Winter 2024/25

Financial and business intelligence

SHIPSHAPE

A new era

There's a new government in the driving seat and exciting Shipleys news

shipleys LLP

Also in this issue:

New government's Budget highlights
Changes to capital gains tax
Inheritance tax shake-up
More good news for the film industry
VAT corner and payroll answers
Shipleys merges with Moore Kingston Smith
End of tax year planning
Going for growth: practical tips

Contents:

Viewpoint: Steve Foster 1
What a year!

News and analysis – Highlights of the Chancellor's Budget 2
We summarise the key announcements

News and analysis – Budget deep-dives 3-4
Examining the impact of changes to capital gains tax and a new tax regime for non-domiciled individuals, plus the potential implications of an inheritance tax shake-up

News and analysis 5
More good news with further tax breaks for film, TV, animation and video games sectors

VAT corner 6
VAT added to private school fees and staying vigilant against increasing instances of fraud

Payroll answers 6
Payrolling benefits to become compulsory, new hours of work rules delayed and holiday pay reforms

Shipleys news 7
Shipleys announces merger with Moore Kingston Smith

End of tax year planning 8-9
Preparing for the end of the 2024/5 tax year, covering income tax, dividend income, national insurance, capital gains tax and much more

Mind your own business 10
Going for growth: practical tips for business leaders from our Business Club members

Shipleys LLP is a firm of chartered accountants and business advisers. *Shipshape* is our regular newsletter for clients and contacts.

If you have any suggestions for topics you would like to see covered in *Shipshape*, or have any comments about its content, please contact Gilda Rochester at our London office.

T +44 (0) 20 7312 0000
E rochesterg@shipleys.com

Copyright 2024 Shipleys LLP

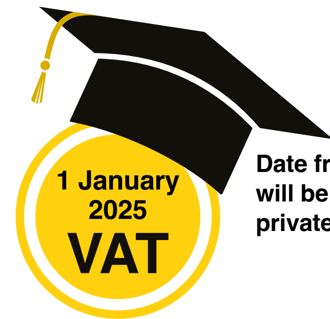
Registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

More detailed information on tax changes is available on our website at www.shipleys.com

Shipshape articles are intended to create awareness of issues and specific advice should be obtained before taking action, or refraining from taking action in relation to the topics covered.

Designed and co-edited by thirdperson.co.uk

This Shipshape has been printed on Revive uncoated paper made from FSC® Recycled certified post-consumer waste pulp, manufactured in accordance with ISO certified standards for environmental, quality and energy management. The paper is BRC-certified for storage and distribution and carbon balanced. The magazine has been printed by Woodrow Press which is ISO14001 certified for its environmental management systems.



Date from which VAT will be added to private school fees

New hourly minimum wage for over-21s

£15m
limit of costs eligible for UK independent film tax credit

18%
New basic rate for CGT (24% higher rate)

Income tax thresholds rise in line with inflation after 2028

New rate of employers' NICs

Viewpoint: Steve Foster
020 7312 0000 • FosterS@shipleys.com

What a year!

Much has happened since our last Shipshape. A new government is in place, along with a new Chancellor. We also had a glorious summer of sports, including the Euros in football, the Olympics and the Paralympics, and Shipleys recently announced our merger with Moore Kingston Smith.

As we draw to the end of 2024, at least the political uncertainty that dominated the first half of the year has dissipated. Labour's settling-in period has, however, brought drama on the economic front, and we now know there's a "£22 billion black hole" in public finances to be filled.

Filling the hole

This led to a much-anticipated and challenging autumn Budget, which announced tax increases and spending cuts totalling £40 billion. Significant economic growth, which we've sorely missed in recent years, may now take longer to emerge. The rise in employers' national insurance, frozen tax thresholds and the still challenging cost of living (to name a few) will undoubtedly eat into the confidence and ability of businesses and people to invest.

Silver linings

But, as we know from our clients, UK businesses and individuals are renowned for being resilient, resourceful and often entrepreneurial. Our Business Club members recently discussed the ingredients that help business growth and shared many helpful ideas and recommendations (see page 10).

There's also been good news for our clients in the broadcast industry. Labour has confirmed that the new UK independent film tax credit and additional relief for visual effects (announced by the previous government) will still go ahead. See our overview on page 5.

Knowledge is key

In our Shipshape at the start of 2024, I talked about the importance of planning. That still holds true as we look ahead to 2025 and the rollout of Labour's fiscal announcements.

