

Halloween Special

We thought we would drop a quick note about the Budget and how this affects our new business venture.

The Inheritance Tax (IHT) changes impact what we are doing most directly. The announcement that unused pensions will form part of one's Estate from 2027 onwards removes a valuable benefit of saving in a pension scheme. The details are subject to consultation, and we will need to study them carefully before advising what action should be taken, but it could have far-reaching consequences:

- For people who have been leaving their pension untouched and drawing on other assets, the equation of which assets to draw on may be reversed. This very much depends on individual circumstances.
- Including pension assets in the value of the Estate may mean that some children will no longer benefit from the "Residence Nil Rate Band" – an additional IHT tax-free allowance of £175,000 that gets tapered away for Estates valued at over £2 million.
- Administration of Estates will become more complicated with responsibilities shared between executors and pension providers – potentially a reason for consolidating pension pots.

AIM-listed shares will be subject to IHT, albeit at a reduced rate of 20%. A £1 million allowance will be brought in for Agricultural Relief and Business Property Relief (currently exempt), and above this such assets will be subject to the reduced 20% IHT rate.

Capital Gains Tax (CGT) rates are being increased, but not as much as previously feared. The top rate of CGT will be moved up to 24%, and the Entrepreneur's rate increased progressively to 18%. The Enterprise Initiative Scheme does not seem to have been touched.

On the cost side, there are very unwelcome increases to Employer's National Insurance, with the rate increasing by 1.2% and the salary threshold reducing from £9,100 to £5,000 per annum. The second of these changes adds £615 per annum to the cost of practically every employee – very bad news for firms employing large numbers of part-time employees. The “Employment Allowance”, is being increased which mitigates the impact for the smallest employers, but it presents a challenge for growing firms.

A few things have not changed. ISA allowances remain the same. There has been no change to pension tax-free lump sums. And the gifting rules (7-year IHT rule and regular gifts out of surplus income) were not touched – which may be of interest to some with unused pensions.

Finally, as we write this, we can confirm that the 1p a pint reduction on beer duty in pubs has not yet trickled down to the customer!

30 October 2024

