

Autumn Budget 2024

Finally.....what now?

The information that follows is based on our understanding of current taxation, legislation and HM Revenue & Customs practice all of which are liable to change without notice.

This is just for UK financial advice professionals.

This content is based on our understanding of current taxation, legislation and HM Revenue & Customs practice all of which are liable to change without notice. The impact of any taxation (and any tax reliefs) depends on individual circumstances.

Where content includes case studies or examples these are for illustration purposes and are not recommending a specific course of action.

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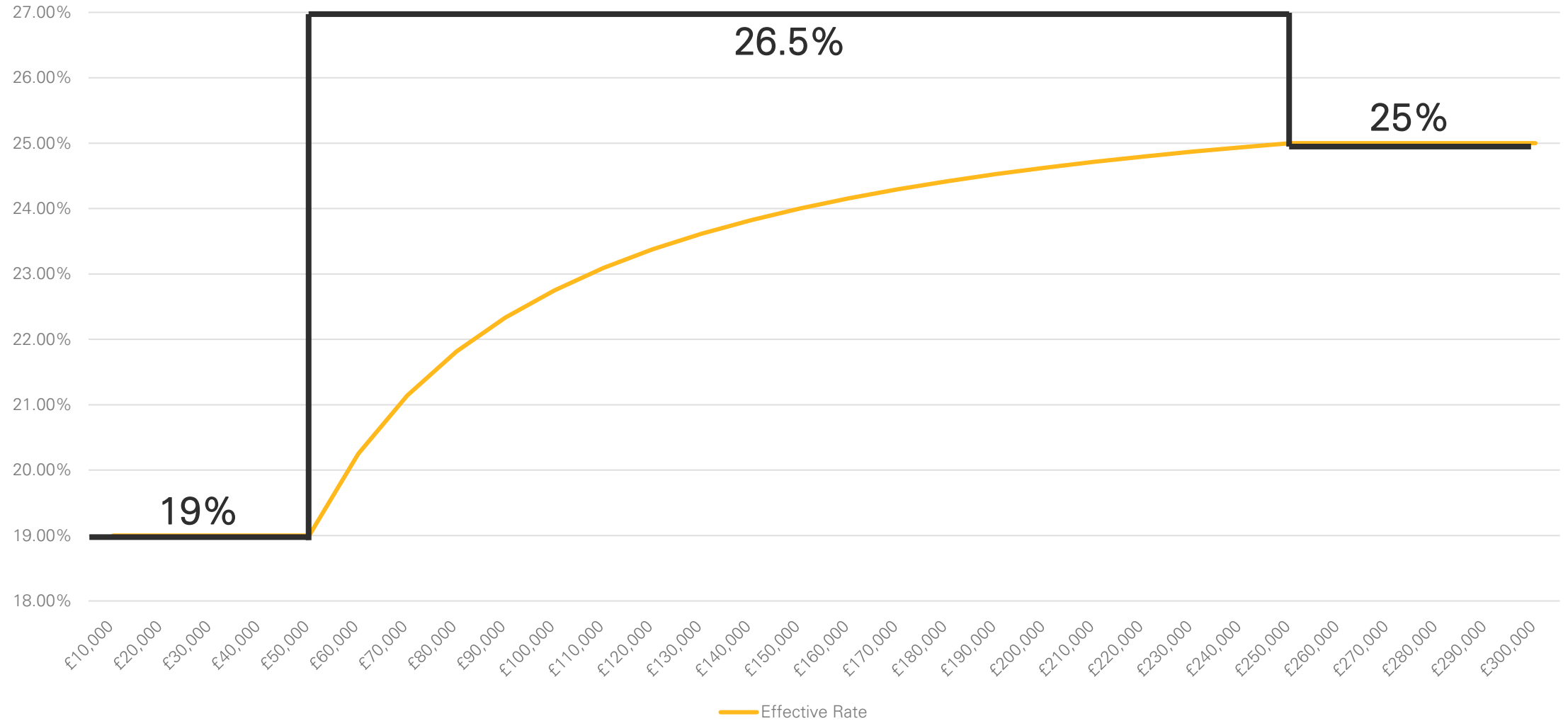
Learning Objectives

By the end of this session, you will be able to:

Describe the impacts of the Chancellor's 2024 Autumn Budget on your clients' financial planning

Identify actions your clients may wish to take in response to the budget.

Corporation Tax



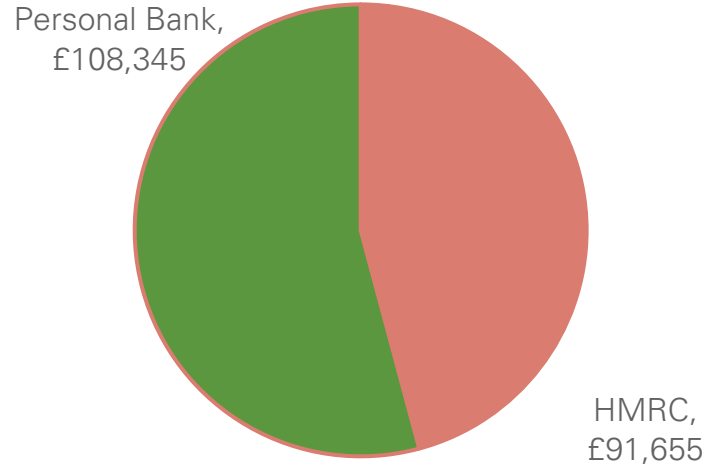
Options

2024/25	£13,049 profit		
	Salary	£12,570	£9,100
	Dividend	£0	£3,199
	Employer NI	£479	£0
	Corporation Tax (19%)	£0	£750
	Net Income	£12,570	£12,299

