

Tax News.



Autumn 2024

Regular news
from our Specialist
Taxation Team



With You.



TAX

Welcome.

As we navigate the aftermath of the recent UK Budget, we recognise the apprehension many of our clients are experiencing. The changes announced have significant implications, and our team is diligently analysing their potential impact. In a recent communication to affected clients, our Chairman, Iain Gordon, addressed these concerns, emphasising our commitment to thoughtful and strategic planning.

"We fully understand the nervousness and concerns that a number of clients have expressed to us in recent days. As you would expect, these changes take time to absorb, and our experts are giving full thought and consideration over what these implications mean. Succession planning, whilst important pre-Budget, becomes even more critical and naturally we will be pro-actively looking at how we support you and your family's interests over the coming weeks. You would expect nothing less."

The Government's plan to issue a technical consultation by early 2025 will provide further clarity on these legislative changes. During this period, we will "pause and reflect," avoiding any hasty decisions in response to the announcements. We are also planning a series of post-Budget roadshows in the New Year to keep you informed and engaged.

In the meantime, please continue to liaise with your regular engagement teams. As always, we are here to support you through these changes and ensure your interests are safeguarded.

All is not lost !

When summarising a Budget which was as downbeat as last week's delivery from Rachel Reeves, it's easy to fall into a depressed state. Increases to capital gains tax, reduced IHT relief and employers NIC increases all could be viewed as negative, but that in no way means there are no further opportunities.

For family businesses, including agriculture, the reduction in the availability of Business Property Relief and Agricultural Property Relief, is of course disappointing but it's worth noting that the 7-year rule for gifts was not changed, and indeed holdover relief for capital gains tax was also retained. That means that family gifting strategies can be re-thought and perhaps accelerated with appropriate safeguards.

The increase in capital gains tax rates will affect those eligible for Business Asset Disposal Relief but where that is in point, remember that a sale on or before 5 April 2025 will not carry any extra capital gains tax. If you are therefore considering selling your business and can secure that pre-5 April 2025, the Budget has made you no more worse off. Remember that structuring

a sale within a family-owned business may be able to be accelerated, as might a sale to an Employee Ownership Trust. Lots of options still.

In taxation, doors open and close all of the time and sometimes a rethink is required. In particular, if you are thinking of selling your business, gifting assets, or assessing your future investment strategy, then now is the time to take advice to ensure that your previous strategy remains fit for purpose, and if not, devising a new plan. Our team will be in touch with our clients over the coming weeks to discuss the issues directly relevant to them.

No need to panic, plenty more options available for excellent tax planning.



Embracing the 2024 Budget Changes: A Positive Outlook for CGT

The 2024 Autumn Budget brought notable changes to Capital Gains Tax (CGT), but fortunately, they are less severe than anticipated.

Instead of aligning with income tax rates, the lower CGT rate will rise from 10% to 18%, and the higher rate from 20% to 24%. These adjustments align all capital disposals with rates charged on residential property and these changes come into force with immediate effect. It's worth noting that the UK still boasts the lowest CGT rates among the G7, maintaining its competitive tax environment.

Business Asset Disposal Relief (BADR) remains intact, easing concerns about its potential removal. The lifetime limit of £1m is unchanged, though the tax rate will incrementally increase from 10% to 14% in April 2025, and to 18% in April 2026.

This phased approach allows business owners to strategically plan disposals to maximise tax advantages.

Gift Holdover-Relief remains unchanged, continuing to serve as a valuable tool for business succession planning.

Whilst these CGT and BADR adjustments may necessitate some re-evaluation of tax planning strategies, they continue to offer growth and investment opportunities. The government's intended message is clear: the UK is open for business and remains committed to supporting entrepreneurs even amid economic challenges.



Nic'Ers to you Chancellor

In recent years, businesses have come through Covid, minimum wage hikes and a cost-of-living crisis. Just when you thought there was light at the end of the tunnel, the new Chancellor has targeted business owners with an employers' NIC increase with effect from 6 April 2025, designed to raise circa £24bn annually.

The change has different strands, the first being the rate of NIC being raised to 15% from the current 13.8%. There follows a reduction in the Secondary Threshold to £5,000, this being the level of pay above which Employers' NIC is paid. To slightly offset this, particularly for those smaller employers, the Employment Allowance is to be raised to £10,500.

Among those badly affected will be larger leisure businesses such as hotels. 18-21 year olds will receive large minimum wage increases, together with rises for those over 21. These charges combined with the NIC hikes will hugely increase the cost of service delivery, ultimately leading to much higher prices for the consumer, which can be evidenced by number of business closures.



We are concerned that we may see employers unwilling to recruit more people perhaps preferring to take on more contractors or to outsource more work overseas.

Challenging times for our retail, agriculture, leisure and hospitality clients to name but a few. We'll be happy to discuss these changes with you and seek alternative ways to provide cost effective, excellent service.

Pension Pots Targeted

Using your pension fund to protect wealth from Inheritance Tax (IHT) on death has been a useful tool in recent years. Undrawn funds could be passed to your family and benefit them by paying a lump sum or regular pension, with or without income tax consequences depending on the circumstances.

Any unused pension fund will now be included in your estate and subject to IHT on death after 6 April 2027. Depending on the overall value of your estate that may mean paying IHT at 40%. You may now need to re-think your estate planning strategy and consider drawing down on your pension fund, perhaps gifting surplus income, subject to the income tax that may be payable, using a relief that is often forgotten about but still available.