On page 2 we've given an overview of key takeaways from the Budget. We've also gone into more detail about the implications of the inheritance tax, capital gains tax and non-dom tax status changes on pages 3 and 4. Our VAT specialists have discussed the introduction of VAT on school fees (page 6), and our payroll experts have signposted forthcoming changes for employers in payrolling benefits (also page 6).

There's also an article on pages 8 and 9 with planning considerations as we approach the end of the tax year.

With all the fiscal changes, do remember that you're not alone. Our teams of specialists are here to help – be that explaining how a change will affect your business or personal finance, advising on options open to you or helping you meet the compliance requirements and deadlines. Please do contact them.

Bolstering and broadening our support

This leads me to our exciting autumn announcement – our merger with Moore Kingston Smith. For some time, our senior team had contemplated how the firm could best support our clients in a rapidly changing world with its increasing challenges and complexity.

Becoming part of Moore Kingston Smith has now provided us with the infrastructure and resources to do so. By merging our strengths, solutions, sector knowledge and teams, we can bolster our offering and the many ways we support you. We are excited to bring you enhanced expertise and further opportunities.

You can learn more on page 7, which features an interview with Matt Meadows – the Managing Partner of Moore Kingston Smith – and I. Rest assured that it is very much 'business as usual', and the day-to-day Shipleys contacts you work with, along with the client experience, will remain. We are still firmly committed to helping our clients thrive.

As I draw this piece to a close, I'd like to thank you for your ongoing support. It's through our strong, personal, long-lasting client and contact relationships that we have reached such an exciting milestone for Shipleys.

We look forward to supporting you in the year ahead, and on behalf of everyone at Shipleys, I wish you a very happy Christmas and an enjoyable and rewarding 2025.

Steve

A tricky balancing act

Revisiting the highlights of the new Labour government's first Budget.

With talk of a 'black hole' in public finances, Chancellor Rachel Reeves's 2024 autumn Budget was always going to be a tricky balancing act between generating tax revenue and encouraging economic growth.

On the day, the Chancellor delivered tax increases amounting to £41 billion by 2029/30. There were certainly headline-grabbing changes, but also a lack of change in some regards. The latter caused both relief and concern – particularly where frozen rates could bring people a bigger tax burden. Some changes also came into effect immediately from 30 or 31 October 2024.

Inheritance tax, capital gains tax and non-dom rules

On pages 3 and 4, we've taken a deeper dive into inheritance tax, capital gains tax changes, and updates to UK non-dom rules. There's also a VAT overview on page 6. Here we summarise other key Budget announcements impacting businesses, individuals and charities.

What stayed the same?

Several key tax rates and allowances remain unchanged:

- Both the dividend allowance and income tax thresholds are unchanged.
- Corporation tax rates stay at 25% for the main rate and 19% for small profits for the financial year starting 1 April 2025.
- The government remains committed to full expensing, the annual investment allowance and R&D reliefs.
- The audio-visual expenditure credit (AVEC) for the film, TV, and animation sector also remains intact. Plus, the new independent film tax credit (IFTC) will go ahead.
- Individual savings accounts (ISAs) remain untouched.

Key changes announced

Employers' national insurance contributions (NICs)

From 6 April 2025, the main rates of class 1, 1A and 1B employer NICs will increase from 13.8% to 15.0%, and the secondary threshold for employer NICs will drop from £9,100 to £5,000. This will have a significant impact on organisations' finances.

Stamp duty land tax (SDLT)

From 31 October 2024, the additional SDLT rate for second homes and buy-to-let properties rose from 3% to 5%. Temporary increases in the 0% SDLT band for first-time buyers and others will end on 31 March 2025.

Furnished holiday lettings (FHL)

The specific tax treatment and reporting requirements for FHL will end. From 6 April 2025 (income tax and capital gains tax) and 1 April 2025 (corporation tax), FHL income and gains will be taxed like other property income and gains.

Company car tax

Changes to company car tax rates continue as announced in previous Chancellors' statements. For 2025/26:

- Zero and ultra-low-emission vehicles will see the appropriate percentage (AP) increase by one percentage point to a maximum of 20%. This will rise further, reaching 21% by 2027/28.
- Other vehicle bands will also increase by one percentage point, up to a maximum of 37%.