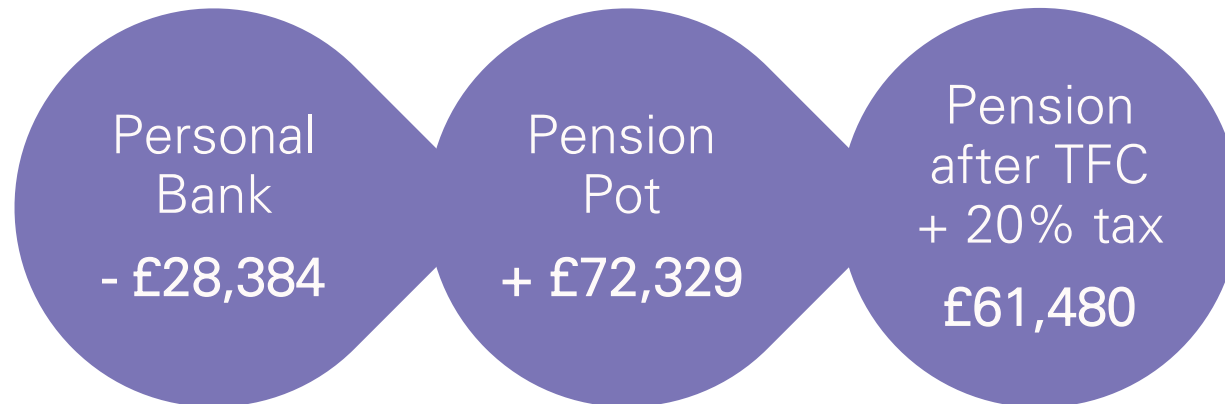
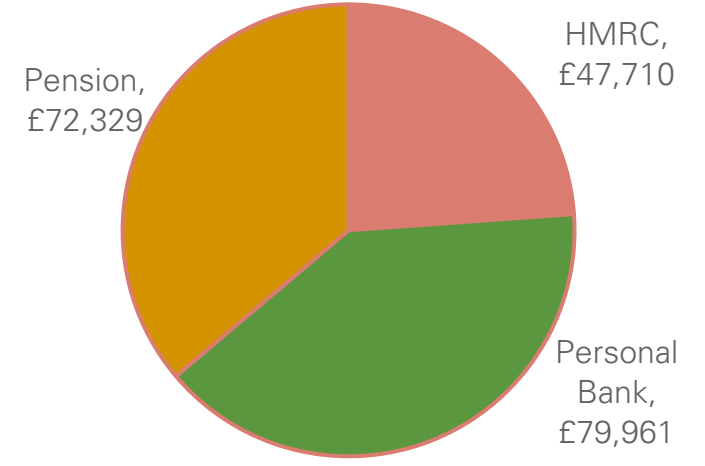
2025/26	£13,706 profit		
	Salary	£12,570	£9,100
	Dividend	£0	£3,233
	Employer NI	£1,136	£758
	Corporation Tax (19%)	£0	£758
	Net Income	£12,570	£12,333

£200,000 - Decisions, decisions...

SALARY
£9,100
DIVIDENDS
£144,061
PENSION
£0
CO BANK AC
£0



SALARY
£9,100
DIVIDENDS
£90,900
PENSION
£72,329
CO BANK AC
£0



**116%
return!**

Pre change position		Gross value of individuals pension contributions	
Scottish Tax Payer	No	Paid gross e.g. OPS, RACs, AVCs	£0
Available Profits	£200,000	Relief at Source e.g. PP, GPP	£0
Salary Paid	£9,100	Employer Contributions	£0
Dividends Paid	£144,061		

Change (use a - for reductions)		Employer Contributions	
Salary Paid	£0	Paid gross e.g. OPS, RACs, AVCs	£0
Dividends Paid	-£53,162	Relief at Source e.g. PP, GPP	£0
		Employer Contributions	£72,329

After change			
Salary	£9,100	Paid gross e.g. OPS, RACs, AVCs	£0
Dividends	£90,899	Relief at Source e.g. PP, GPP	£0
		Employer Contributions	£72,329

Assumed rate of tax on pension income	20%	Reduction in individuals bank account	£28,385
		Increase in pension provision	£72,329
		Amount after PCLS and tax	£61,480
		"Return" on bank account reduction	116.60%

Short Summary				
	Pre Change	After change	Difference	
Individual Bank Account	£108,345	£79,960	-£28,385	-26%
Company Bank Account	£1	£1	£0	37%
Pension Contributions	£0	£72,329	£72,329	Infinite Increase
HMRC total take	£91,655	£47,710	-£43,945	-48%

Detailed View				
	Pre Change	After change	Difference	
Individual				
Salary	£9,100	£9,100	£0	No change
Plus Dividend received	£144,061	£90,899	-£53,162	-37%
Less Income Tax	£44,816	£20,039	-£24,777	-55%
Less National Insurance	£0	£0	£0	No change
Less Contributions gross	£0	£0	£0	No change
Net Income	£108,345	£79,960	-£28,385	-26%
Less Contributions paid net	£0	£0	£0	No change
Cash remaining	£108,345	£79,960	-£28,385	-26%

Employer				
Available Profits	£200,000	£200,000	£0	No change
Less Dividend Paid	£144,061	£90,899	-£53,162	-37%
Less Employer Pension Contribution	£0	£72,329	£72,329	Infinite Increase
Less Corporation Tax	£46,839	£27,671	-£19,167	-41%
Less Salary Paid	£9,100	£9,100	£0	No change
Less Employers National Insurance	£0	£0	£0	No change
Profit remaining	£1	£1	£0	37%
Pension Contributions	£0	£72,329	£72,329	Infinite Increase

This tool will enable you to sit with a client and discuss the different options that they have for extracting profits from their business. You can input a client's current remuneration structure and highlight the difference adjusting this structure can benefit them and possibly mitigate the tax and national insurance payable to HMRC.

The above is based on our understanding of current taxation, legislation and HM Revenue & Customs practice all of which is subject to change without notice. Every care has been taken as to its accuracy, but it must be appreciated that neither M&G nor its representatives can accept any responsibility for loss, however caused, suffered by any person who has acted or refrained from acting as a result of material contained in this calculator.