Proactive Planning for Business Continuity

Given the impending changes, it's essential for business and farm owners to take a proactive approach to succession planning. Reviewing asset values and understanding the IHT implications under the new rules is a critical first step. For many, this may include considering restructuring options, exploring trusts, or other tax-efficient vehicles to help manage potential liabilities.



Working closely with your accountant can provide tailored strategies that address each business's unique circumstances. Whether through optimised asset allocation, alternative reliefs, or succession structures, effective planning is key to minimising the tax impact on business continuity and family legacies.

Inheritance Tax Reforms and the Impact on Businesses and Agricultural Succession

The latest UK Budget announcement has introduced significant changes to Inheritance Tax (IHT), especially in relation to Business Property Relief (BPR) and Agricultural Property Relief (APR) set to take effect in April 2026.

The reforms reduce both APR or BPR to 100% on assets up to £1 million and 50% on amounts above that. This significant shift in relief poses potentially unfathomable challenges for business owners and farming communities throughout the UK.

Historically family-run enterprises have relied upon BPR and APR as a vital relief to assist with family succession allowing assets to be passed between generations without prohibitive tax burdens. Yet, with reliefs now capped, the financial landscape of succession planning is changing dramatically.

Farming families, who have been relying on APR for multigenerational transfers of land and assets, may now be at the mercy of

much larger IHT liabilities and in most cases do not have the income streams to service the burden.

Farmland values will almost always far exceed the £1 million threshold, meaning many agricultural estates will face substantial tax liabilities upon the death of the landowner.

For Example,

A family farm ran by father and son worth £3m, which previously could be passed down to the son on the death of his father free of tax, will now shoulder a liability of £400K.





The Strain on Businesses and Farming Succession

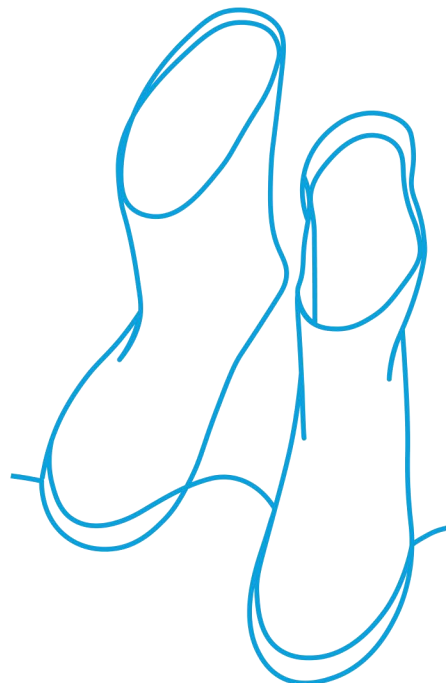
The loss of BPR and APR at full rates will also be felt acutely by business owners during periods of transition, particularly following the unexpected death of a director or major shareholder. With reduced reliefs, businesses may find themselves facing immediate tax liabilities that, without adequate planning, could force asset sales or divert funds needed to keep the business running. This financial burden can be especially destabilising in rural and farming communities, where businesses often have significant asset values tied up in land and physical infrastructure, both critical for long-term operations.

The farming sector has been vocal about the importance of retaining APR to support responsible land stewardship and to enable seamless intergenerational transfer. With the Labour Government's new budget, many families will now need to rethink their succession strategies to ensure that they can maintain their land, operations, and quite frankly survive.

Looking Ahead: Securing the Future

The upcoming changes to IHT represent a significant shift in how business and agricultural assets are taxed upon inheritance. As the 2026 implementation date draws nearer, timely action will be essential in preserving both financial stability and heritage within the UK's most valuable family-run businesses.

Now is the time to engage with experts, secure the right policies, and take the steps needed to protect your business's future, contact EQ today.



Corporate Tax Roadmap

Whilst the Budget announced significant changes to many other taxes, there were minimal announcements on the corporate tax front. However, the Labour government has set out their Corporate Tax Roadmap, stating that the aim of this is to provide the best possible conditions for encouraging investment in the UK.

The Roadmap confirms the major features of the Corporate Tax regime, recognising the importance of a stable regime to support growth, including:

- **Predictability** – confirming the major features of the regime for the duration of this Parliament.
- **Stability** – maintaining many of the system's current features.
- **Certainty** – by committing to improved guidance.
- **Maintaining the current full expensing regime for capital allowances, and maintaining other allowances such as the £1million annual investment allowance.**
- **Maintaining the existing rates for the new merged R&D expenditure credit scheme.**

The following key commitments were announced, ensuring from a Corporation Tax perspective that companies would not face a higher tax burden:

- **Capping the headline rate of Corporate Tax at 25%, and maintaining the small profits rate at 19% and the thresholds to which these apply. This keeps the UK's main rate of Corporation Tax at the lowest level within the G7.**
- **Retaining the current corporate losses regime which gives a flexible approach on loss relief for standalone companies and groups.**

Given the numerous changes announced in previous years, the aim of the Roadmap is to provide stability and predictability so businesses will be able to rebuild the confidence they need to make significant long-term decisions.





With You.

We are always happy to offer free, no obligation, initial consultations, and often act on a consultancy basis only.

For more information on any of the services outlined in this bulletin, or to discuss a particular issue with one of our advisers, please contact our Taxation specialists.

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