Browne Jacobson

Browne Jacobson’s private sector lawyers' reaction to the Autumn Budget 2024

30 October 2024

Private client

As announced in the budget speech and set out in more detail in the budget report, from 6 April 2026 the 100% relief from inheritance tax currently available in relation to agricultural and business assets (known as Agricultural Property Relief (APR) and Business Property Relief (BPR) respectively) will only apply to the first £1 million of such assets, with 50% relief available thereafter. This means that on the death of a farmer or business owner, tax at 20% will be due on agricultural and business assets in excess of £1 million. Or to put it another way, to keep a family farm of 500 acres intact for the next generation, a tax bill of £620,000* will need to be funded from a business which is often asset rich and cash poor. Inheritance tax on land or certain business interests may be paid in annual instalments over a period of 10 years but the current interest rate on such payments is 7.5%.

Those holding assets currently qualifying for APR and BPR may wish to take advantage of these reliefs before 6 April 2026 by making lifetime transfers either into trust or perhaps to their successors outright. If so, they may wish to consider term life insurance to cover the seven-year period from such a transfer, as any such gifts made on or after 30 October 2024 will be subject to the new limits on the reliefs if the donor dies on or after 6 April 2026.

The detailed application of the new limits to trusts will be subject to a technical consultation early next year but the headline limits are as for individuals. Trusts that were established and comprised qualifying business or agricultural property prior to 30 October each have a £1 million allowance and any trusts set up by the same person on or after 30 October 2024 share a £1 million allowance.

One further point for farmers in the budget was the confirmation that the government will extend the existing scope of APR from 6 April 2025 to land managed under an environmental agreement with, or on behalf of, the UK government, devolved governments, public bodies, local authorities, or relevant approved responsible bodies. This brings welcome clarity to the inheritance tax treatment of land used to deliver environmental benefits.

Ms Reeves has left the owners of farms and businesses across the country with plenty to ponder over that pint.

*Based on average value of agricultural land in UK in 2024 of £8,200 per acre.

Hannah Connors, Senior Associate

Corporate – Manufacturing and industrials

“The incentives for EVs in the Autumn Budget are very welcome - the differential *between EVs and other vehicles in the first rates of Vehicle Excise Duty will certainly be a boon for EV manufacturers. However, investment in both electric vehicle manufacturing and the building of necessary charging infrastructure is vital to fuel the mainstream transition from petrol and diesel vehicles to electric alternatives – without this investment, we struggle to see how the EV market will thrive and a slump in EV sales during the previous two quarters is evidence of this. The £2bn commitment to the automotive sector ought to take this into account in order to best facilitate this clean energy transition.”*

Joe Davis, Senior Associate and Head of Automotive

Corporate – Energy and infrastructure

“Green hydrogen is set to play a vital role in the future of energy, so it’s great to see Government backing of these projects. However, we’re still in the early days of green hydrogen, and untrodden ground brings risk - the use of new and innovative technology used in the production of green hydrogen may create challenges in terms of financing and insurability of these projects.”

Zoe Stollard, Partner

Real estate and construction

“Clearly, the affordable housing sector will welcome the consultation on a five-year rent settlement as something that will provide more certainty (with a 10-year settlement being a potential outcome). The £500m top up of the Conservative’s existing Affordable Homes Programme has also been welcomed in the sector in the immediate term to support current development activity. However, if the social housing sector is to mobilise and deliver the “largest increase in supply of social and affordable homes in a generation” promised in the manifesto, then the long-term housing strategy (to be announced in Spring) will be key.”

Gabor Taller, Partner

Technology

“The Autumn Budget has given many in the Technology sector something to smile about. As they say, “charity starts at home”, so the government’s investment in its own digital infrastructure should provide a much needed upgrade to its wider tech delivery across its other departments. As for the private sector, the future of innovation lies in up-and-coming SMEs, of which many struggle to access the tools for digital transformation and ultimately unlock their potential. With this in mind, the Chancellor’s review into the barriers SMEs face in adopting new technologies, coupled with the commitment to protect R&D investment seem positive.

It’s not all sunshine and daisies however – many tech firms will have the challenge of the increase in Employers’ National Insurance and it will be interesting to see how firms of all sizes across the sector look to balance their books, but as its stands, the government’s ongoing commitment to the Technology sector amidst a time of uncertainty is particularly encouraging."

Francis Katamba, Partner

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