

# Where next? Emerging opportunities, changes and risks for individuals and families

In the UK, wealthy individuals and their families have experienced many changes in legislation and taxation in recent years. With continued economic uncertainty and a new Labour government, we have considered the current risks and opportunities which may arise from these known and potential changes.

August 2024



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Risk/change/opportunity	Source	Key issues	Likelihood of change	Our comments
<b>Headline risks</b>				
<b>Incentives for investment in companies</b>	HMRC/ Labour manifesto	Corporation tax increased and a range of capex incentives introduced.	<b>In place</b> 	<p>A lower corporation tax rate of 19% is only available for smaller companies, excluding close investment-holding companies. Family Investment Companies are subject to the 25% tax rate, eroding some of the benefit of holding assets within a company.</p> <p>A range of incentives have been made available to companies to encourage investment in plant and machinery. As well as the Annual Investment Allowance (AIA) at 100%, full expensing is available on the cost of 'main rate' plant and machinery from 1 April 2023, along with a 50% first year allowance for 'special rate' expenditure. Labour's manifesto confirmed a Labour government would retain permanent full expensing and the AIA.</p>
<b>Economic fluctuations</b>	The Office of Budget Responsibility and Press	The economic uncertainty of the past few years appears set to continue and may affect a wide variety of businesses.	<b>Medium</b> 	While the economy limps towards a recovery following the pressure of high inflation, further shocks to the economy are possible. More than 70 nations, home to nearly half the world's people take part in national elections in 2024 and with 2024 being a US presidential election year this could affect markets and economies beyond the US.
<b>Environment and planning policies</b>	Labour manifesto and new Chancellor's first speech on 8 July	Changes to environmental and planning policies are expected.	<b>Medium</b> 	Labour pledged in its manifesto to meet Environment Act targets and have a partnership between the public and private sectors to make Britain a "clean energy superpower". This includes plans to double onshore wind, triple solar power, and quadruple offshore wind by 2030 and to invest in carbon capture and storage, hydrogen and marine energy, providing a range of opportunities. In Rachel Reeves's first speech as Chancellor she announced that the effective ban on onshore wind in England would be lifted. She also acknowledged that changes to the planning system may have environmental consequences.

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<b>New Labour government</b>	Party manifesto, Chancellor statements and press	Potential changes to taxation.	<p>High</p> 	<p>The Labour Party pledged in its manifesto not to increase rates of income tax, and not to increase VAT, the main rate of corporation tax or National Insurance. The only comments made on CGT during the election campaign were that Labour said that none of its plans required tax rises beyond those announced and it guaranteed that people selling their main home would not pay <a href="#">CGT</a>.</p> <p>Labour's manifesto confirmed its intention to make changes to tax policy. These include: abolishing the non-dom status and replacing it with a scheme for people in the country for a "short period"; ending "the use of offshore trusts to avoid inheritance tax"; taxing private equity fund managers on carried interest as earned income rather than as a capital gain; end the VAT exemption on private school fees; and increase the SDLT surcharge for non-UK residents buying residential property in England and Northern Ireland from 2% to 3%.</p> <p>Other than the above mention of avoidance, Labour has been quiet on IHT.</p> <p>To help with long-term planning and to give people warning of tax policies, Labour has committed to one major fiscal event a year and to publishing a roadmap for business taxation for this parliament. It's also committed to modernise HMRC and make changes to the law to tackle tax avoidance. This will include increasing registration and reporting requirements, strengthening HMRC's powers and renewed focus on tax avoidance by "large businesses and the wealthy". Labour's plan to close the tax gap includes aiming to raise up to £5 billion more a year by 2029-30 from action on tax compliance. To achieve this Labour calculates that HMRC will need around 5,000 extra staff.</p> <p>Since the election, Labour has reiterated its pledge not to raise taxes "on working people" by which it appears to mean not to increase the basic, higher or additional rates of income tax, VAT or National Insurance. However, in the Chancellor's statement on public spending inheritance on 29 July, she said that the Conservatives had left a £22 billion overspend in the current year. As a result she noted that the Budget, which she announced would be on 30 October, "will involve taking difficult decisions to meet our fiscal rules across spending, welfare and tax." The Chancellor has since said that she thinks "we will have to increase taxes in the Budget" and consistent with what was said during the election campaign she has not specifically ruled out increasing IHT, CGT, or reforming tax relief on pensions.</p> <p>On 29 July, and in line with Labour's manifesto pledges, HM Treasury also published:</p> <ul style="list-style-type: none"> <li>• <a href="#">A summary of the changes proposed to the taxing of non-doms from April 2025</a> (<a href="#">Read Saffery's article on this here</a>).</li> <li>• A technical consultation on charging <a href="#">VAT on private school fees from January 2025</a> and removing the charitable business rates relief for private schools (<a href="#">Read Saffery's article on this here</a>), and</li> <li>• <a href="#">A call for evidence on plans to reform the tax treatment of carried interest</a>.</li> </ul> <p>Labour also published <a href="#">draft legislation and supplementary documents</a> for implementing the previous Conservative government's Spring Budget 2024 announcement that the special tax rules that currently apply to furnished holiday lets would be abolished from April 2025 (<a href="#">Read Saffery's article on this here</a>).</p>

