Browne Jacobson

Autumn Budget 2024: Key changes for private clients

15 November 2024

Now is the time for reflection, not hasty action.

The first Labour budget in 14 years has certainly made headlines. That said, with some measures still subject to consultation and not due to be implemented until 2026/2027, our advice is to take the time to take stock and reflect upon your own particular circumstances before taking any hasty steps that cannot be easily undone.

We set out below the key changes for private clients as well as some potential planning opportunities.

Inheritance tax (IHT)

Reform of IHT in relation to agricultural and business assets

From 6 April 2026 the 100% relief from IHT currently available in relation to agricultural and business assets will only apply to the first £1m of such assets (the 'APR/BPR Allowance'), 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 £1m. Investments not listed on the markets of a recognised stock exchange (most notably AIM shares) will only benefit from 50% relief rather than the 100% relief currently available.

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, with trusts that were established and comprised qualifying business or agricultural property prior to 30 October each having a £1m allowance, and any trusts set up by the same settlor on or after 30 October 2024 sharing a £1m allowance between them.

Reform of application of IHT to pensions

From 6 April 2027 unused pension funds and death benefits payable from a pension will be within an individual's estate for IHT purposes. Pension scheme administrators will be responsible for reporting and paying the IHT due. It seems income tax will also continue to be payable on any distributions after death if the deceased died aged 75 or over.

Capital gains tax (CGT)

Increased rates of CGT

From 30 October 2024, the main lower rate of CGT increased from 10% to 18% and the higher rate from 20% to 24%. The rate of CGT on carried interest remains at 18% and 28% for now but will increase to 32% from April 2025 and will be taxed fully within the income tax framework from April 2026. The CGT-free uplift to market value on death remains.

Changes to Business Asset Disposal Relief (BADR) and Investors Relief (IR)

From 30 October 2024, the lifetime limit for IR has been reduced to £1m, matching the lifetime limit for BADR.

From 6 April 2025, the BADR and IR rates will increase from 10% to 14% and from 6 April 2026 to 18%.

Changes to the non-dom regime

From 6 April 2025, the remittance basis of taxation for non-UK domiciled individuals will be abolished and replaced with a residence-based regime and IHT exposure will also be based upon residence rather than domicile.

Some planning opportunities

Accelerate lifetime gifting

Those holding assets currently qualifying for IHT relief and from which they do not need to benefit, may wish to make lifetime gifts either into trust or to successors outright before 6 April 2026 with a view to then surviving 7 years and benefitting from reduced values. They could consider term life insurance to cover the 7-year period as any such gifts made on or after 30 October 2024 will be subject to the new APR/BPR Allowance if the donor dies on or after 6 April 2026.

Those holding assets standing at a gain will want to consider whether hold over relief (for business or agricultural assets or for transfers subject to IHT) is available, or whether the CGT due on any gain can be offset by losses, while those who qualify for BADR or IR may wish to trigger disposals for CGT prior to the increased rates.

Sit tight

Some holding APR / BPR qualifying assets which are mainly gain may take the view that holding onto the assets until death and paying 20% in IHT rather than 24% in CGT offers an acceptable trade off.

General will and estate planning review

As the APR/BPR Allowance seems not to be transferable between spouses (unlike the nil rate band), it would be worth considering equalising values between spouses and making sure that Wills allow for the APR/BPR Allowance to be banked on the first death to minimise the value exposed to the 20% charge.

A general Will and estate planning review will be particularly important over the next 18 months and as soon as we know more about the proposed application of IHT to pensions.

Looking ahead

Please do get in touch with us or your usual Browne Jacobson contact if you would like to discuss how the changes announced in the budget could impact you and your family and to explore planning opportunities relevant to your specific situation.

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