring in permanently lower business rate multipliers from 2026/27 for RHL properties with rateable values under £500,000. For properties over this rateable value a higher multiplier will apply. This will, for example, affect the majority of large distribution warehouses used by online companies.

To provide support in the interim, business rates relief will be extended from April 2025 but reduced to 40% and capped at £110,000 per business. Many high street businesses, pubs, restaurants and shops may see higher business rates as a result.

The small business multiplier will be frozen for 2025/26 at 49.9p, while the standard multiplier will be uprated by inflation to 55.5p.

*Private Schools*

As announced on 29 July 2024, private schools will no longer be eligible for charitable rate relief from April 2025. Private schools which are wholly or mainly concerned with providing full-time education to pupils with an Education, Health and Care Plan will remain eligible for relief.

*Umbrella Companies*

To tackle the significant levels of tax avoidance and fraud in the umbrella company market, the government will make recruitment agencies responsible for accounting for PAYE on payments made to workers that are supplied via umbrella companies. Where there is no agency, this responsibility will fall to the end-client business. This will take effect from 6 April 2026.

## Corporation Tax (CT)

*Tax Rates*

The government has published a Corporation Tax Roadmap in which it is committed to capping the main rate at 25% and maintaining the small profits rate and thresholds, as well as key features such as full expensing, Annual Investment Allowance, Research & Development relief rates, and the Patent Box. This appears to be a commitment for the whole life of this Parliament.

The main rate of 25% applies to companies with profits over £250,000. The ‘small profits rate’ remains 19% for companies with profits of up to £50,000. Between £50,000 and £250,000 there is a tapering calculation that produces an effective marginal rate of 26.5% on profits between these limits, but an average rate on all profits of between 19% and 25%. The limits are divided between companies that have been under common control at any time in the previous 12 months, whether UK resident or not (subject to certain exceptions, such as dormant companies).

*Capital Allowances for Plant and Machinery*

In 2023, ‘full expensing’ being 100% relief for the cost in the year of purchase was introduced for most plant and machinery. It is not however available to companies that buy plant to lease out to other businesses.

In March 2024, Jeremy Hunt announced that ‘the government will seek to extend full expensing to leased assets when fiscal conditions allow’. The Autumn 2024 Budget includes almost identical wording, but no specific date.

The government will extend for a further year the 100% first year allowances for qualifying expenditure on zero-emission cars and plant and machinery for electric vehicle charge points. These will continue to be available to 31 March 2026 for corporation tax and 5 April 2026 for income tax.

*Energy Profits Levy (EPL) Reform 2024*

As announced in July 2024, the government will introduce legislation in Finance Bill 2024-25 to provide for changes to the Energy Profits Levy (EPL).

The legislation will increase the rate of the levy by 3% to 38% and the sunset clause will be extended to 31 March 2030. The legislation will remove the 29% investment allowance, and the rate of the decarbonisation allowance will be set at 66% to broadly maintain the cumulative value of relief for decarbonisation expenditure. These changes will take effect from 1 November 2024.

The government has also announced that it will publish a consultation in early 2025 on how it will respond to price shocks once the EPL ends.

*Close Company shareholders — anti avoidance measure*

The government will introduce legislation in Finance Bill 2024-25 to prevent avoidance of the s.455 CTA 2010 (Loans to Participators) charge, by ensuring that the Targeted Anti-Avoidance Rule (TAAR) remains robust and effective.

The change repeals the relief for return payments where the TAAR has applied and moves the related legislation together for clarity.

The changes will take effect from 30 October 2024 and apply to return payments made on or after that date.

*Reform of UK rules in relation to transfer pricing, permanent establishment and Diverted Profits Tax*

As announced in the Corporation Tax Roadmap, the government will hold a technical consultation on draft legislation to modernise and simplify 3 elements of UK international tax legislation. These are:

- transfer pricing
- permanent establishment
- Diverted Profits Tax

*Amendments to the transfer pricing small and medium sized enterprise (SME) exemption*

As also announced in the Corporation Tax Roadmap, the government will consult on bringing medium sized businesses within the scope of the UK's transfer pricing rules by reducing the existing thresholds of the small and medium sized enterprise (SME) exemption to align with international peers and protect the UK tax base. The government will maintain an exemption for small businesses.

*Reporting on Cross-Border Related Party Transactions*

The Corporate Tax Roadmap also includes an announcement that the government will consult on the introduction of a new filing obligation that will require businesses in scope of transfer pricing rules to report information to HMRC on certain cross-border related party transactions.

