Reflecting on The Autumn Budget Statement 2024

T: 01228 587588
E: info@trulyonline.co.uk
W: www.trulyifa.co.uk

February 2025

The Autumn Budget Statement 2024 introduced a range of changes that could significantly impact wealth planning strategies. From pensions and tax adjustments to shifts in the treatment of business and agricultural assets, the statement calls for individuals with substantial wealth to reassess their long-term financial goals. These changes present challenges and opportunities depending on your personal and financial circumstances.

Taking a detailed and strategic approach to wealth planning is essential, particularly with complex tax alterations on the horizon. Here, we break down the key areas of the Autumn Budget for 2024 and explain how these changes might affect pensions, Inheritance Tax (IHT), Capital Gains Tax (CGT) and investments.

PENSIONS AND LONG-TERM WEALTH STRATEGIES

One of the most direct and impactful changes involves the proposed inclusion of pensions within the IHT framework from 6 April 2027. This adjustment means that individuals who historically viewed pensions as an efficient IHT planning tool may need to reconsider their approach. The consultation period for this proposal ends in January 2025, leaving some time for further clarity; however, proactive planning will be crucial in the interim.

Pensions have long been subject to fluctuating tax regulations. For instance, in 2006, a 35% tax on death benefits after age 75 eligible for agricultural relief led to advice that clients preserve their pensions and draw from other assets instead. Similarly, adjustments in subsequent years prompted shifts in planning strategies, including a shift away from pensions when a 55% tax rate was introduced. These changes highlight the importance of maintaining flexibility in wealth planning, as adapting quickly to legislative changes can mitigate potential losses.

REVIEWING ALTERNATIVES FOR IHT PLANNING

Pensions could become less valuable tools for IHT mitigation, so it may be time to explore other strategies. Options such as gifting excess income, funding a whole-of-life insurance policy or establishing trusts could be viable alternatives. Each approach has benefits and limitations, which must be tailored to individual needs.

The changes announced to Inheritance Tax extend beyond pensions, with particular focus on business and agricultural relief. Historically, business assets were often assumed to sit outside the estate for IHT purposes, but new measures set to take effect by April 2026 could alter this dramatically. Business owners may consider transferring assets to discretionary trusts during this planning window to minimise future IHT implications.

BUSINESS ASSETS UNDER THE MICROSCOPE

Changes to business property relief could reshape estate planning strategies for entrepreneurs and investors with significant business holdings. Thanks to 100% relief, business property has historically been immune to certain forms of IHT; however, the government now proposes reducing this relief to 50% on assets exceeding £1m. While this change aims to close perceived loopholes, it could affect decisions about reinvesting in or divesting business assets.

Similar considerations now apply to the Alternative Investment Market (AIM) shares, which have traditionally benefited from the same relief. While the reduction to 50% relief is less severe than the complete removal that some had feared, it introduces new uncertainties. AIM-listed companies may see a reduced attractiveness as part of strategic IHT planning. That said, AIM shares can still play a critical role in tax efficiencies within ISAs, especially for those willing to tolerate higher market risks.

AGRICULTURAL RELIEF AND THE IMPACT ON FARMING FAMILIES

Another substantial reform impacts agricultural relief, traditionally designed to safeguard farmers' estates from significant tax bills. Under the new measures, farmland and related assets above £1m will be eligible for only 50% relief, which could result in a 20% IHT rate for higher-value estates. While the legislation offers flexibility to spread tax payments over a decade, the immediate impact on cash flow and succession planning could be profound.

For many farmers, including the next generation inheriting these estates, this change underscores the

Truly Independent Ltd. Company Registration No: SC367442. Principal Office Address: Atlantic House, Parkhouse, Carlisle, Cumbria, CA3 0LJ. Registered Office Address: Forsyth House, 93 George Street, Edinburgh, EH2 3ES

need for careful financial planning to prevent future hardship. complexities of combining agricultural assets with other allowances, such as the residential property nil rate band, make tailored advice essential. The complexities of combining agricultural assets with other allowances, such as the residential property nil rate band, make tailored advice essential.

ADJUSTING STRATEGIES FOR CAPITAL GAINS

TAX Capital Gains Tax (CGT) is also in the spotlight, with a revised rate of 18% and 24% likely to impact investors' behaviour. While less onerous than the previous 28% rate applicable to properties, the slight decrease may not be enough to alter transaction trends dramatically. Crucially, unlike other taxes, CGT allows for greater oversight over decisions, such as when to sell assets.

For those sitting on significant gains, deferral options like the Enterprise Investment Scheme (EIS) remain available. However, some may prefer to pay the tax now rather than risk a higher future rate in the current environment. Planning for CGT becomes even more important when balancing other tax considerations and wealth goals.

CONSIDERING NON-DOM STATUS VERSUS OTHER STRATEGIES

For individuals seeking to escape the UK tax net, non-domicile status might appear attractive theoretically but is fraught with complexities in practice. While Income Tax can often be avoided relatively quickly by moving abroad, full detachment from the IHT framework takes years. This leaves many questioning whether waiting for ten years outside the tax net is worth the effort.

Alternatively, gifting significant portions of wealth now can be a simpler and more immediate way to sidestep long-term IHT liabilities. Some clients are increasingly exploring philanthropy or intergenerational financial gifting to manage their estates while also creating a meaningful legacy.

CONSIDERING NON-DOM STATUS VERSUS OTHER STRATEGIES

For individuals seeking to escape the UK tax net, non-domicile status might appear attractive theoretically but is fraught with complexities in practice. While Income Tax can often be avoided relatively quickly by moving abroad, full detachment from the IHT framework takes years. This leaves many questioning whether waiting for ten years outside the tax net is worth the effort. Alternatively, gifting significant portions of wealth now can be a simpler and more immediate way to sidestep long-term IHT liabilities. Some clients are increasingly exploring philanthropy or intergenerational financial gifting to manage their estates while also creating a meaningful legacy.

HAVE YOU BEEN LEFT UNCERTAIN ABOUT THE IMPLICATIONS FOR YOUR WEALTH?

The Autumn Budget Statement 2024 has introduced changes requiring immediate attention and long- term planning. While some measures remain under consultation or offer transitional windows, the time is now to revisit your wealth strategy and ensure flexibility in the face of this fiscal evolution. If these changes have left you uncertain about the implications for your wealth, our team of experienced professionals is here to help. Contact us today to arrange a consultation and start taking control of your financial future.

Truly Independent Ltd. Company Registration No: SC367442. Principal Office Address: Atlantic House, Parkhouse, Carlisle, Cumbria, CA3 0LJ. Registered Office Address: Forsyth House, 93 George Street, Edinburgh, EH2 3ES