Please note that the tool uses Category A National Insurance. Any employment allowance which may be available is not taken into account. The employment allowance is not available for sole owner/directors.

Please note, this tool will cease to operate at the end of the tax year displayed above.

Tax legislation states that that the personal allowance may be deducted in the way which will result in the greatest reduction in the taxpayer's liability to income tax. The calculator however proceeds on the basis that it is offset firstly against non-savings income, then savings income and then dividend income. In particular circumstances, a different order may produce a more beneficial result for the individual.

The background features a series of parallel diagonal lines on the left side, transitioning into solid-colored geometric shapes on the right, including a large gold triangle, a smaller brown triangle, a red triangle, and a teal triangle.

Capital Gains Tax Matters

BADR just got worse....



£1,000,000
limit

2024/25

10%



£1,000,000
limit

2025/26

14%



£1,000,000
limit

2026/27

18%

What's the impact?

	£500,000 gain	£1m gain	£2m gain	£5m gain
Tax on disposal in 2024/25*	£50,000	£100,000	£300,000	£900,000
Tax on disposal in 2025/26*	£70,000	£140,000	£380,000	£1.1m
Tax on disposal in 2026/27*	£90,000	£180,000	£420,000	£1.14m

Assuming:

- higher rates of CGT apply to over the BADR limit, and
- AEA used elsewhere

What's the impact?

	£500,000 gain	£1m gain	£2m gain
Tax on disposal in 2024/25*	£50,000	£100,000	£300,000
Tax on disposal in 2025/26*	£70,000	£140,000	£420,000
Tax on disposal in 2026/27*	£90,000	£180,000	£540,000

Assuming:

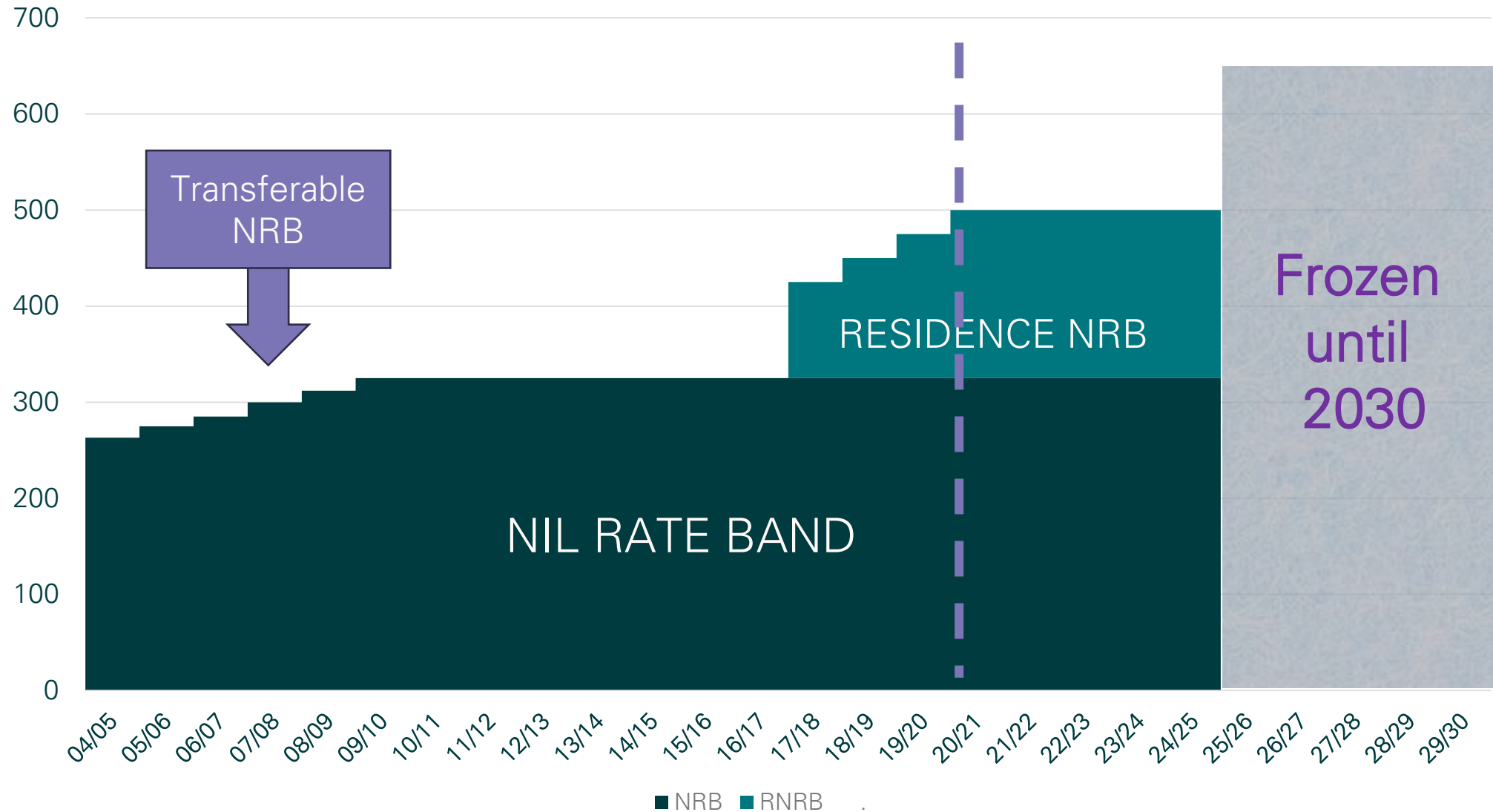
- higher rates of CGT apply to over the BADR limit, and
- AEA used elsewhere