High-income child benefit charge (HICBC)

The proposal to base HICBC on household income has been scrapped. Instead, employed individuals can pay HICBC through their tax code from 2025. For self-assessment taxpayers, returns will be pre-populated with child benefit data.

Transfer pricing rules

A consultation in spring 2025 will explore reducing the exemption thresholds for medium-sized businesses while keeping small business exemptions. This review will also cover reforms to permanent establishments and diverted profits tax.

Employee ownership trusts (EOTs) and employee benefit trusts (EBTs)

Reforms to the taxation of EOTs and EBTs take effect from 30 October 2024. The focus is on curbing misuse while promoting legitimate employee ownership and reward schemes.

Charity compliance

From April 2026, changes to charity tax rules aim to ensure that only intended reliefs are claimed. Details are awaited.

Further information

For a full overview of Shipleys' coverage of the autumn 2024 Budget, visit ***https://tinyurl.com/4d8ktvaa***

We have also updated the digital version of our 2024/25 Tax Facts document at ***https://tinyurl.com/mr3j8djw***
Our 2025/26 Tax Facts can be found here ***https://tinyurl.com/495tarjf***

If you wish to discuss how this Budget impacts you, please do talk with your usual Shipleys contact.

Examining the impact of Labour's capital gains tax changes

We spotlight the various measures announced in the Budget, consider their implications and suggest some tips on what to do.

After speculation about capital gains tax (CGT) that began even before Labour clinched their election victory, there was finally news in the Budget of a rise in the basic rate from 10% to 18% and from 20% to 24% at the higher rate.

The new rates will match those for disposals of residential property (which will stay the same) and although the increases are significant, they're not as high as some had feared.

The new rates apply immediately – that is, to transactions completing on or after 30 October 2024. This means different rates will apply to transactions in the same tax year, adding to the complexity for taxpayers when reporting disposals for the 2024/25 tax year. Don't forget, disposals of UK sited real estate must be reported, and any tax paid, within 60 days of completion.

The CGT annual exempt amount for individuals and personal representatives remains at £3,000 for 2025/26 and the annual exempt amount for most trusts will stay at £1,500.

Mitigation opportunities will be more valuable following the increase in rates. These include reviewing ownership structures of assets and making use of tax-free transfers of assets between civil partners or spouses before a sale, or selling other assets standing at a loss to reduce taxable gains.

Business asset disposal relief and investor's relief changes

The reduced rate of CGT applicable to disposals qualifying for business asset disposal relief (BADR) and investor's relief (IR) will increase to 14% from 6 April 2025 and to 18% from 6 April 2026.

A further change was the reduction of the lifetime limit for IR to £1 million for all qualifying disposals made on or after 30 October 2024, bringing it in line with BADR.

Coupling the increased tax rates for these reliefs with the general increase in CGT rates (which impacts gains over the lifetime allowance) will lead to a significant increase in the amount of CGT payable on the sale of a business in the future.

The concern now is that future transactions, such as the sale of business assets, could be put on hold due to the amount of tax that would arise on a disposal.

If you think you might be affected by any of these CGT issues, please get in touch with your Shipleys contact and speak to them about structuring, succession planning and provisional calculations to make informed decisions regarding asset disposals.

There's more on the CGT changes on the gov.uk website at: ***https://tinyurl.com/2x2as7ah***

All change for non-domiciled tax status

Chancellor Rachel Reeves confirmed a significant shift in how foreign income and assets are taxed for non-domiciled individuals (non-doms).

The new foreign income and gains (FIG) tax regime will come into effect on 6 April 2025 and the previous 'remittance basis' system will end. This allowed non-doms to keep foreign income and gains outside the scope of UK tax if not brought into the country.

Under the FIG system, non-doms who have not been UK tax residents for any of the previous 10 consecutive years can benefit from a full exemption on their foreign income and gains for the first four years after becoming UK residents.

After these four years, non-doms will become fully taxable in the UK on all income and gains, regardless of where they are sourced. Residency status under the statutory residence test (introduced in 2013) will determine eligibility for the FIG regime.

Need assistance?

Please reach out to your Shipleys advisor. There's more detail – including inheritance tax and overseas workday relief implications, and how non-doms who benefited from the old system can 'rebase' their personally held foreign assets – on the Shipleys website at: ***https://tinyurl.com/yjut3u84***

Inheritance tax shake-up: what it means for planning for the future

Revisiting the Budget announcements around death duties and exploring what they might mean for tax liabilities.

