

Vicky Platt MA FCA CTA

Chartered Accountant and Chartered Tax Adviser

SUMMARY FOR TAX YEAR 2024-2025 updated by the 6 March Spring Budget (not yet law). The figures for **2024-2025** are in bold; 2023-2024 figures are not in bold (and often in brackets). Scottish tax rates differ and are not quoted here.

RATES AND TAX ALLOWANCES

The Income Tax Rate bands and allowances are:	Notes	2024/2025	2023/2024
0% starting rate (restricted) on income up to	1 & 2	5,000	5,000
20% basic rate, dividends 8.75% , (if non-savings taxable income exceeds the personal allowance, the starting rate band 0% is not available) on income up to	2	37,700	37,700
40% higher rate on income up to, dividends 33.75%	2	125,140	125,140
Withdrawal of personal allowance, which is reduced by £1 for every £2 income over £100,000, effective tax rate 60%		100,000 – 125,140	100,000 – 125,140
45% additional rate on the excess over dividends 39.35% Rates also applicable to discretionary trusts.		125,140	125,140
Capital gains depends on individual's top rate of tax, percentages	3	24R/18R/20/10	28R/18R/20/10
Capital gains tax annual exemption for individuals/trusts		3,000/1,500	6,000/3,000
Executors: Mainstream trusts: Basic rate band, no additional tax due	4	1,000	1,000
Personal allowance progressively withdrawn on income over £100,000 (see above) no age allowance now available		12,570	12,570
Dividend allowance		500	1,000
Withdrawal of Child benefit progressive on adjusted income range		£60,000-£80,000	£50,000-£60,000
Married couple allowance (if one born before 6 April 1935) Relief at 10%		11,080	10,375
Minimum married couple's allowance, one partner must be born before 6 April 1935 (Relief at 10%)		4,280	4,010
'Rent a room' relief applies to part let main residence		7,500	7,500
Total trading income tax free allowance		1,000	1,000
Rental income tax free allowance (not on rent a room relieved income)		1,000	1,000
Transferable tax allowance for basic rate tax paying couples	5	1,260	1,260

Notes

- 1) Savings income up to **£5,000**, primarily bank and building society and gilt interest, is taxed at **0%**. Non-savings taxable income (that is above the personal allowance) progressively reduces this band (see note 2).
- 2) Basic rate: savings income taxable at 20%. Dividend rates include **£500** (£1,000) nil, rest of basic rate band **8.75%**, higher rate **33.75%**, additional rate **39.35%**. Interest up to £1,000 is tax free for basic rate taxpayers, £500 for higher rate. No tax-free interest for additional rate taxpayers, rates apply for both tax years.
- 3) CGT rates for disposal of residential property 24%/18%, all other gains 20/10%, if lower rate available.
- 4) From 6 April 2024 discretionary trusts will not benefit from a standard rate band.
- 5) Transferable if both partners are not higher rate taxpayers and one has unused allowance.

NATIONAL INSURANCE CONTRIBUTIONS (NIC)

	2024/25	2022/23
Lower earnings limit – annual pay over this, gains state pension credits	£6,396	£6,396
Earnings threshold – employees' contributions (second figure applies from 5 July 2022)	£242	£242
Earnings threshold - weekly employers'	£175	£175
Upper earnings limit – employees' and self-employed, annual	£50,270	£50,270
Contribution threshold – Class 4, self-employed, annual	£12,570	£12,570
Contribution rate – primary threshold employee to upper limit	8%	10%/12%*
Rate on earnings above upper limit – employees and self-employed	2%	2%*
Contribution rate – employer, secondary threshold, no upper limit	13.8%	13.8%
Class 1A & B on benefits – employers', no upper limit whole year	13.8%	13.8%
Employment allowance available to smaller employers against Employers' NI	£5,000	£5,000

Self Employed: register within three months of starting self-employment.

Class 4 NI is payable on **6% (9%)** of profits between **£12,570** and **£50,270**. Some thresholds the same for both years. For **2024/25** the **6%** maximum cost around **£2,262** (£3,393). **2%** Class 4 is payable on earnings above the upper limit of **£50,270**. **Class 2** is **£3.45** (£3.15) per week. This is not payable if earnings are over £6,725. If taxable profits below **£6,725** the individual can opt to pay Class 2. Class 2: 35 years' contributions are needed for full state pension. Contributions are not payable if you are of pensionable age at the start of tax year.