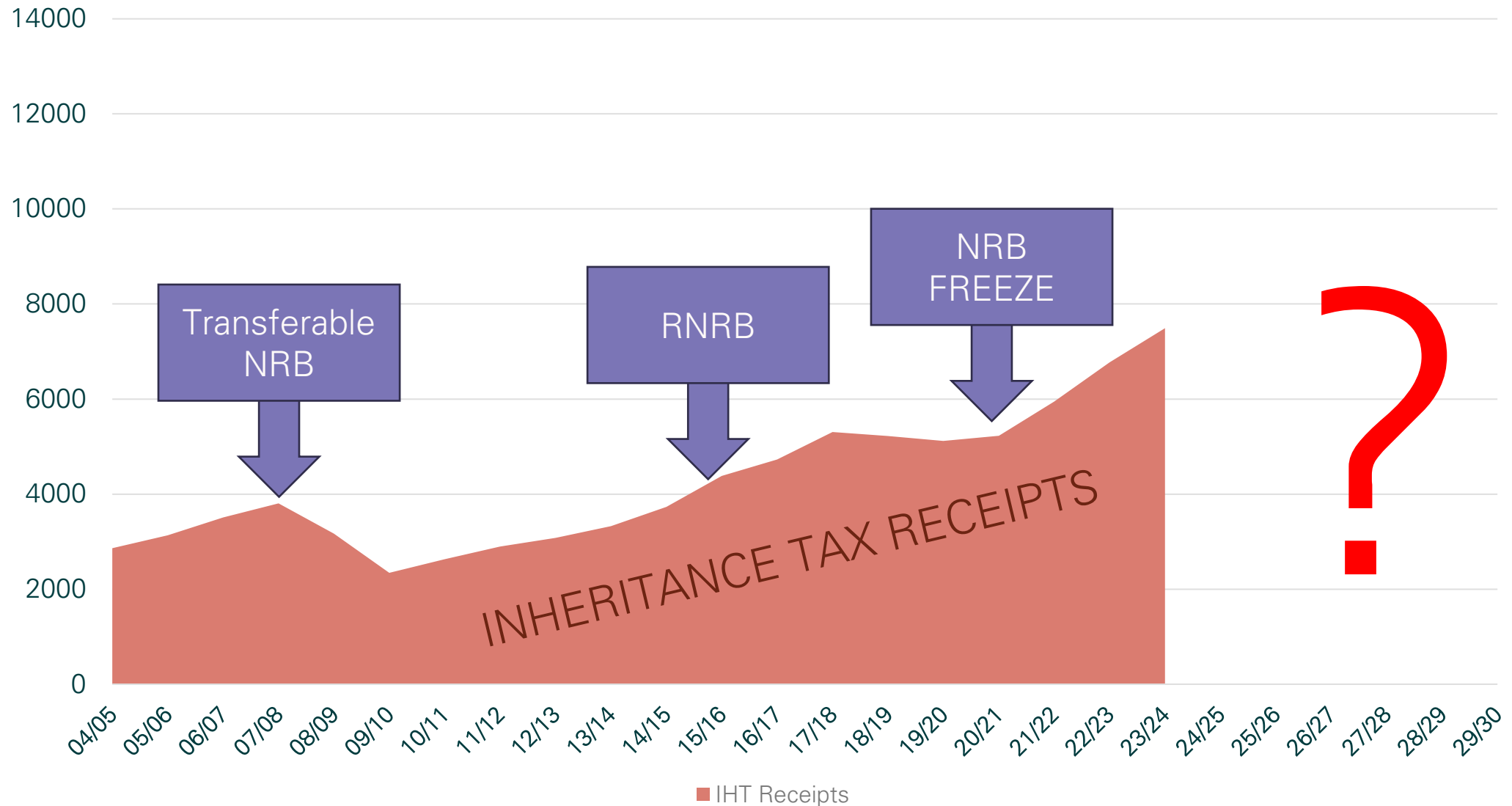
The background features a series of parallel diagonal lines on the left side, transitioning into solid geometric shapes on the right. These shapes include a large gold triangle, a smaller brown triangle, a red triangle, and a teal triangle, all set against a light gray background.

IHT & Domicile Matters

Nil rate bands




IHT receipts not frozen!



IHT Revenue

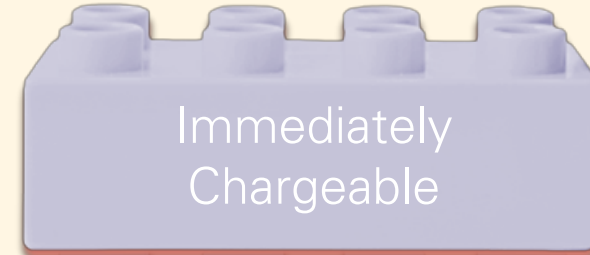
Policy	2026-27	2027-28	2028-29	2029-30	Total
Include unused pension funds and death benefits	+0m	+640m	+1,340m	+1,460m	+3,440m
Reform agricultural property relief and business property relief	+230m	+495m	+520m	+520m	+1,535m
Maintain thresholds	+0m	+0m	+110m	+355m	+465m



