News story

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Autumn Budget Statement 2024

Key implications for employment law, property law, and estate planning

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Rachel Reeves made history yesterday, delivering the first Labour Autumn Budget Statement in 14 years as the first female Chancellor of the Exchequer. With a bold commitment to overhaul the economic framework, Reeves unveiled a £40 billion budget designed to shift the tax burden and increase public investment, aiming to reshape the landscape for working people, property owners, and those engaged in estate planning.

Employment law: National Living Wage increase and Employer Contributions

In a landmark decision, the National Living Wage is set to rise by 6.7% to £12.21 per hour from April 2025, affecting employees aged 21 and over. This increase, worth £1,400 per year for eligible full-time employees, highlights a step towards equalising wage standards across age groups. Young workers aged 18-20 will see a significant hourly wage increase of £1.40 as part of the government's goal of eventually merging these tiers into a unified adult rate.

Simultaneously, employers are facing a rise in National Insurance Contributions (NICs) by 1.2% to 15% beginning in April 2025. Additionally, the secondary threshold for employer NICs will drop from £9,100 to £5,000, expanding the number of businesses liable for contributions and raising an estimated £25 billion. Notably, smaller businesses will benefit from an increase in the employment allowance to £10,500 for those with NICs bills under £100,000, a change designed to alleviate financial pressure on SMEs while preserving essential workforce incentives.

Property law: Changes in Capital Gains and Stamp Duty Land Tax on property transactions

Property owners, especially those with second homes, will incur higher taxes due to adjusted Capital Gains Tax (CGT) rates and increased Stamp Duty Land Tax (SDLT) surcharges.

CGT rates on asset disposals are increased effective immediately, with the lower rate rising from 10% to 18% and the upper rate rising from 20% to 24%, aligning them with residential property rates.

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Landlords and second homeowners will be impacted by a rise in the existing 3% SDLT surcharge to 5% on applicable property purchases from 31 October 2024. This adjustment is intended to discourage speculative real estate investments and channel more resources toward affordable housing initiatives.

Furthermore, reforms to business asset disposals and Investors' Relief (Business Asset Disposal Relief) will be introduced. CGT rates are set to increase to 14% in 2025 and 18% by April 2026. These changes reflect the government's attempt to recalibrate the tax structure for property and business transactions to generate a more equitable tax system.

Estate planning law: Inheritance Tax adjustments and Relief modifications

For those engaged in estate planning, the budget introduces notable revisions to Inheritance Tax (IHT) and relief mechanisms that may prompt a reassessment of existing estate strategies. The "loophole" allowing pension pots to pass tax-free has been closed, with new taxes applied to these transfers beginning in April 2027. Additionally, reforms to Agricultural Property Relief (APR) and Business Property Relief (BPR) from April 2026 will reduce combined asset relief to 50% for values over £1 million.

IHT thresholds, frozen until April 2030, further complicate estate planning for families and property owners. The nil-rate band remains at £325,000, with the residence nil-rate band capped at £175,000. As property values rise, this freeze is projected to increase the number of estates liable for IHT, which is expected to raise an additional £2 billion for the Exchequer. While allowances for gifts remain unchanged, the freezing of thresholds will encourage advisors and clients to consider proactive wealth distribution to reduce taxable estate values.

Estate planning tactics: Leveraging gifts and trusts

In light of these changes, estate planners may wish to explore strategies to minimise IHT liability. Gift allowances provide significant tax relief, allowing individuals to make exempted gifts that fall out of the taxable estate after seven years. Gifts made to individuals are exempt once the seven years have expired from the date of the gift. In contrast, those made to trusts are subject to an immediate lower lifetime IHT rate of 20% if above the nil-rate threshold, with a potential exemption for the balance after seven years.

Additional methods to reduce estate size include making gifts out of surplus income without affecting lifestyle and maximising annual exemptions. These measures are vital as more estates face tax liabilities due to threshold freezes and shifting asset valuations.

Conclusion: Strategic review for individuals and businesses

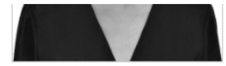
Rachel Reeves' first budget establishes a clear framework for redistributing the tax burden through CGT, SDLT and IHT reforms. For those navigating employment, property, and estate planning law, it is an opportune moment to reassess financial structures, employee benefits, and estate transfer plans. Our advisors specialising in these areas can offer insights to optimise wealth retention, tax efficient planning, and compliance with the latest regulations.

Ben Marks, Partner and Head of Residential Property at RIAA Barker Gillette noted, "Individuals with complex assets, foreign residency, or property investments must seek immediate guidance to adjust their financial and inheritance plans."

James McMullan, Partner and Head of Private Client commented, "Despite freezes and restrictions, maintaining and utilising exemptions such as the seven-year gifting rule remains essential for effective IHT planning."

For personalised advice on how the budget may impact your property, employment, or estate plans, please consult with Ben Marks, James McMullan, or Karen Cole.

Note: This article is not legal advice; it provides information of general interest about current legal issues.



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