Staying Ahead in a Changing Landscape

As we step into Spring, change is in the air—and none more so than in the world of business and tax. With significant changes afoot for the cost of doing business, staying informed is more important than ever.

At Gildernew & Co., we are dedicated to keeping you up to speed with the latest updates, ensuring you are best prepared to make informed decisions.

In this edition of our Spring Insights, we take a closer look at some of the changes coming down the track in business and personal tax, including adjustments to reliefs, allowances, and compliance obligations. Changes that have a real risk of adversely impacting profitability and financial stability – especially if you haven't taken the time to cost out the implications of what's coming.

For individuals, we have outlined a year-end tax planning checklist, designed to help you maximise tax efficiency and stay ahead of potential liabilities.

With the scale of the changes to income, capital gains and inheritance taxes (to quote just a few) all just around the corner, early planning and expert advice is crucial.

If you have any questions or require tailored support, our team is always here to help.

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Strong To The Finish?

Rachel Reeves rocked the business and farming community with her shock Autumn budget announcements.

Whilst the Halloween fireworks have long since burnt out, the raft of changes announced by the Head of the Treasury last October continue to smoulder and cause major concern and uncertainty for a large swathe of taxpayers and their families across the UK.

We are already seeing the effects of the hike in national minimum wage and employers' NIC on the labour market. Businesses are thinking twice before looking at filling new and existing roles. Business leaders are looking at productivity and efficiency measures, including automation, to boost profits rather than fork out what could be upwards of £1,000 per worker in some sectors, when the full year increases are worked out.

For business owners and farmers looking at their retirement and estate planning, they are also thinking twice – what were once well laid plans for passing on business and agricultural pots to the next generation have now been thrown into the air as the Inheritance Tax landscape looks set to change drastically from April next year. And with the 12-week consultation on pensions and IHT now closed, we await to see what the proposed changes to Pensions and IHT will look like from April 27.

In three weeks' time the Chancellor will get back on her feet in the House of Commons. She has chosen "National Spinach Day" to deliver her Spring Statement. Despite having committed to making no radical announcements on 26th March, it seems the Prime Minister has left the door half ajar, if needed, by assuring her of his support and saying that further work needs to be done to deal with the large deficit left behind by the Tories. She has very little choice – cut spending or raise taxes.

Or, she could work to get the house in order by taking a longer term view, and let the dust settle on the damage done to date, before looking at other measures which may be required.

For business owners, farmers and taxpayers alike, we desperately hope that she has a rethink on some of the announcements and at best that she goes no further with changes to taxes and pensions.

On the day that's in it, maybe she'll pop a can of spinach, and like Popeye choose to stay "strong to the finish" and do nothing else drastic – especially when she will be just 10 days out from the start of a new tax year.

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Employer News!

National Minimum Wage

On 1st April 2025, the National Minimum Wage hourly rate for those aged 21 and over will increase by 6.7% to £12.21 per hour. The NMW for those in the 18-20 age bracket will increase from £8.60 to £10 per hour with the under 18 rate increasing from £6.40 to £7.55. Real cost to employers.

Employer's NIC

From 6 April 2025, will increase from 13.8% to 15%. The contribution threshold being the point at which employers start to pay Employer's NIC for an employee, drops from £9,100 to £5,000 on the same date. Real cost to employers.

Employment Allowance

Increase from £5,000 to £10,500 for the 2025/26 tax year. This is in effect a credit against the first £10,500 of Employer's NIC arising for a business in the 2025/26 year.

Businesses must assess the financial impact of these increases on their cost base. Either you pass it on with increased selling prices – or your profits are taking a hit. Don't wait till you're 12 months in to work out what needs done – work out your cost and take action NOW!

UK Personal Tax Planning

As we approach the end of the 2024/25 tax year on 5 April 2025, it is important to review your personal, family and business tax affairs to ensure that you have taken full advantage of all available tax allowances and reliefs.

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Year-end Tax planning checklist for 2024/25

Hold Onto Your Personal Allowance!

If your income exceeds £100,000, it may be possible to reduce taxable income and preserve your Personal Allowance, by making personal pension contributions, or donations under Gift Aid. Salary sacrifice arrangements continue to remain an effective way to reduce taxable income, by redirecting salary into pension contributions or other tax-efficient benefits such as childcare vouchers or cycle-to-work schemes.