The data gathered will be used to inform compliance activity, permitting more efficient and targeted use of HMRC resource. The consultation will consider how to ensure the reporting obligations are proportionate and appropriately targeted.

*Cost Contribution Arrangements*

The government will review the transfer pricing treatment of cost contribution arrangements, where costs and benefits of developing intellectual property are shared, with the aim of encouraging inward investment and increasing tax certainty.

*Multinational Top-up Tax — undertaxed profits rule (UTPR)*

As announced in July 2024 and confirmed in the Autumn 2024 Budget, the government will introduce the undertaxed profits rule (UTPR) contained within the Pillar 2 rules and include legislation in Finance Bill 2024-25.

The UTPR is the UK's adoption of the third and final Pillar 2 rule. Pillar 2 is an international agreement to help tackle profit shifting and aggressive tax planning by multinationals.

*Multinational Top-up Tax (MTT) and Domestic Top-up Tax (DTT)*

Further to the implementation of Multinational Top-up Tax (MTT) and Domestic Top-up Tax (DTT) in the Finance (No2) Act 2023 and subsequent amendments in FA 2024, the government will introduce legislation in Finance Bill 2024-25 to make additional amendments to the MTT and DTT legislation.

These amendments will include the introduction of the transitional country by country reporting safe harbour anti-arbitrage rule. Draft legislation for this rule was published for consultation in July 2024. Minor changes have been made reflecting responses received.

These taxes are the UK's adoption of Pillar 2, an international agreement to help tackle profit shifting and aggressive tax planning by multinationals. The amendments reflect recent internationally agreed guidance and technical adjustments to ensure the rules work effectively. They will mainly take effect for accounting periods beginning on or after 31 December 2024, although some amendments will have effect from 31 December 2023. The anti-arbitrage rule will take effect from 14 March 2024, the date of the Written Ministerial Statement.

## Value Added Tax

*Registration Threshold*

The VAT registration and deregistration thresholds increased to £90,000 and £88,000 with effect from 1 April 2024. The Spring 2024 Budget stated that they will be again frozen at these new levels, but it does not say for how long. No further details were provided in the Autumn 2024 Budget.

*Private School Fees*

Labour made a manifesto pledge to charge VAT on private school fees. It was expected, at least up to the election, that this would take effect in September 2025, at the beginning of an academic year. However, at the end of July it was announced that the charge would apply from the beginning of January 2025.

People running schools and professional bodies have protested that this imposes a very tight timescale on the implementation of a complex set of rules on a group of businesses that have never previously had to be concerned with VAT. However, the Chancellor has confirmed that the new rules will not be delayed.

Every private school should be taking advice on how to deal with VAT. The boundaries between what is chargeable and what remains exempt are not straightforward. The rules on the recovery of input tax on expenditure are particularly difficult for 'partially exempt' businesses; and the school has to make sure it has registered with HMRC at the right time, and has the systems in place to record and account for the unfamiliar tax correctly.

*Private Hire Vehicles*

The VAT treatment of private hire vehicles has been thrown into doubt by several court decisions. The government ran a consultation in 2024 to understand the impact of the decision, and is considering the responses. In the meantime, further tax cases are due to be heard in the tax tribunals. Anyone running a taxi firm should pay close attention to the outcomes.

## Property Taxation

*Higher Rates on Additional Dwellings (HRAD)*

HRAD is a surcharge on the normal rates of SDLT that applies to the purchase of a residential property for more than £40,000 by someone who already owns an interest in such a property, unless they are replacing their main residence.

From 31 October 2024, the surcharge increases from 3% to 5%. For example, at present there is no SDLT on the purchase of a single dwelling for up to £250,000, but if the purchaser already has an interest in a dwelling, the HRAD will apply to make the charge 5%.

Where someone buys a new home before they have sold their existing residence, it is possible to claim the surcharge back if the sale of the old house is completed within three years, as long as that leaves the individual with only one dwelling.

*Rates of SDLT*

A temporary reduction in the normal SDLT rates expires on 31 March 2025. Prior to that date, the first £250,000 is charged at nil. From 1 April 2025, the band from £125,001 to £250,000 will once again be charged at 2%.

There is also a reduction in the thresholds for first-time buyer relief. From 1 April 2026, the nil rate will apply to the first £300,000 of a property costing up to £500,000, down from the first £425,000 of a property costing up to £625,000.

The higher rate of SDLT that applies to certain purchases of residential property costing over £500,000 by companies increases from 15% to 17% on 31 October 2024.

