Henwood
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Creating your tomorrow

The 2024 Autumn Budget:

Key areas to think about

By Nick Platt

Introduction

As the Autumn Budget approaches on the 30th of October, announced by Rachel Reeves earlier this year, it's natural for speculation to swirl. However, at Henwood Court, our advice remains clear: focus on what we know rather than what MIGHT happen. All our clients have carefully crafted financial plans and strategies, and we believe in staying the course without being side-tracked by external noise. However, if you were planning to do certain things this financial year, then it may be sensible to review the timings of these.

So, take a breath, tune out the speculation, and let's plan with clarity.

Ten considerations *to review*

Actions to consider taking before 30th October 2024

Personal Clients

01.
Pay personal payments into pensions if you are a higher rate or additional rate taxpayer

Higher rate taxpayers can get up to 40% tax relief and additional rate taxpayers 45% on personal pension contributions.

Where affordable, making these contributions before the Budget will ensure you receive the current tax relief available.

02.
Fund your £3,600 gross into a pension if you have no earnings

Somebody with no earnings can make a pension contribution up to £2,880 in a tax year and receive tax relief at 20% (worth up to £720). This tax relief could be withdrawn, and it may be worth considering making these contributions before the Budget. However, it's also possible a flat rate of tax relief could be introduced at a higher level in the Budget, so this one is harder to call.

03.
Consider bringing forward the payment of your pension lump-sum, if taking benefits within this financial year

Accessing your tax-free cash before the Budget could be advantageous if you were already planning to do this soon. You can usually access £268,275 tax free* However, if you don't need the cash immediately, taking it now may have an impact on Inheritance Tax, pensions regulations and other financial plans. An adviser can help you consider your options.

*Unless previous pension protection has been applied for.

04.
Take any capital gains from an investment portfolio if seeking to make withdrawals or changes to a portfolio this tax-year

Capital Gains Tax (CGT) rates are split between basic-rate payers and higher and additional rate payers. They are higher for residential property (18% and 24%) than other assets (10% and 20%), but all are below income tax rates. It is rumoured CGT rates could be aligned to income tax rates, potentially meaning higher tax charges for any post-Budget gains outside an individual's tax-free exemption - currently £3,000.

05.
Consider funding ISAs/LISAs

The overall annual tax-free investment limit is £20,000 in ISAs. If you are between 18 and 39 years old, £4,000 of your allowance can be placed in a Lifetime ISA (LISA). LISAs benefit from a generous 25% bonus subject to withdrawal and usage criteria. If you have funds available, consider completing these actions before the Budget in case allowances are reduced.

Business Owners

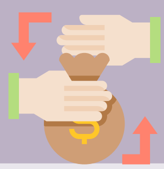
06.
Consider making dividend payments

The Labour Party's manifesto seemingly ruled out increases to income tax, National Insurance, VAT and the main rate of corporation tax but there was no mention of dividends. Therefore, where it is affordable, business owners may want to consider paying dividends prior to the Budget in case there are changes to the rate of tax payable.

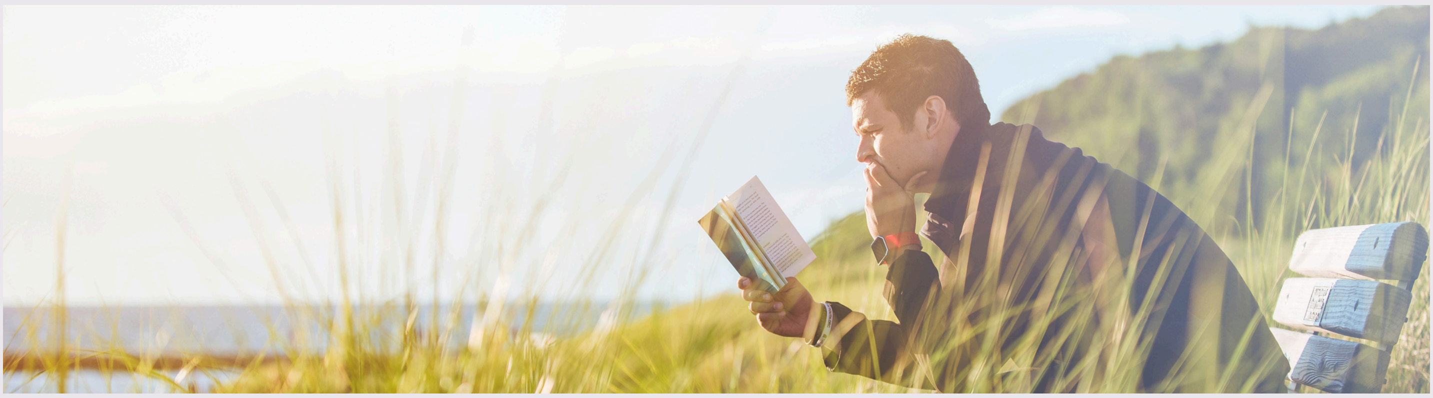
07.
Consider making pension payments

Whilst we do not expect to see change to employer pension funding rules, it would be prudent to complete employer pension funding before the Budget, where cash levels allow.

08.
Consider funding capital expenditure



Business owners may want to consider completing capital spending before the Budget. Currently, capital allowances are a type of tax relief for businesses, which can be claimed on equipment, machinery or business vehicles. Businesses are allowed to deduct some or all of the value of these items from profits before tax is paid. This is viewed as being very generous and could be an area targeted.



Actions to consider deferring until after the Budget

Personal Clients

01.
Defer payments into pensions if a basic rate taxpayer

Basic rate taxpayers may benefit from delaying their pension contributions until after the Budget to see if a flat rate tax relief is introduced which may be higher than the current tax relief available of 20%.

02.
Defer payments into pensions if solely doing for IHT reasons

Currently pension funds are not included in individuals' estates for Inheritance Tax (IHT) purposes. This has resulted in some people contributing to pensions to reduce their estates and IHT. There has been widespread rumour that the government may consider pensions part of individuals' estates in future. Our advice here is to wait and see if the legislation changes and retain the flexibility to take a different course of action if required.

SUMMARY

There's always a chance the Budget could introduce changes that make acting now less beneficial than waiting. However, considering implementing some of the areas discussed may help secure tax reliefs at current rates, making it a sensible approach.

If you'd like to learn more about Henwood Court or review your financial situation, contact us at 0121 313 1370 or visit our website.

PLEASE NOTE:

A pension is a long-term investment. The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available.

The value of your investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.

This article is for information only. Please do not act based on anything you might read in this article. All contents are based on our understanding of HMRC legislation, which is subject to change.

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