

Broadcast

FACTSHEET: TAX INCREASES ON THE WAY

SPECIAL ISSUE

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In her announcement to parliament, when the Chancellor, Rachel Reeves, confirmed the existence of a £22bn deficit in the UK's finances, she outlined a number of reductions in public expenditure budgets and hinted that taxes would need to rise to cover any shortfall.

However, she did re-confirm that the basic, higher and additional rates of income tax, National Insurance rates and VAT would not be increased.

In this alert we have listed some of the measures announced.

Winter Fuel Payments

Winter Fuel Payments from now on will be restricted to those receiving pension credits or other means-tested benefits..

Private school fees

As expected, from 1 January 2025, tuition and boarding fees will be subject to VAT at 20%.

It has also been announced that fees invoiced or paid on or after 29 July 2024 that relate to the school terms after 1 January 2025 will be subject to the standard rate of VAT at the beginning of that term.

School fees paid before 29 July 2024 will follow the VAT treatment in force at the time of the normal tax point for these supplies, where the fee rate for the relevant term has been set and was known at the time of payment.

Other tax increases

It is doubtful that government will be able to plug the spending deficit by merely trimming departmental budgets, and the Chancellor has hinted that the budget announcements to be made on 30 October 2024 will include tax increases.

We know which taxes will not be increased, see above, but that leaves plenty of scope for other taxes to be increased.

They would tinker with:

- CGT – by withdrawing reliefs and allowances, and/or treating gains as income subject to income tax rates. For example, the 10% tax charge for disposals of business assets could be increased.
- IHT – by withdrawing or reducing the seven year potentially exempt transfer relief and/or business and agricultural reliefs.
- Pensions – by removing higher rate income tax relief for personal contributions.
- Dividends – by increasing dividend tax rates to equalise the taxation of the salary and dividends.
- Stamp Duty – by increasing rates.
- Wealth tax – will we see the introduction of this new tax?

Like to consider your planning options?

It is rare for Chancellors to back-date tax increases to a date before the increases are announced. In which case, there is an opportunity to consider actions that can be undertaken before 30 October 2024, to save tax for 2024-25.

If you would like to see if you could save tax in this way, please call us on **01753 888 211** or email info@nhllp.com so we can consider your options.