*Annual Tax on Enveloped Dwellings (ATED)*

ATED applies to residential property worth above £500,000 that is owned through companies and other corporate structures, unless the situation qualifies for a relief.

The rates increase automatically each year with inflation and will rise by 1.7% from 1 April 2025, in line with the September 2024 Consumer Prices Index.

There are fixed revaluation dates every five years for properties within ATED. The revised values from the most recent revaluation as at April 2022 took effect for ATED payable from 1 April 2023.

## Other Measures

*Making Tax Digital for Income Tax Self-Assessment (MTD)*

The requirement to file tax returns using MTD is due to come into effect from 6 April 2026. Those initially affected by the rules will be those with annual income from a sole trader business or property, or both together, of £50,000. This will drop to £30,000 from 6 April 2027.

The Autumn 2024 Budget included the announcement that the government is committed to delivering MTD, and will expand the rollout to those with incomes over £20,000 by the end of the Parliament.

Anyone who will be affected by these rules should make sure they are ready to comply with them in good time. Understanding the requirements and making sure that it is possible to comply with them is not something that should be done at the last minute.

*HMRC Compliance and Debt Management*

The Autumn 2024 Budget includes spending on 5,000 additional HMRC compliance staff and 1,800 additional debt management staff. This is described as an 'investment' of £1.662bn over the next five years that will raise £4.7bn per year by 2029/30.

The Chancellor described this in her speech as making sure that people pay the tax that they already owe.

*Fuel Duty*

The Spring 2024 Budget assumed that the 5p cut in fuel duty and the three-year freeze in duty rates would end in March 2025. The Chancellor has decided to maintain the freeze for another year, and to retain the 5p cut until 22 March 2026. This represents a tax cut of over £3bn, by far the largest 'giveaway' in this Budget.

*National Living Wage (NLW)*

From 1 April 2025, the NLW will apply for those aged 21 or over will rise from £11.44 per hour to £12.21, considerably above the rate of inflation. There are also increases to the rates that apply to workers aged 18 to 20 (£10) and under 18s and apprentices (£7.55).

*Interest on Late Paid Tax*

HMRC currently charge interest at 7.5% on tax that is paid late, and credit a taxpayer with 4% on repayments of tax. These rates rise and fall with the Bank of England base rate, and the 'turn' of 3.5% is built in to the calculation.

The Autumn 2024 Budget included an announcement that the rate on late payments will increase by 1.5% from 6 April 2025. This appears to be a straightforward increase in HMRC's turn to 5%.

## Autumn Budget 2024 Income Tax Rates, Reliefs and Allowances

**Income Tax Rates and Allowances (Table A)**

| Main allowances | 2025/26 | 2024/25 |
|---|---|---|
| Personal Allowance (PA)*† | £12,570 | £12,570 |
| Blind Person's Allowance | 3,130 | 3,070 |
| Rent a room relief § | 7,500 | 7,500 |
| Trading income § | 1,000 | 1,000 |
| Property income § | 1,000 | 1,000 |

*PA will be withdrawn at £1 for every £2 by which 'adjusted income' exceeds £100,000. There will therefore be no allowance given if adjusted income is £125,140 or more.

†£1,260 of the PA can be transferred to a spouse or civil partner who is no more than a basic rate taxpayer, where both spouses were born after 5 April 1935.

§ If gross income exceeds this, the limit may be deducted instead of actual expenses.

| Rate Bands | 2025/26 | 2024/25 |
|---|---|---|
| Basic Rate Band (BRB) | £37,700 | £37,700 |
| Higher Rate Band (HRB) | 37,701-125,140 | 37,701-125,140 |
| Additional Rate (AR) | over 125,140 | over 125,140 |
| Personal Savings Allowance (PSA) | | |
| – Basic rate taxpayer | 1,000 | 1,000 |
| – Higher rate taxpayer | 500 | 500 |
| Dividend Allowance (DA) | 500 | 500 |

BRB and AR threshold are increased by allowable personal pension contributions and Gift Aid donations.

| Rate Bands | 2025/26 | | | 2024/25 | | |
|---|---|---|---|---|---|---|
| Rates differ for General, Savings and Dividend income within each band: | | | | | | |
| | **G %** | **S %** | **D %** | **G %** | **S %** | **D %** |
| Basic | 20 | 20 | 8.75 | 20 | 20 | 8.75 |
| Higher | 40 | 40 | 33.75 | 40 | 40 | 33.75 |
| Additional | 45 | 45 | 39.35 | 45 | 45 | 39.35 |

General income (salary, pensions, business profits, rent) usually uses personal allowance, basic rate and higher rate bands before savings income (mainly interest).

