

ALERTS

UK Autumn Budget 2024 – Headline Measures

October 31, 2024

The Autumn Budget delivered on 30 October included the following key measures:

1. National Insurance Contributions (NICs)

The rate of employers' NICs will increase from 13.8% to 15% with effect from 6 April 2025. This will increase the overall effective tax rate (i.e. income tax and NIC) on employment compensation from 53.4% to 53.9%. Additionally, the threshold above which employers' NICs becomes payable will be reduced from £9,100 to £5,000.

2. Carried Interest

The Government will bring the taxation of carried interest into the income tax regime with effect from 6 April 2026, albeit subject to the application of a 72.5% multiplier to give an effective tax rate of approximately 34% (including NIC). The Government also intends to explore the case for imposing further conditions, including a minimum co-investment requirement. In the interim, the rate of capital gains tax (CGT) on carried interest will increase from 28% to 32% with effect from 6 April 2025.

3. Capital Gains Tax (CGT)

The rate of CGT will increase from 20% to 24% with effect from 30 October 2024 (today). The rates of CGT on gains qualifying for Business

Asset Disposal Relief will increase from 10% to 14% with effect from 6 April 2025, and to 18% with effect from 6 April 2026.

4. Taxation of Non-Doms

The remittance basis of taxation as applying to non-UK domiciled individuals will be abolished with effect from 6 April 2025. Transitional rules will apply to previously unremitted foreign income and gains. A residence-based regime will apply to new arrivals to the UK in their first four years of UK tax residence.

5. Inheritance Tax (IHT)

IHT will move to a residence-based system for non-UK assets with effect from 6 April 2025, catching individuals who have been resident in the UK for at least 10 out of the last 20 years. Such individuals will remain within the charge to IHT on non-UK assets after leaving the UK for up to 10 years on a sliding scale depending on the number of years for which they were UK resident.

6. Other points of interest...

- From 1 January 2025 VAT will be imposed on private school fees
- From 6 April 2026 IHT relief for (i) AIM shares will be reduced from 100% to 50%; and (ii) agricultural and business property will be reduced from 100% to 50% for (combined) amounts over £1m
- From 6 April 2027 unused pension funds will be included within a person's estate for IHT purposes

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