£5.44
bn

The building blocks

A gift not exempt or potentially exempt is



Successful



can be ignored

No IHT due if the gift is



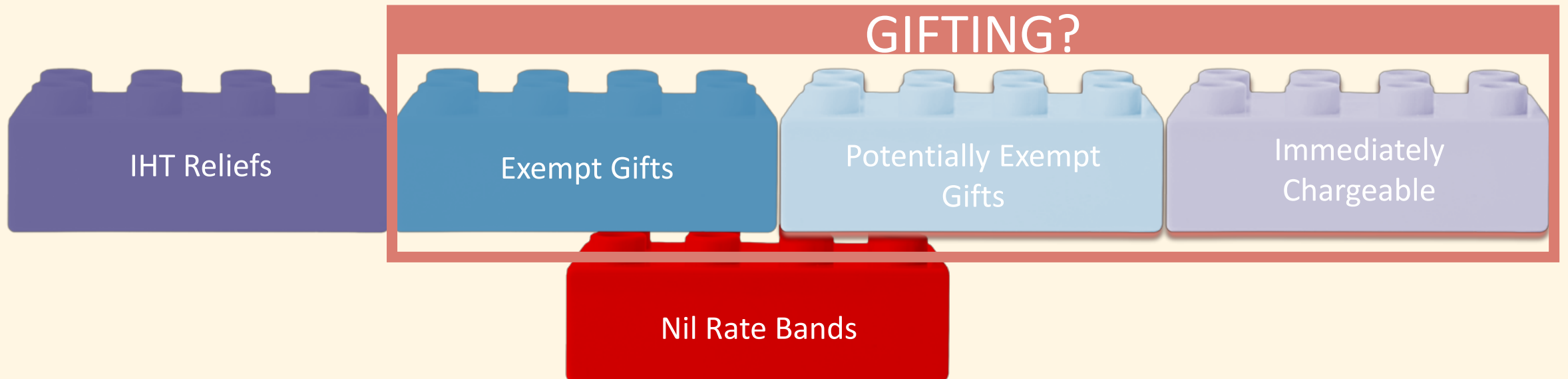
The value of gifts can be reduced by certain



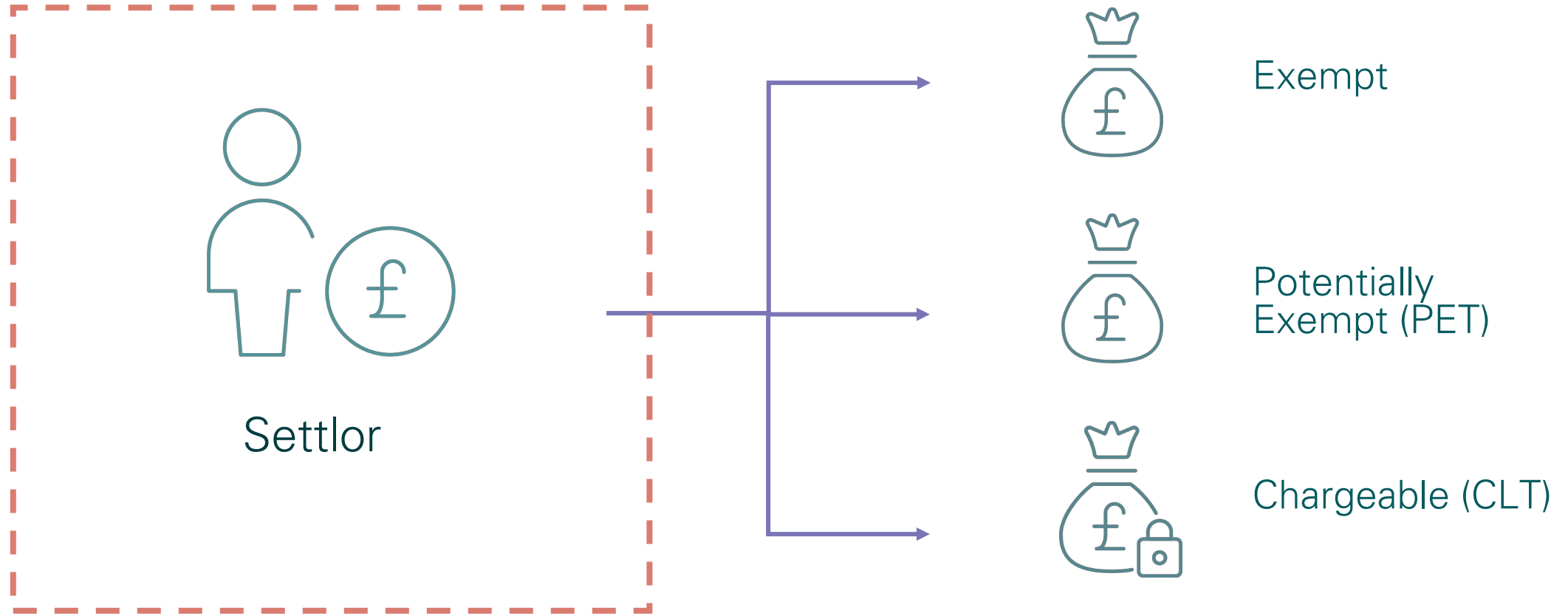
Chargeable gifts taxable at zero IHT within



What's the plan?