To the extent that savings income falls in the first £5,000 of the basic rate band, it is taxed at nil rather than 20%.

The PSA will tax interest at nil, where it would otherwise be taxable at 20% or 40%.

Dividends are normally taxed as the 'top slice' of income. The DA taxes the first £500 of dividend income at nil, rather than the rate that would otherwise apply.

**High Income Child Benefit Charge (HICBC)**

1% of child benefit for each £200 of adjusted net income between £60,000 and £80,000.

| **Income tax – Scotland** | | **2024/25** |
|---|---|---|
| | **Rate** | **Band** |
| Starter Rate | 19% | £2,306 |
| Basic Rate | 20% | 2,307 – 13,991 |
| Intermediate Rate | 21% | 13,992 – 31,092 |
| Higher Rate | 42% | 31,093 – 62,430 |
| Advanced Rate | 45% | 62,431 – 125,140 |
| Top Rate | 48% | over 125,140 |

The Scottish rates and bands do not apply for savings and dividend income, which are taxed at normal UK rates. **The Scottish rates for 2025/26 have not yet been announced.**

**Registered Pensions (Table B)**

| | **2025/26** | **2024/25** |
|---|---|---|
| Annual Allowance (AA) | £60,000 | £60,000 |

Annual relievable pension inputs are the higher of earnings (capped at AA) or £3,600.

The AA is usually reduced by £1 for every £2 by which relevant income exceeds £260,000, down to a minimum AA of £10,000.

The AA can also be reduced to £10,000, where certain pension drawings have been made.

The maximum tax-free pension lump sum is £268,275 (25% of £1,073,100), unless a higher amount is "protected".

**Car and Fuel Benefits (Table C)**

Cars

*Taxable benefit:* List price multiplied by chargeable percentage.

| CO2 emissions g/km | Electric range Miles | 2025/26 % | All cars | 2024/25 % |
|---|---|---|---|---|
| 0 | N/A | 3 | | 2 |
| 1-50 | >130 | 3 | | 2 |
| 1-50 | 70 - 129 | 6 | | 5 |
| 1-50 | 40 - 69 | 9 | | 8 |
| 1-50 | 30 - 39 | 13 | | 12 |
| 1-50 | <30 | 15 | | 14 |
| 51-54 | N/A | 16 | | 15 |

Then a further 1% for each 5g/km CO2 emissions, up to a maximum of 37%.

Diesel cars that are not RDE2 standard suffer a 4% supplement on the above figures but are still capped at 37%.

Car Fuel

Where employer provides fuel for private motoring in an employer-owned car, CO2-based percentage from above table multiplied by £28,200.

## National Insurance Contributions

### National Insurance Contributions 2025/26 (Table D)

| Class 1 (Employees) | Employee | Employer |
|---|---|---|
| Main NIC rate | 8% | 15% |
| No NIC on first | £242pw | £96pw |
| Main rate charged up to* | £967pw | no limit |
| 2% rate on earnings above | £967pw | N/A |
| Employment allowance per qualifying business | N/A | £10,500 |

*Nil rate of employer NIC on earnings up to £967pw for employees aged under 21, apprentices aged under 25 and ex-armed forces personnel in their first twelve months of civilian employment.

Employer contributions (at 15%) are also due on most taxable benefits (Class 1A) and on tax paid on an employee's behalf under a PAYE settlement agreement (Class 1B).

**Class 2 (Self employed)**

| | |
|---|---|
| Flat rate per week if profits below £6,845 (voluntary) | £3.50 |

**Class 3 (Voluntary)**

| | |
|---|---|
| Flat rate per week | £17.75 |

**Class 4 (Self employed)**

| | |
|---|---|
| On profits £12,570 – £50,270 | 6% |
| On profits over £50,270 | 2% |

Employees with earnings above £125pw and the self-employed with annual profits over £6,845 (or who pay voluntary Class 2 contributions) can access entitlement to contributory benefits.

**ROBINSON RUSHEN**

October 2024

Note

This summary has been prepared from the Chancellor's speech and documents made available by HMT and HMRC. The proposals are subject to amendment before the Finance Act is passed. You are recommended to seek professional advice before taking or refraining from any action on the basis of the contents of this publication.

If you would like further details on the tax provisions in the Autumn Budget, please contact Keith Rushen on 0044 (0)207 486 2378.