Chancellor Rachel Reeves's decision to leave some inheritance tax (IHT) rules unchanged and to change others could have an impact on financial planning for passing on assets to loved ones.

The current freeze on the inheritance tax thresholds will be extended for a further two years to 5 April 2030, with the nil-rate band remaining at £325,000 and the residence nil-rate band remaining at £175,000 (but tapering away for estates worth more than £2 million).

Rising property and share prices could mean a small number of extra estates end up paying some IHT – the government's own forecast is that the number of taxpaying estates will increase by 1,400 in 2028/29 and 2,900 in 2029/30.

However, the Chancellor has left untouched certain IHT reliefs, such as annual gifts up to £3,000, gifts out of excess income and, of course, gifts that fall out of your estate for inheritance tax if you survive seven years from the date of the gift (funded perhaps by drawing from your pension fund).

IHT on unused pension fund and death benefits

The chancellor did change the rules on unused pension funds and death benefits payable from a pension, which will be brought into a person's estate for IHT purposes from 6 April 2027.

The decision to bring pension pots within the inheritance tax net means those that have planned their retirement based on the existing rules may now need to review and possibly reconsider their financial planning.

A further consequence of this measure is that it may now cause some estates to breach the £2 million threshold at which the residence-nil rate band begins to taper away.

Agricultural and property reliefs

From April 2026, agricultural property relief (APR) and business property relief (BPR) will be subject to new restrictions. These proposals are proving particularly unpopular with farmers who have to date been able to pass on farmland and associated buildings to future generations free of charge.

The current 100% rate of relief will continue for the first £1 million of combined agricultural and business property for individuals and trusts, except for shares designated as 'not listed' on the markets of recognised stock exchanges, such as AIM. However, the rate of relief will be 50% for such assets above the £1 million threshold and for all 'not listed' shares.

The existing 50% rates of business and agricultural relief will continue where they currently apply (e.g. to farmland let before 1 September 1995) and will not be affected by the new allowance.

For certain trusts that were established before 30 October 2024, the £1 million allowance will apply to each trust. The £1 million allowance will be divided between trusts where a settlor sets up multiple trusts on or after 30 October 2024.

The restriction to APR and BPR will be a particular concern for many business owners, whose families may now need to consider how to fund an inheritance tax bill without breaking up or selling the family business.

However, an option to pay inheritance tax in 10 annual instalments will be available on such assets until they are sold.

Environmental land management

From 6 April 2025, agricultural property relief will be extended to cover land managed under an environmental agreement with, or on behalf of, the UK government, devolved governments, public bodies, local authorities or approved responsible bodies.

Detailed professional advice should be sought before any action is taken to change financial planning aimed at ensuring businesses and family wealth can be passed down to future generations.

More good news for the broadcast industries

Further tax breaks confirmed for film, TV and animation sectors

Independent film businesses in the UK have received a welcome boost with news they will be able to claim a tax relief of 53% on qualifying costs.

The UK independent film tax credit (IFTC), initially announced in the 2024 Spring Budget and confirmed by the Labour government in October, will cover production activities only and not stretch to include activities such as finance, marketing and distribution.

Qualification rules

Production costs of up to £15 million will be eligible for the relief, but films with a budget up to £23.5 million are also eligible for the IFTC and the relief will be tapered. Other qualifying criteria includes the following:

- Films must pass a new British Film Institute (BFI) cultural test and demonstrate at least one of the following – a UK writer (national or resident), a UK director (national or resident) or be certified as an official UK co-production
- The film must be certified as a low-budget film by the BFI. It must also be intended for 'theatrical release', which means TV productions will not qualify.
- At least 10% of a production's core expenditure must be used or consumed in the UK
- Qualifying productions must have started principal photography on or after 1 April 2024 and only expenditure incurred after 1 April 2024 can be claimed.

Qualifying expenditure is capped at 80% of a film's total core expenditure, or on the amount of UK core expenditure. The maximum credit a film can receive is £6.36million.

When submitting the BFI application, an accountant's report is now required for both interim and final certification applications.

A better net result than AVEC

The IFTC – like audio-visual expenditure credit (AVEC) – is an above-the-line tax credit on qualifying expenditure. It is taxable at the main rate of corporation tax, currently 25%. At that rate, the maximum cash repayable element would be £4.77million.