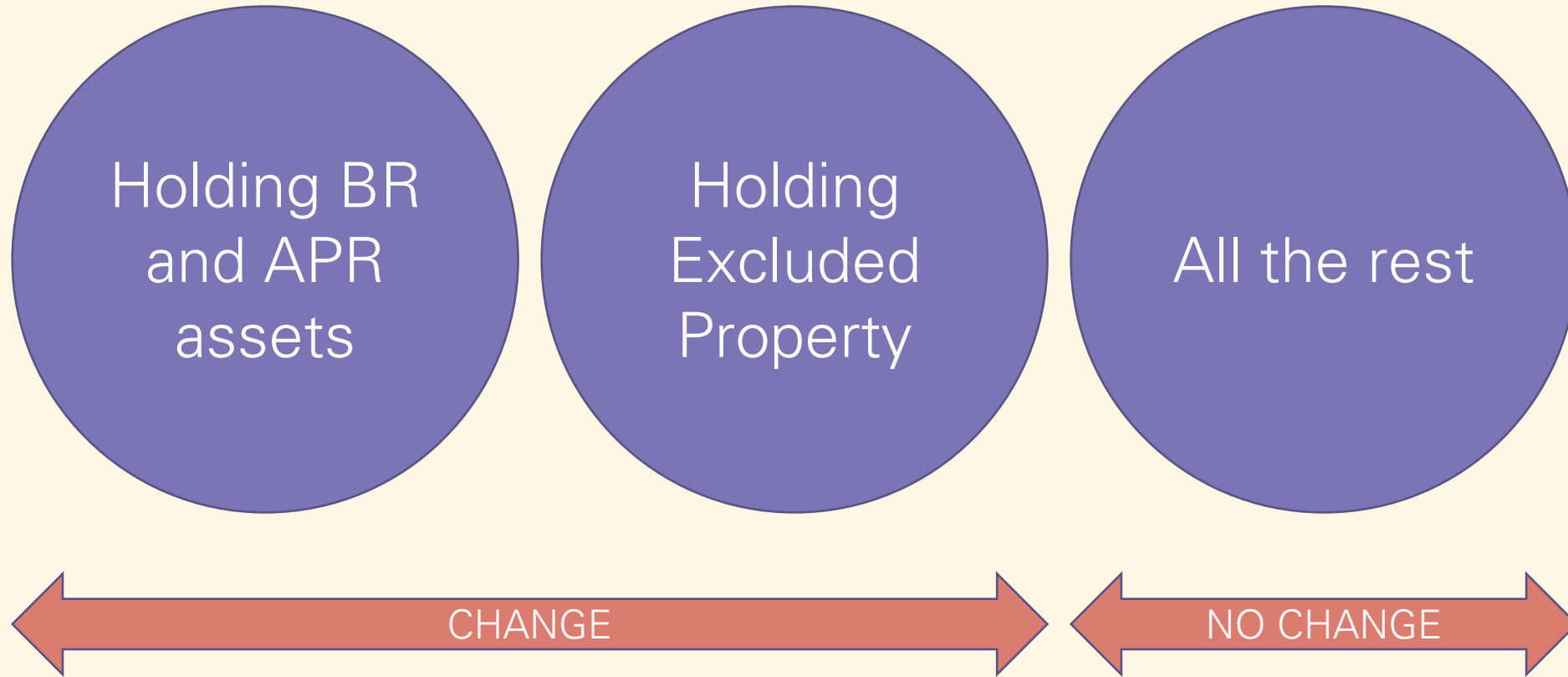


Inheritance Tax



Largely as is

Trusts



IHT reliefs



Qualifying Business Assets



Qualifying Agricultural Assets

£1m limit for 100% relief
50% relief for assets over limit

“AIM
Shares”
(quoted but “not
listed”)

No limit
Relief reduced to 50% for all

Business and Agricultural Relief

The £1m allowance applies to the combined value of property in an estate qualify for 100% business relief or 100% agricultural relief



£3m



£2m

£600,000 relief

£400,000 relief

Are trusts affected?

Qualifying
Business Relief
Assets currently
excluded for
periodic charges

Trusts settled prior
to 30 Oct 2024 will
each have
separate £1m limit

Multiple trusts set
up on or after 30
Oct 2024 will have
a combined limit
of £1m

The government will publish a technical consultation in early 2025 on the detailed application of the policy to changes on property within trust

Business Relief options



£2 million

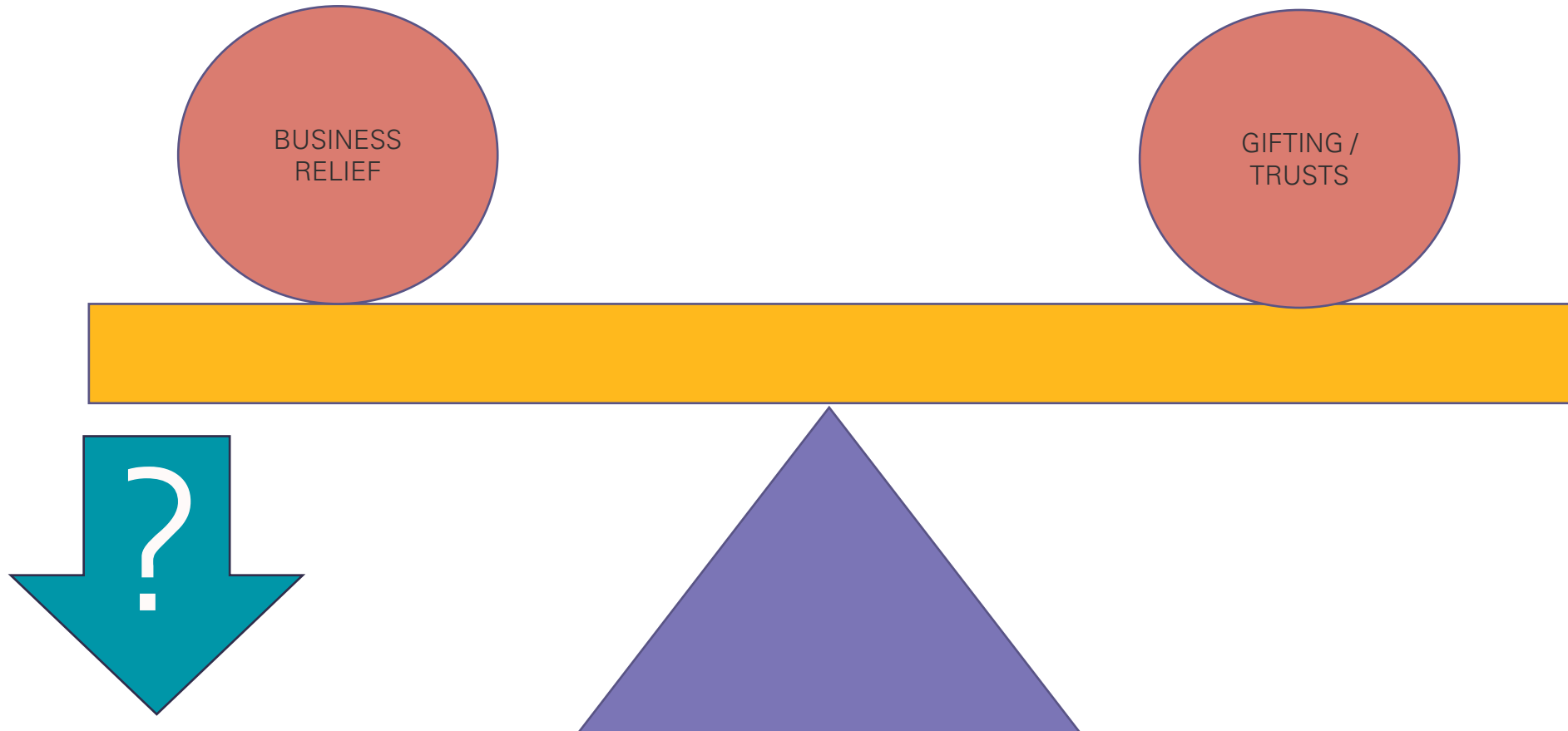
£1,000,000 @ 0% = £0

£1,000,000 @ 20% = £200,000

£2,000,000 @ 20% = £400,000

Accept? Insure? AIM to Unquoted? Alternate Strategy?

