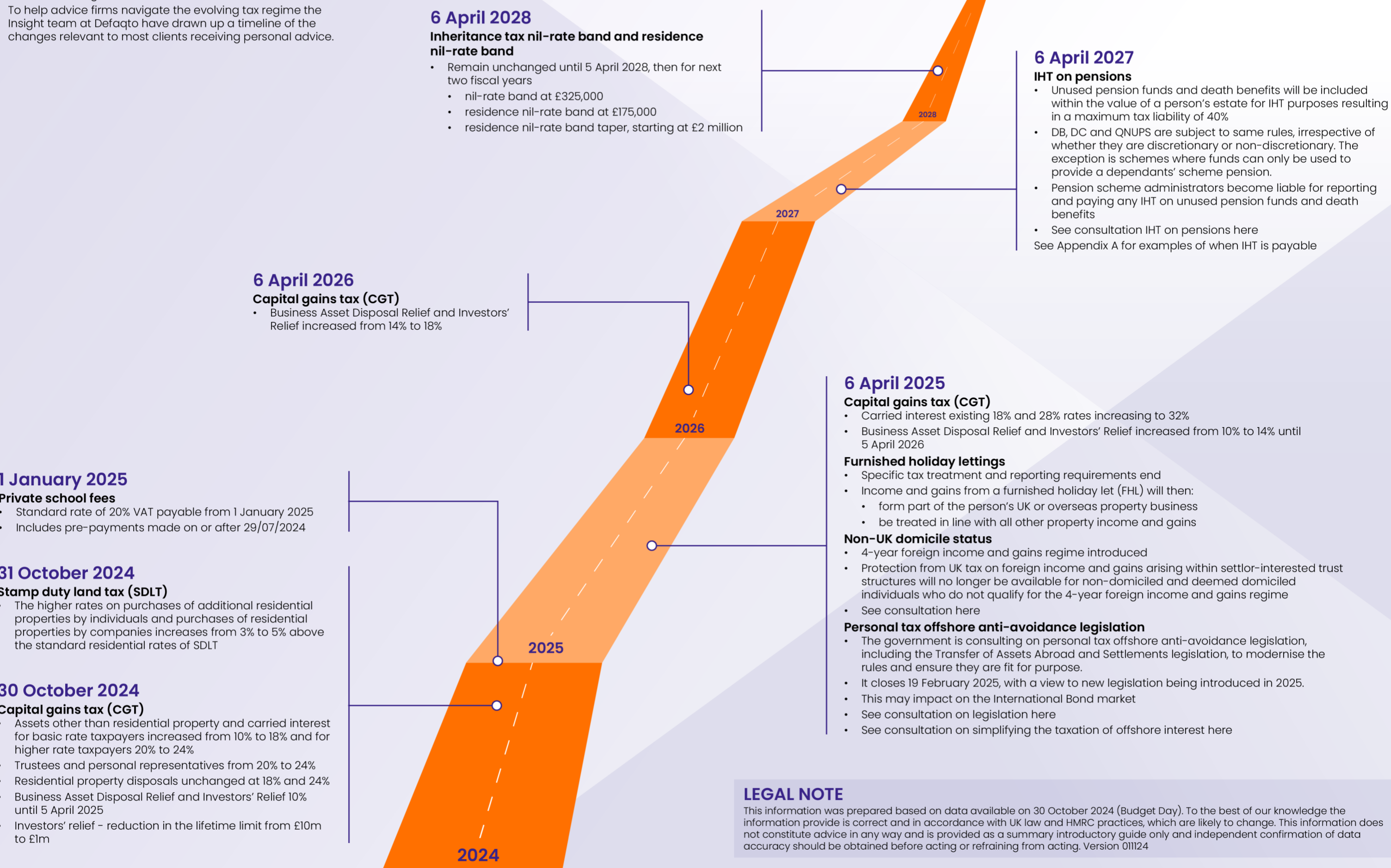


# Timeline of Budget Changes

When the Chancellor of the Exchequer, Rachel Reeves, announced her budget on 30 October, we had expected some notable changes, after all, it had been 14 years in the making. What had not been anticipated was the drawn-out timeline of when her changes would be enacted.

To help advice firms navigate the evolving tax regime the Insight team at Defaqto have drawn up a timeline of the changes relevant to most clients receiving personal advice.