This means the IFTC rate nets down to 39.75% after the corporation tax is deducted. However, this is still significantly higher than the AVEC rate for films, which nets down to 25.5%.

In submitting claims, production companies will be expected to submit an additional information form for the relevant period and their BFI certificate. Claims can only be submitted from 1 April 2025. Interim claims submitted before this date will need to be submitted under AVEC with the uplifted amount that would have been due claimed through the submission that takes place post-1 April 2025 for any eligible spend in the interim period.

The claim will be submitted as part of the company's tax return. If claiming the IFTC, separate claims for the visual effects and animation uplifts cannot be made. Find out more on the Shipleys website at ***https://tinyurl.com/5ct4vwxh***

Shipleys is recognised as a market leader in providing accountancy, tax and business advice to the film, TV, animation and video games sectors so please contact one of our specialists now.

Increased AVEC rate for visual effects

Film and high-end TV production companies will soon be able to claim an enhanced 39% rate of audio-visual expenditure credit (AVEC) on their UK visual effects (VFX) costs.

From 1 April 2025, companies will be able to claim an enhanced 39% rate of AVEC on their UK VFX costs (increased from 34%). The AVEC's 80% cap on qualifying costs will be removed for UK VFX costs and qualifying VFX costs incurred from 1 January 2025 will be eligible. The definition of VFX is deemed to be "work consisting of the use of computer technology to create or alter images for inclusion in the film or programme".

The additional tax relief will only be available to companies when the production has received a final certificate from the British Film Institute (except where the project is abandoned). This means claims can only be made for the completion period (or a subsequent period). The completion period is the accounting period when the production is completed.

For interim periods, the company will still be able to claim the normal 34% rate of AVEC, including on the VFX costs.

Claims will have to be accompanied by evidence of qualifying expenditure. This latest tax break is aimed at incentivising inward investment and improve the competitiveness of the UK's VFX businesses working within the film, TV, animation and video games sectors. Find out more on the government's gov.uk website at: ***https://tinyurl.com/yurwnysm***

VAT corner

A round-up of useful updates

VAT on private school fees
As expected, it was confirmed in the autumn Budget that VAT will be added to private school fees from 1 January 2025.

Tuition, boarding and vocational training services will all be subject to the standard 20% VAT charge, and schools receiving fee payments in advance will need to register for VAT before 1 January 2025.

How VAT affects private school fees for children with special educational needs and disabilities, depends on whether they have a local authority-funded education, health and care plan (EHCP) and what it advises.

Nursery classes provided by private schools that consist wholly, or almost wholly (90% or more), of children under compulsory school age will be exempt from VAT.

In addition, from April 2025, private schools that are charities will also lose charitable business rates relief.

We are already helping schools with the VAT changes, and there is also guidance about registering for VAT on the gov.uk website at ***https://tinyurl.com/mr9efj42***

VAT vigilance
We are urging our clients to be vigilant with their VAT accounting due to increasing instances of fraud.

For example, VAT registration and bank account details are often cancelled or changed without a business's knowledge once a criminal has access to them. This can lead to cancelled direct debits and missed payment deadlines and even bogus repayment claims being submitted, so it is crucial businesses stay alert to any changes to VAT-related details.

Impersonation of HMRC is the favoured tactic in many cases of fraud so it is important to always check that email addresses and other contact details stated on correspondence is correct.

At the same time, businesses are currently experiencing significant disruption to their operations due to worsening delays in HMRC processing VAT matters and given HMRC's poor current service standards generally. This is resulting in unnecessary inconvenience and cost.

Payroll answers

Answering your payroll questions

Benefits in kind change
Payrolling benefits in kind, which is already an option available to employers, will be compulsory for all from April 2026.

Employers should familiarise themselves with the process of payrolling benefits in real time before the change comes into effect and communicate these changes to employees.

For some employees, the introduction of mandatory payrolling and PAYE coding adjustments for prior years will overlap, potentially creating an additional tax charge in the f irst year.

An employer will still need to submit a P11D(b) form by 6 July after the end of the tax year to report the employer's Class 1A national insurance contributions due on the payrolled benefits.

We are suggesting that employers register before April 2025, to begin payrolling benefits in the 2025-26 tax year, a year ahead of the mandatory change. As agents, if we have active authorisation in place with HMRC, we can register on behalf of employers. More detail on the Shipleys website at *https://tinyurl.com/2at4m8t7*

New hours of work rules delayed
Employers will be required to provide details of hours worked by each employee in the relevant pay period.