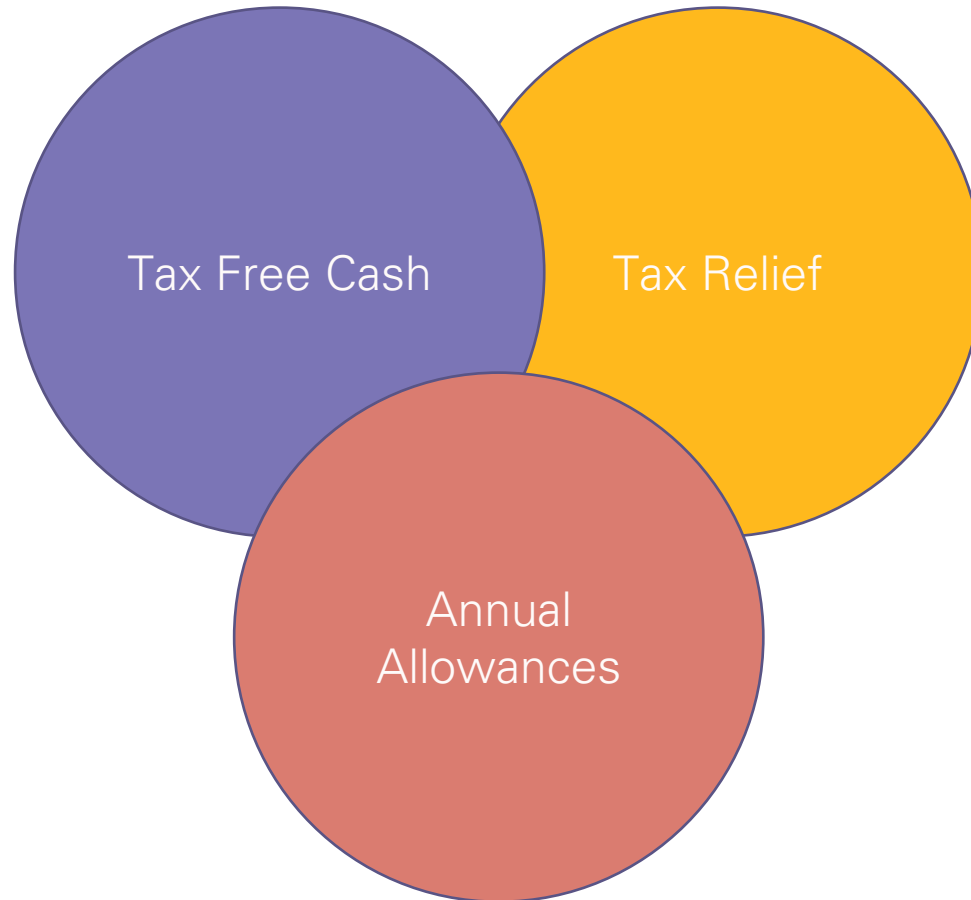
The balance



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Pension Matters

“Pension Tax Lock”



NO
CHANGE

IHT on Pensions

5.52 Inheritance tax: unused pension funds and death benefits – The government will bring unused pension funds and death benefits payable from a pension into a person's estate for inheritance tax purposes from 6 April 2027. This will 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 reforms.

Summary

We welcome views on this technical consultation on the processes required to implement changes to Inheritance Tax rules for pension funds and death benefits.

This consultation closes at
11:59pm on 22 January 2025

Consultation description

As announced at Autumn Budget 2024, from 6 April 2027 most unused pension funds and death benefits will be included within the value of a person's estate for Inheritance Tax purposes and pension scheme administrators will become liable for reporting and paying any Inheritance Tax due on pensions to HMRC.

This is a technical consultation on the processes required to implement these changes for UK-registered pension schemes. It is likely to be of interest to individuals, pension scheme administrators and other pensions professionals, tax and legal practitioners.

After the consultation, the government will publish a response document and carry out a technical consultation on draft legislation for these changes in 2025.

Current IHT on pension schemes

Power of Disposal
(with some exceptions)