NI for self-employed on next page /

INDIVIDUAL SAVINGS ACCOUNTS 'ISA' AND JUNIOR ISA 'JISA' FOR UK RESIDENTS	2024/2025	2023/2024
Annual investment limit	£20,000	£20,000
Junior ISA investment limit (under 18)	£9,000	£9,000
Additional UK British ISA under consultation, to be introduced after consultation June 2024?	£5,000?	nil

Income and gains are not taxable, with 100% flexibility between cash and equities and ISA tax free transfers on death of first spouse. Lifetime ISA 'LISA' for 18-40's, saving £4K per year, plus 25% government bonus, if conditions are met. LISA are restrictive with tough penalties, useful in the right circumstances.

INVESTMENT RELIEFS	Note	Gross 2024/2025	CGT Position
Enterprise Investment Schemes 'EIS'	(i)	£1million @ 30%	100% exempt and can defer gains
Social Investment tax relief 'SITR' can attract hold-over relief		£1 million @ 30%	100% exempt if qualifies
SEED Enterprise Investment Schemes 'SEIS' (note (i) below)	(i)	£200,000 @ 50% rate	No deferral of CGT 100% exempt
Community Investment Tax Relief 'CITR' investing in Community Development Finance Institutions CDFI's		25% over 5 years	No exemption
Maximum <u>pension</u> contribution percentage of earned income tapered when income is over £260,000	(ii)	100% up to £60,000 @ marginal rate	100% exempt
Maximum <u>pension</u> contribution without earned income		£3,600	100% exempt
Lifetime limit for pensions savings tax free lump sum limit		abolished	100% exempt
Venture capital trusts 'VCT' Tax relief rate up to		£200,000 @ 30%	100% exempt

Note (i): EIS and SEIS and SITR can be carried back one tax year. Knowledge-based investments can increase limit by £1m

Note (ii): Unused pension relief from earlier 3 tax years may be available. Limit was £40,000 to 5 April 2023, reducing (dependent on income) down to minimum **£10,000** (£4,000) under taper rules. Taper starts at **£260,00**. Tax free lump sum limited to a maximum of **£268,275**.

COMPANIES AND CORPORATION TAX

The main rate from 1 April 2023 on profits above £50,000 is 25%. Profits below 19%. Profits from £50,000 to £250,000 will be taxed at marginal rate 26.5% from 1 April 2023. Profits under £50,000 19%, and over £250,000 at 25%. Profits of close investment companies are taxable at 25%.

VAT RULES FROM 1 APRIL 2023

The VAT registration limit is now **£90,000 from 1 April 2024 (£85,000)**. For any past 12 months' turnover or next 30 days (including all services and recharged expenses). There are many different schemes. Flat rate less advantageous for service businesses with goods costs @ less than 2% of turnover. For more information look at www.hmrc.gov.uk or discuss with me. Cash accounting is available up to **£1.35 million turnover**. Digital filing: obligations apply unless written exemption gained on grounds of age.

CAPITAL ALLOWANCES FOR SMALL BUSINESSES (1 April applies to companies and 6 April to those who are self-employed.)

Annual Investment Allowance 'AIA' at 100% is extended **£1,000,000** indefinitely. 100% fully expensed allowances over this limit are available, too. Writing down allowances 'WDA' are allowed on unrelieved expenditure. The standard WDA rate is 18% and lower special rate 6% on some assets (increased to 50% in some circumstances)/cars 18%.

CARS, MILEAGE AND ALLOWANCES

Rates on first 10,000 miles, **45p** for all private cars, further mileage 25p a mile, plus 5p per mile per passenger, non-company electric cars 9p from 1 March 2024 (8p from 1 December 2022), per mile, motorcycle 24p, bicycle rate 20p a mile. Self-employed can, instead, claim non-fuel expense and proportional capital allowances on the car based on percentage business use, plus a lower HMRC advisory fuel rate.

TRIVIAL BENEFITS FOR EMPLOYEES Occasional non-monetary benefits of less than £50 value may be ignored, but for owner managers and their households capped to £300 per tax year.