The new regime for reporting hours through the PAYE Real Time Information return was to be introduced in April 2025 but has been delayed until April 2026 to give software providers more time to prepare.

Holiday pay
Holiday pay reforms were introduced for leave years beginning on or after 1 April 2024.

From 1 January 2025 these changes will impact employers that operate a January to December holiday year.

To help employers get to grips with changes to the Working Time Regulations – which mostly focus on how pay should be calculated for part-year and irregular hours workers – the government has published online guidance at: *https://tinyurl.com/yr77r3u9*

An exciting announcement

In late October, Shipleys announced its merger with Moore Kingston Smith, a leading multi-disciplinary advisory, tax and audit firm with expertise across multiple sectors. With offices throughout the UK and Ireland, Shipleys has joined a team of over 80 partners and 1,000 people.

Here, we interview Steve Foster, Shipleys' Managing Principal, and Matt Meadows, Managing Partner at Moore Kingston Smith, to learn more.

How did the merger come about?

Steve: For some time, Shipleys had been seeking ways to better support clients in an increasingly complex world. When Moore Kingston Smith approached us, it became clear they'd bring infrastructure and resources to preserve the success and growth we sought for our clients and people.

Matt: A key part of Moore Kingston Smith's growth strategy is expanding our client service offerings, and welcoming Shipleys greatly appealed. It enables us to grow our teams with more talented people, enhance our quality work for our clients and broaden our solutions.

What made your firms appeal to each other?

Steve: Like Shipleys, Moore Kingston Smith has strong foundations. It mirrors our culture and ethos and is passionate about high-quality client service. It also works hard to create an enjoyable and supportive working environment for its people.

Our clients will benefit from a broader pool of expertise and range of solutions such as HR consultancy, employer services and legal. These are all backed by the strength of a growing business with robust systems, operational teams and greater career opportunities for our people.

Matt: We're well-aligned, reflecting each other in the services we offer and sectors we serve. Both brands are recognised as leaders in media, financial services and nonprofit. Shipleys, like us, is dedicated to supporting people and businesses from diverse sectors and backgrounds.

This partnership enhances our capacity, resources and expertise, bringing new dimensions to our Media team with Shipleys' specialism in film, TV and animation. It enhances our financial sector offering through their dedicated Funds and Financial Services team.

What excites you about the merger?

Steve: It's our shared vision and values, and we look forward to merging our strengths, solutions and sector knowledge to expand our client services and support.

Steve Foster, Managing Principal at Shipleys

Matt Meadows, Managing Partner at Moore Kingston Smith

Above all, we can continue helping our clients and people to thrive. Moore Kingston Smith recognises our strengths and skills, the quality of our work and the impressive clients we serve.

Matt: Shipleys is very much aligned with us in purpose, values and placing their clients at the centre of all they do. The merger is an exciting opportunity to deepen and broaden our support of clients and create further development opportunities for our people.

What does this mean for clients and contacts?

Steve: Our clients and contacts can be confident that it's 'business as usual'. They can expect the same commercial approach, technical capability and personal touch they're used to – with the same principal, team members and integrated service.

Also, we'll become part of the Moore Global network, offering clients an even further reach at national and international levels.

Matt: There'll be no change to the multi-disciplinary teams Shipleys operates in delivering its joined-up service. Also, Shipleys' Godalming office, in addition to our Redhill location, strengthens our Surrey presence.

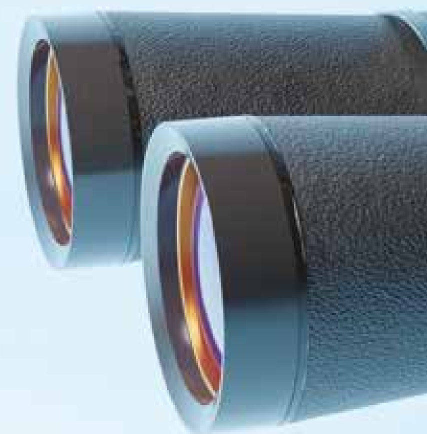
How will the firms integrate?

Matt: Integration is being carefully considered and will take place gradually. Our priority is ensuring everyone's ready for a smooth, comfortable transition.

Steve: We're working closely to plan seamless transition and alignment. Preserving a high-quality service experience for our clients and an enjoyable working environment for our colleagues remains paramount.