Within estate

Estate entitled

Within estate

Discretionary Disposal

~~Outside estate~~

Within estate

DB and DC

EXEMPT

Charity Lump Sums

Dependants Scheme Pensions

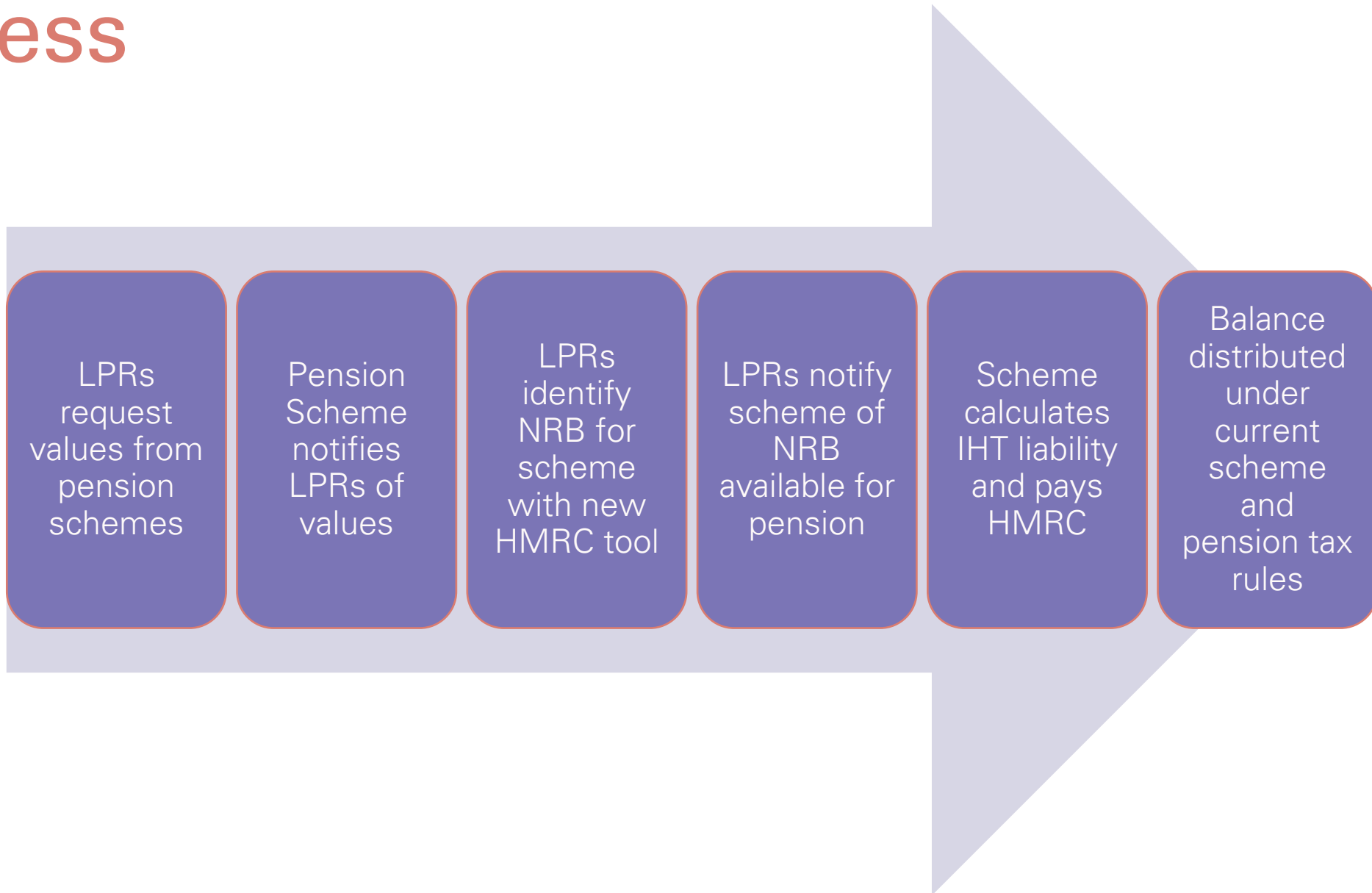
NOT EXEMPT

ALL Dependent Benefits

ALL Nominee Benefits

ALL Successor Benefits

Process



Settled Property?

Distribution
arrangements are
not changed

Rules similar to
settled estate/free
estate rules

Exemptions can
apply

Worked example

Free estate		£ 1,000,000
Pension		£ 100,000
Total		£ 1,100,000
NRB		£ 325,000
Taxable		£ 775,000
Tax Due		£ 310,000
Liability		
Free estate	£1m/£1.1m = 91%	£ 281,818.18
Pension	9%	£ 28,181.82

Pensions in IHT

Issues many and varied

Watching Brief
Immediate action
not advisable

Assess client bank
in interim

Review
nominations

Overseas Transfers

5.32 Reducing tax-free overseas transfers of tax relieved UK pensions – The government will remove the exclusion from the Overseas Transfer Charge for transfers to Qualifying Recognised Overseas Pension Schemes in the European Economic Area (EEA) or Gibraltar from 30 October 2024 to address the risk of individuals receiving double tax-free allowances.

Policy paper

Reducing tax-free overseas transfers of tax relieved UK pensions

Published 30 October 2024

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Who is likely to be affected

Individuals who want to transfer part or all of their pension to a Qualifying Recognised Overseas Pension Schemes (QROPS) established in the European Economic Area (EEA) or Gibraltar.

Overseas Pension Schemes (OPS) and Recognised Overseas Pension Schemes (ROPS) established in the EEA.

Scheme administrators of a registered pension scheme who are not resident in the UK.

General description of the measure

The Overseas Transfer Charge (OTC) is a 25% tax charge on transfers to QROPS, unless an exclusion from the charge applies.

At Autumn Budget 2024, the Government announced that they would remove the exclusion from the OTC of transfers to QROPS established in the EEA and Gibraltar.

The exclusion will no longer apply to transfers to QROPS established in the EEA and Gibraltar made on or after 30 October 2024.

Some numbers

Overseas Transfer Charge
PCLS
Balance
Tax (40%)
Net

Pre 30 th October	
Overseas	UK
£	£
1,073,100.00	1,073,100.00
0%	0%
£1,073,100	£1,073,100
£268,275	£268,275
£804,825	£804,825
£321,930	£321,930
£751,170	£751,170
£1,502,340	

Now	
Overseas	UK
£	£
1,073,100.00	1,073,100.00
25%	0%
£804,825	£1,073,100
£201,206	£268,275
£603,619	£804,825
£241,448	£321,930
£563,378	£751,170
£1,314,548	

Now
UK
£
2,146,200.00
0%
£2,146,200
£268,275
£1,877,925
£751,170
£1,395,030

NOTHING
URGENT



BAU IN
MANY
AREAS



IHT MOST
URGENT /
NEED OF
ACTION



Learning Objectives

By the end of this session, you will be able to:

Describe the impacts of the Chancellor's 2024 Autumn Budget on your clients' financial planning

Identify actions your clients may wish to take in response to the budget.



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