

Key Highlights of the Autumn Budget 2024

The Chancellor of the Exchequer, Rachel Reeves presented the Autumn budget on 30th October 2024 and shortly after, the treasury has published the draft legislations and guidance note on the official website of UK providing more information on the proposed abolishment of the outdated “domiciled based” tax regime and implementing a new “resident based” tax regime.

The Autumn budget has addresses to the economic challenges and crisis in the country, ensuring that country’s economic growth & development becomes sustainable and accurate. Most of the measures as expected are reflected in the draft legislation with certain exceptions. Below mentioned are the major and important highlights from the budget:

Inheritance Tax:

The 10 years tail:

The Autumn Budget 2024 introduces a 10-Year Tail Rule for Inheritance Tax (IHT), impacting non-domiciled individuals with significant UK residency. Starting April 6, 2025, individuals who have been UK residents for 10 out of the last 20 years will be subject to IHT on non-UK assets. Upon leaving the UK, these individuals will remain within the IHT net for a “tail” period, ranging from 3 to 10 years, depending on their residency duration. This approach reflects extended ties to the UK and underscores the need for careful estate planning for those with cross-border assets.

Nil Rated Band:

The inheritance tax nil-rate band and residence nil-rate band thresholds freezes of £325,000 and £175,000 respectively will be extended from April 2028 to April 2030. This move will potentially result in increase in taxable estate as the value of assets and properties as subject to inflation continue to rise.

IHT and Reliefs:

With effect from 6th April 2026, Agricultural Property Relief and Business property Relief can be consider as reformed so that 100% relief can be given on the first £1 million and 50% above £1 million of the combined qualifying agricultural and business assets. Such change aims to better target these reliefs while maintaining support for smaller family farms and businesses.

Inheritance Tax in relation to Trust:

With effect from 6 April 2025 the IHT exposure of a trust will not be determined by the domicile status of its settlor when it was established or funded. Instead, assets held in a trust will only be excluded property (i.e. not subject to IHT charges) provided:

- they are non-UK assets; and
- the settlor is not Long-Term Resident at the time of the potential IHT charge.

This implies, henceforth, the status of the new trust will be determined based on whether the settlor is a long-term resident or not. This may be beneficial provision for non-doms. However, such trusts could still fall within the revenant property regime thereby triggering IHT up to 6% in certain situations while the settlor remains a long-term UK Resident.

IHT on Non-UK Assets:

From April 6, 2025, individuals will be subject to UK Inheritance Tax (IHT) on non-UK assets if they have been UK residents for at least 10 out of the past 20 tax years. For those not UK residents in the 2025/26 tax year, IHT exposure will continue to follow the current rules, meaning non-UK assets may remain outside the IHT scope if they are not UK domiciled or deemed domiciled. However, if they were previously deemed domiciled before leaving the UK, a three-year IHT exposure period applies, as long as they do not return to the UK, in which case the new rules would take effect.

Inheritance Tax on unused pension:

For the purposes of Inheritance tax unused pension funds and death benefits payable from pension will be consider as persons estate with effect from 6th April 2027.

FIG Rules:

The New 4 Year FIG Regime:

Starting from 6 April 2025, the existing remittance basis regime in the UK will be replaced by a new residence-based test, which will be in effect for a four-year period. This new system will apply to individuals who have been non-UK residents for at least the previous ten tax years. It will commence on 6 April 2025 or, if that is later, the first tax year in which the individual becomes a UK resident. Individuals who qualify and have been UK tax residents for less than four years by 6 April 2025 can utilize the Foreign Income and Gains (FIG) regime for the remainder of the four-year period.

This regime will allow former UK residents who have been non-UK residents for at least a decade to be eligible. During the four-year period, new UK residents will not face taxation on their foreign income and gains or on distributions from non-resident trusts, which can be brought into the UK without incurring a tax charge. Post this period, individuals will be subject to UK taxation on their worldwide income and gains according to standard UK resident tax rules. It is important to note that those who choose the four-year FIG regime will lose their entitlement to income tax personal allowances and the annual exempt amount for capital gains tax.

Temporary Repatriation Facility (TRF):

To ease the transition w.r.t to 4-year FIG Regime, a temporary TRF is offered, allowing those who claimed the remittance basis before April 2025 to remit prior foreign income at a reduced tax rate.

This regime aims at simplifying the tax system and ensuring that long-term UK residents are taxed equitably on their global income and gains. It also seeks to attract new residents by offering temporary tax relief on foreign income and gains.