If clients have questions or would like to discuss anything, please speak with their Shipleys Principal.

Preparing for the end of the 2024/25 tax year



With the new government announcing tax-raising measures in its first Budget, it's advisable to take care with upcoming financial planning.

Income tax
With thresholds on hold, be mindful that salary increases and bonuses given this year may mean you move into a higher tax bracket. Take particular care if your income moves into the £100,000 to £125,140 range, as your personal allowance is reduced by £1 for every £2 over £100,000.

If your income falls just above one of the tax thresholds, you may want to consider the following strategies identified below to reduce your taxable income.

Taxable income	2024/25 & 2025/26 income tax rate
Up to £37,700	20%
£37,701 to £125,140	40%
Over £125,140	45%

If you are married or in a civil partnership and one of you is not using all your personal allowance (still £12,570), while the other is a basic rate taxpayer, you should use the marriage allowance to transfer £1,260 of the allowance and save £252 tax.

Get tax relief in 2024/25 for gift aid donations made by 5 April 2025 or, by election, for cash gift aid made by 31 January 2026 before filing your 2024/25 tax return.

Tax relief is also available on gifts of quoted shares and land to charity, but only for the year the gift is made. There is no capital gains tax or inheritance tax liability on such gifts.

The personal savings allowance of £1,000 for basic rate taxpayers and £500 for higher rate taxpayers means interest up to these levels is tax-free. Spouses/civil partners get their own allowances so consider splitting your savings to optimise tax benefits. If your non-savings income is less than £17,570 per year, you're allowed to earn up to £5,000 interest tax-free.

Pension contributions up to £60,000 qualify for tax relief. This is reduced to 100% of your income if you earn less than that or is tapered (to a minimum of £10,000) if your adjusted income is over £260,000. The limit is also £10,000 if you have already started drawing a defined contribution pension.

For anyone with income between £100,000 and £125,140, pension contributions can provide tax relief at an effective rate of 60%. If you have held a pension scheme in previous years and didn't fully use your allowance in the previous three tax years, any unused allowance is available this year. Contributions made by your employer or your company also count towards your allowance.

Paying into a pension scheme will reduce your taxable income and may preserve personal allowances, savings allowances and also reduce the high income child benefit charge.

Dividend income
The £500 tax-free allowance for all individuals and dividend tax rates are unchanged from 2024/25 to 2025/26:

Basic rate taxpayers	8.75%
Higher rate taxpayers	33.75%
Additional rate taxpayers	39.35%

National insurance
From 6 April 2024, class 2 was made voluntary for the self-employed, and class 4 reduced from 9% to 8% on all earnings between £12,570 and £50,270.

While no changes are proposed for employee national insurance in the next tax year, employer national insurance is set to rise. This will bring higher employment costs for many organisations and is something to be mindful of.

Capital gains tax (CGT)
The annual exempt amount for individuals and estates fell to £3,000 in 2024/5. For most trusts, the exemption is now £1,500.

On 30 October, Chancellor Rachel Reeves announced changes to CGT with immediate effect. This means for the 2024/5 tax year, different rates of CGT apply at different times.

Capital gains tax rates	06.04.2024-29.10.2024	30.10.2024-05.04.2025
Basic rate taxpayers	10%	18%
Surcharge for residential property/carried interest	8% / 8%	0% / 0%
Higher and additional rate taxpayers	20%	24%
Surcharge for residential property/carried interest	4%/8%	0% / 4%
Trusts and estates tax rate	20%	24%
Surcharge for residential property	4%	0%

The CGT rate for business asset disposal relief is 10% on a lifetime limit of £1,000,000 for trading businesses and companies (minimum 5% participation) held for at least 2 years. This rate is set to rise to 14% from 6 April 2025 and 18% from 6 April 2026. The rate for investors' relief will also increase to these levels. Other CGT points to remember in financial planning include:

• Consider a loss claim for assets of negligible value (such as shares in companies that have gone into administration).

• Income tax relief may be available for losses on shares you have subscribed for in unlisted trading companies.

• The deadline to report and pay CGT after selling UK residential property is 60 days after completion.

• Capital losses in one tax year will reduce capital gains of the same year, even if the annual exemption is wasted. They must be claimed within four years of the end of the tax year in which they arose, but any excess not used against gains will be carried forward indefinitely and used against later year gains which exceed the annual exemption.