## 1 January 2025

### Private school fees

- Standard rate of 20% VAT payable from 1 January 2025
- Includes pre-payments made on or after 29/07/2024

## 31 October 2024

### Stamp duty land tax (SDLT)

- The higher rates on purchases of additional residential properties by individuals and purchases of residential properties by companies increases from 3% to 5% above the standard residential rates of SDLT

## 30 October 2024

### Capital gains tax (CGT)

- Assets other than residential property and carried interest for basic rate taxpayers increased from 10% to 18% and for higher rate taxpayers 20% to 24%
- Trustees and personal representatives from 20% to 24%
- Residential property disposals unchanged at 18% and 24%
- Business Asset Disposal Relief and Investors' Relief 10% until 5 April 2025
- Investors' relief - reduction in the lifetime limit from £10m to £1m

## 6 April 2028

### Inheritance tax nil-rate band and residence nil-rate band

- Remain unchanged until 5 April 2028, then for next two fiscal years
  - nil-rate band at £325,000
  - residence nil-rate band at £175,000
  - residence nil-rate band taper, starting at £2 million

## 6 April 2026

### Capital gains tax (CGT)

- Business Asset Disposal Relief and Investors' Relief increased from 14% to 18%

## 6 April 2027

### IHT on pensions

- Unused pension funds and death benefits will be included within the value of a person's estate for IHT purposes resulting in a maximum tax liability of 40%
  - DB, DC and QNUPS are subject to same rules, irrespective of whether they are discretionary or non-discretionary. The exception is schemes where funds can only be used to provide a dependants' scheme pension.
  - Pension scheme administrators become liable for reporting and paying any IHT on unused pension funds and death benefits
  - See consultation IHT on pensions here
- See Appendix A for examples of when IHT is payable

## 6 April 2025

### Capital gains tax (CGT)

- Carried interest existing 18% and 28% rates increasing to 32%
- Business Asset Disposal Relief and Investors' Relief increased from 10% to 14% until 5 April 2026

### Furnished holiday lettings

- Specific tax treatment and reporting requirements end
- Income and gains from a furnished holiday let (FHL) will then:
  - form part of the person's UK or overseas property business
  - be treated in line with all other property income and gains

### Non-UK domicile status

- 4-year foreign income and gains regime introduced
- Protection from UK tax on foreign income and gains arising within settlor-interested trust structures will no longer be available for non-domiciled and deemed domiciled individuals who do not qualify for the 4-year foreign income and gains regime
- See consultation here

### Personal tax offshore anti-avoidance legislation

- The government is consulting on personal tax offshore anti-avoidance legislation, including the Transfer of Assets Abroad and Settlements legislation, to modernise the rules and ensure they are fit for purpose.
- It closes 19 February 2025, with a view to new legislation being introduced in 2025.
- This may impact on the International Bond market
- See consultation on legislation here
- See consultation on simplifying the taxation of offshore interest here

## LEGAL NOTE

This information was prepared based on data available on 30 October 2024 (Budget Day). To the best of our knowledge the information provide is correct and in accordance with UK law and HMRC practices, which are likely to change. This information does not constitute advice in any way and is provided as a summary introductory guide only and independent confirmation of data accuracy should be obtained before acting or refraining from acting. Version 011124

## Annex A

### Authorised Pension Death Benefits included in the value of an individual's estate for Inheritance Tax from 6 April 2027

All life policy products purchased with pension funds or alongside them as part of a pension package offered by an employer are not in scope of the changes in this consultation document.

Any unauthorised payments made from a deceased member's pension fund will be in scope of Inheritance Tax.

Death Benefit	Scheme Type	Description	Included in estate value for IHT?
DB lump sum death benefit	DB	Lump Sum. Usually paid if member is still employed	Yes
Pension protections lump sum death benefit	DB	Lump sum. Usually paid if a member dies within a short period after taking their pension	Yes
Uncrystallised funds lump sum death benefit	DC	Lump Sum. Only paid from uncrystallised funds	Yes
Annuity protection lump sum death benefit	DC	Lump sum. Allows beneficiaries to take lump sum from an annuity	Yes
Drawdown lump sum death benefit	DC	Lump Sum. Allows beneficiaries to withdraw lump sum from a drawdown fund.	Yes
FAD fund lump sum death benefit	DC	As above	Yes
Charity lump sum death benefit	DC	Included in the estate for IHT, but exempt provided payment made to a qualifying charity	No
Trivial commutation lump sum death benefit	DC & DB	Taxed at beneficiaries' marginal rate	Yes
Dependants scheme pension	DC & DB	Income taxed at beneficiaries' marginal rate	No
Dependants annuity	DC	Income	Yes
Dependants drawdown pension	DC	Income	Yes

Death Benefit	Scheme Type	Description	Included in estate value for IHT?
Dependants short-term annuity	DC	Income	Yes
Dependants drawdown pension fund	DC	Income	Yes
Dependants flexi-access drawdown	DC	Income	Yes
Nominees annuity	DC	Income	Yes
Nominees short-term annuity	DC	Income	Yes
Nominees flexi-access drawdown	DC	Income	Yes
Successors annuity	DC	Income	Yes
Successors short-term annuity	DC	Income	Yes
Successors flexi-access drawdown	DC	Income	Yes

Source: <https://www.gov.uk/government/consultations/inheritance-tax-on-pensions-liability-reporting-and-payment>