Others:

Employers NICs:

Employer's National Insurance Contribution tax rate will be increased from 13.8% to 15% from April 2025, only when the threshold above which Employer NIC is paid additionally be reduced from 9000£ a year to 5000£ a year.

Capital Gain Taxes:

- The main capital gain tax lower rate & higher rates both has increased from on or after 30th October 2024 with 18% for standard taxpayers and 24% for higher rate taxpayers. This move is to realign the main rates with the rates on residential property which will provide relief to landlords and second property owners.
- Capital gain tax on Business Assets Disposal Relief (BADR) and Investors' Relief will increase from 10% to 14% from 6th April 2025 and 18% from 6th April 202.
- The Investors' Relief lifetime limit is reduced from £10 million to £1 million for qualifying disposals made on or after 30 October 2024.
- The capital gains tax rate on carried interest will be increased from 28% to 32% from 6 April 2025, and from April 2026 carried interest will be taxed under the income tax regime.

Personal Income Tax:

- Taxation policy for non-Uk domiciled individuals will be abolished with effect from 6th April 2025. Previously it was remittance-based taxation policy which will be get replaced with the Residence-Based regime for the first four years of the residence.
- From 6 April 2025 the interest payable on unpaid tax will increase by 1.5% percentage points from 7.5% to 9%. This shall include delay in payment of Income Tax, Capital Gains Tax and National Insurance Contributions.
- With effect from April 2025 van benefit charge and car and van fuel benefit charge will get increased with the help of September 2024 Consumer Price Index.
- The furnished holiday lettings regime will be abolished from 6 April 2025.

Businesses:

- With effect from 30th Oct 2024 taxation of Employee Ownership Trusts & Employee Benefits Trust are getting reformed.
- With effect from 1 November 2024 the Energy Profits Levy charged on the profits of oil and gas producers will be increased from 35% to 38%, the 29% investment allowance will be removed, and the levy will be extended until 31 March 2030.
- After 30th Oct 2024, A targeted anti-avoidance rule aimed at preventing avoidance of the loans to participators rules are being tightened.
- A road map has been published on corporate tax which addresses
 1. Corporation tax rate at 25% for the duration of parliament.
 2. Keep the small profits rate and marginal relief at current rates and thresholds.
 3. Keeping permanent full expensing, 1million £ annual investment allowance and R&D reliefs.

Other Changes:

- Air passenger duty rates will increase from 2026-2027 by 13% and 50% for larger private jets.
- With effect from 31st October stamp duty land tax surcharge for additional properties will get increased from 3% to 5% above the normal residential rates.
- With effect from 1st January 2025 VAT will be applied to private school fees.
- There will be a reduction on discounts under the housing Right to Buy Scheme and councils will be able to keep all receipts generated by sales.

Need for an hour for the Non-Domiciles:

With the evolving landscape of taxation in the UK, it is crucial to remain informed about these changes and understanding their implications for both non-domiciles and Domiciles. The shift to a residence-based IHT system and adjustments to exemption thresholds, makes it more important than ever to seek expert guidance to properly plan strategies best suited to your needs to significantly reduce the tax burden.

How Water and Shark can help you:

As a result of these changes, non-doms will have to contemplate how to reduce their tax exposure. Here is how Water and Shark can help you:

- Expert advice on Inheritance tax planning
- Tax efficient succession planning for businesses
- Estate Valuation and Asset Assessment
- Private Client Advisory – Creation of Fund/Trust
- Gifting strategies
- Restructuring of business and family business and investment that impacts tax assessment
- Diversification of business and investment
- Mobility and reflection on domicile, residential and citizenship status

About Water and Shark:

Water and Shark is a distinguished firm amongst similar award-winning firms located around the world, which are focused on the provision of cross border transaction services, family wealth and inheritance management, law services, as well as business and international tax and exchange control laws.

With clientele from inception to large corporations who operate across 12 countries spread across 4 continents, Water and Shark assists in starting, growing, and scaling businesses and protecting and managing the businesses and their owners' businesses and legacies. Further, our law firm has DIFC Courts practicing license in the UAE.

At Water and Shark, our team of Chartered Accountants and lawyers are largely familiar with the integrated environment of business development are committed to providing tailored advice, ensuring that you and your family can preserve and pass on your wealth with confidence. We provide corporate restructuring strategic advisory services to individuals across the globe including UK, USA, UAE, Singapore, Hongkong among many other nationalities to meet their tax planning and succession needs.

Key Contacts:

Reach out to our team for more information in relation to the budget and let us know how our team we can provide you with assistance.

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