• Assets can be transferred between spouses/civil partners CGT-free, so ensure you make the best use of both annual exemptions, losses and lower tax rates.

• If you give away certain business assets or make a gift which is immediately chargeable to IHT, you can sometimes claim to hold over the gain for tax purposes.

Inheritance tax (IHT)
The nil rate band will remain at £325,000 until 5 April 2030. The residence nil rate band (RNRB) also stays at £175,000, and the RNRB taper will continue to apply where the value of the deceased's estate is greater than £2m.

Exemption from IHT on lifetime gifts normally depends on surviving at least seven years, but exceptions exist. You can give up to £3,000 in total each tax year to anyone, plus the amount of any unused allowance from the preceding year.

In addition, you can give up to £250 each to any number of people each year (but they cannot be the same people who received gifts from the £3,000 annual gift allowance). Gifts of assets that grow in value can save IHT – even if you die within seven years – because the growth in value is in the recipient's estate, not yours.

Regular gifts out of income are exempt from IHT with no limit, provided your remaining after-tax income is sufficient to maintain your usual standard of living. However, gifts can result in a CGT liability.

Individual savings accounts (ISAs)
No tax is payable on income or gains on investments within an ISA. You can invest up to £20,000 in total this tax year. The corresponding limit for junior ISAs and child trust funds is £9,000.

If you're between 18 and 40, you can save up to £4,000 a year of your ISA allowance in a lifetime ISA, until you reach the age of 50. You receive a government bonus of 25% on your savings towards the cost of a first home worth up to £450,000. The money can be invested as cash or in stocks and shares, as with other ISAs, and may be taken out tax-free after the investor is 60.

Enterprise investment scheme (EIS) and other investments
The EIS and the venture capital trust (VCT) scheme have now been extended by 10 years to 5 April 2035.

Subject to conditions, 30% income tax relief is available, growth is capital gains tax free, gains on other assets may be deferred and 100% inheritance tax relief may apply. Also, VCT dividends are tax free.

Non-doms and residency
Changes to the taxation of individuals and trustees not domiciled in the UK take effect from 6 April 2025. There is still some time to restructure investments, make the best use of the final year of the current regime and to consider settlor excluded trusts. Reviewing the number of UK days may also be important to determine non-UK residency.

Can we help?
With many thresholds still frozen in the 2024/25 tax year, it's important to check income increases don't tip you into higher tax brackets. Do chat with your Shipleys contact for further guidance and help.

A reminder to the self-assessment clients we support

If you haven't yet done so, please send your Shipleys contact the information they requested as soon as possible. This helps us to prepare your return in good time and address any queries ahead of HMRC's deadline.

Practical tips for business leaders who want to expand their operations.

Going for growth

Add together consumer confidence, investment in your business and increased productivity, then sprinkle on supportive government policies, and you have some of the key ingredients for growth.

However, business and economic growth has often proved elusive in recent years, so our November Business Club explored practical tips and ideas to support businesses. Here are some highlights.

• **Have an active plan** – this is essential but it's just as important your leadership team contributes to it and is on board to implement it. Conduct regular reviews of the plan to help the strategy stay on track but keep an agile mindset so the business can pivot when a new opportunities or challenges emerge.

• **Be savvy about return on investment** – have a clear understanding of the projected return on your investment in the business, which will help you focus resources on what will be most effective. This may release funds to invest in technology to help boost productivity. Also, make the most of tax breaks for investing in the business, such as capital allowances.

• **Nurture your team** – finding and retaining the right talent for your business will play a key role in your growth, so empower and reward them well. Consider whether you can improve your current recruitment, training, incentives and internal communications to support your growth plans.

• **Be visible** – continually building your profile in the market is vital to business growth, and it helps if you have a consistent and positive brand to build that awareness. Remember that everyone in the business has a part to play in conveying and demonstrating your brand, so work hard to build a shared ethos and approach across your team.

Our Business Club members also considered recommendations they'd like to make to the government to support economic growth:

• Give more help to SMEs through tax breaks

• Ensure more consultation across the board before instigating legislation

• Improve the UK's appeal to overseas investment

• Reform the planning system – get rid of red tape at a local level to help fuel growth, investment and create jobs

• Rebuild the UK's relationship with the EU.

Further details at *https://tinyurl.com/4y3unde6*

And finally to all our Shipshape readers...