Prime Your Pension Pot

You can contribute up to £60,000 (or 100% of your earnings, whichever is lower) into a pension and benefit from tax relief, as well as reduce your adjusted net income for the High Income Child Benefit Charge, and the Personal Allowance taper. If you haven't used your full pension allowance from the previous three years, you may be able to carry it forward. We recommend speaking to an independent financial adviser to explore your options.

Paying Dividends

The Dividend Allowance has become much less generous than previously, falling to £500 for 2024/25. Consider the timing of dividends. With reductions over the past few years in the dividend allowance and increased tax rates on dividends, tax-free investment options like ISAs and Venture Capital Trusts (VCTs) have become more appealing. Dividends within an ISA or VCT are tax-free, offering a way to shelter dividend income from taxation while growing investment portfolios more efficiently.

Divide And Conquer

Distributing income with your spouse and other family members can allow the use of their Personal Allowances, Savings Allowances and Dividend Allowances fully; and manage exposure to higher rates of tax.

Make The Most Of ISAs

You can invest up to £20,000 in an ISA this tax year, with any returns remaining tax-free. With Junior ISAs for children, you can invest up to £9,000 per child.

Think Capital

The annual exemption is £3,000 for 2024/25. Consider gifting assets to a spouse or civil partner to transfer the gain, allowing them to use their own CGT exemption. Also, if you've experienced losses on certain investments, ensure you report them to HMRC to reduce your overall taxable gains by offsetting against any gains.

Tax Efficient Investments

Tax efficient venture capital schemes including the Enterprise Investment Scheme, Seed Enterprise Investment Scheme and Venture Capital Trusts offer generous tax incentives. Please note, independent financial advice is essential before making any investment.

The Gift Of Giving

You can make gifts of up to £3,000 each tax year, and an additional £3,000 carry-forward from the previous year if unused. Also, you can make unlimited small gifts of up to £250 per person or making regular gifts out of surplus income. These gifts are outside of your estate from an Inheritance Tax perspective.

Tax Changes – What Needs Done?

The Autumn Budget 2024 introduced several important reforms that will have significant implications for individuals' personal finances, particularly in the areas of income tax, capital gains tax (CGT), and Inheritance Tax (IHT). We need to assess our financial positions to establish if we need to make any changes:

Changes to Business Asset Disposal Relief

From 6 April 2025, the rate for Business Asset Disposal Relief ("BADR") will rise to 14%, with a further increase to 18% for disposals made on or after 6 April 2026. The lifetime limit for BADR remains at £1,000,000. For business owners thinking of succession / exit, a delay to April 26 will mean an additional £4K lost to HMRC for each £100K of gain on disposal.

Increase in CGT rates

For disposals made on or after 30 October 2024, the lower rate of Capital Gains Tax increased from 10% to 18% with the higher rate increased from 20% to 24%. The Residential Property Rate of Capital Gains Tax remain unchanged at 18% and 24%.

IHT – Agricultural Property Relief and Business Property Relief

From April 2026, Agricultural Property Relief (APR) and Business Property Relief (BPR) at 100% will only be available for the first £1m of combined qualifying assets. For assets exceeding this £1m cap, IHT will apply with a 50% relief, resulting in an effective rate of tax of 20%.

IHT – Pension Savings and Death Benefits (still out for consultation)

From 6 April 2027, most unused pension pots and death benefits, previously exempt from IHT, will be included within estates and subject to IHT.

IHT Changes for Non-Domiciled Individuals

From 6 April 2025, IHT will become a residence-based tax. Worldwide assets of an individual who is long-term UK resident will be liable to IHT.

It is important to note that the government has yet to publish the legislation. There could be further changes to what has been announced. We will keep you updated.

Practical steps to consider:

- Succession planning – start the conversation now.
- Review ownership structures and wills – it is important to note that the £1m limit is per person, and any unused allowance will be lost.
- Maximising use of lifetime gifts – including potentially exempt transfers (starting the "7 year clock"), exempt gifts include £3,000 annually, or regular gifts out of surplus income.
- Gifting into Trusts.
- Using insurance to cover IHT.

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Meet Our Advisors

Our team of expert advisors have built up a strong reputation for providing valuable insight, expert knowledge and straightforward advice to our clients. Our business model is built on senior experienced professionals working to build long lasting professional relationships with our clients, maintaining consistency from year to year as far as is practicable.

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