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<b>Council Tax revaluation</b>	'After the Virus'/ Election campaign	Higher charge on more valuable residential property.	<b>Medium</b> 	<p>The council tax recommendation is a revaluation now and every three years, combined with reforming the bands and rates to make them fairer, which may lead to significant changes ahead. It has been suggested that higher rates of council tax could be levied on luxury properties such as mansions and penthouses, by revaluing properties in band H and adding new higher bands, I, J, K.</p> <p>Labour's manifesto didn't mention Council Tax, but when pushed on it Labour's Jonathan Ashworth said "We're not changing council tax banding."</p>
<b>Land value capture</b>	'After the Virus'	The report recommends a model template for the creation of 'development corporations' to combine long term public sector involvement with private investors and developers.	<b>Medium</b> 	<p>The proposal is that development corporations should be able to capture value from planning and reinvest in the communities. Land owners could be forced to sell under compulsory purchase, but at current use values which may reduce appetite for sales and reduced balance sheet values will impact bank borrowing. The Levelling-up and Regeneration Act 2023, introduced by the previous Conservative government, allows councils to sometimes use compulsory purchase orders to buy land for social housing, NHS or educational purposes without paying compensation for prospective planning permission. Labour has said that it will use the proposed Planning and Infrastructure Bill to "further reform compulsory purchase compensation rules to ensure that what is paid to landowners is fair but not excessive", with more of the increased land value approved for development expected to be used for infrastructure and social housing.</p>
<b>Business rates changes</b>	Business Rates Review/ Spring Budget 2023/Labour manifesto	Fundamental review of business rates.	<b>In place</b> 	<p>The business rates revaluation came into effect, although there are a raft of measures to assist businesses from 1 April 2023 during the transition to the new rates. Separately, Labour's manifesto said it would replace the business rates system in England, with the new system set to raise the same revenue but in a "fairer way".</p>
<b>Reform planning regulations</b>	Government consultations/ Labour manifesto/ new Chancellor's first speech on 8 July	Measures to alleviate demand for housing in England.	<b>High</b> 	<p>The previous Conservative government ran a consultation in 2023 in connection with local plans, calling for them to be updated every five years, with increased simplicity and clarity for those wishing to make planning applications. It ran another consultation earlier in 2024 on changes to various permitted development rights. The feedback to both consultations is still being analysed.</p> <p>In May 2024 changes were introduced to allow further permitted development rights for rural communities to encourage diversification. Meanwhile a report by the Levelling Up, Housing and Communities Committee called for clarity, consistency and certainty in any new planning rules.</p> <p>In the new Labour chancellor's first speech she announced the reform of the National Planning Policy Framework, with a consultation on a new growth-focused approach to the planning system to be started before the end of July. Plans include restoring mandatory housing targets, universal coverage of local plans, and reviews of greenbelt boundaries, to prioritise brownfield and grey belt land for development to meet housing targets.</p>

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<b>Carbon/environmental taxes/natural capital</b>	'The Great Carbon Swindle'/ Environment Act	<p>Governments have tough targets to get to net zero by 2050 (Wales and England) or 2045 (Scotland).</p> <p>New 'green' taxes may emerge to raise tax revenues and encourage different behaviour. New revenue streams available for provision of 'public goods'</p>	<p><b>Medium</b></p> 	<p>The application to the consumer market is considered, but tracking the carbon footprint of products is complex. The report's alternative is to target carbon intensive imports such as coal generated electricity from abroad, domestic steel, cement, brickmaking, chemicals, domestic fuel and horticulture.</p> <p>Following the EU's recent implementation of a Carbon Border Adjustment Mechanism (CBAM), the UK CBAM is due to be introduced by 2027. It will place a tax on the imports of relevant emission intensive goods into any part of the UK from countries with a lower or no carbon price. As well as the carbon markets there are a number of new revenue streams available to landowners arising from 'natural capital'. Bio-diversity Net Gain offsetting for developments is mandatory in England from 12 February 2024.</p>
<b>Increasing digitalisation and real-time reporting</b>	UK government report	Shorter reporting and payment timescales through extension of Making Tax Digital from VAT to other taxes.	<p><b>High</b></p> 	<p>Increasing HMRC's focus on digitising the tax system and shorter timescales for reporting as part of the government's 10-year tax administration strategy.</p> <p>Additional reporting and cash-flow disadvantages for taxpayers through earlier tax payments and continued increased scrutiny. However, the significant challenges behind these changes has resulted in delaying the introduction of Making Tax Digital for income tax until 6 April 2026.</p>
<b>Residential Stamp Duty Land Tax (SDLT)</b>	Autumn Statement 2022/Labour manifesto	<p>Temporary increase to the 0% band for SDLT on residential properties to £250,000 until 31 March 2025 and, separately the threshold at which first-time buyers begin to pay SDLT increased to £425,000.</p> <p>These measures will cease to have effect after 31 March 2025.</p> <p>Increased surcharge for non-UK residents.</p>	<p><b>In place</b></p> 	<p>Aimed at keeping the housing market moving.</p> <p>Labour pledged in its manifesto to increase the SDLT surcharge for non-UK residents buying residential property in England or Northern Ireland from 2% to 3%.</p>
<b>Furnished holiday lettings (FHL)</b>	Spring Budget 2024	FHL regime to be abolished	<p><b>High</b></p> 	<p>At the Spring Budget 2024, the previous Conservative government announced that the special tax rules that currently apply to FHLs would be abolished from April 2025. The current rules allow owners of FHLs to benefit from some CGT reliefs as if it were a trading business on disposal, claim capital allowances on certain items, operate preferential mortgage interest deductions, and for profits to count as earnings for pension purposes.</p> <p>The new Labour government has confirmed that it plans to implement the change and on 29 July published draft legislation and supplementary <a href="#">documents</a>.</p>

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<b>Business Property Relief (BPR) – Trade: Investment ratio of 80:20</b>	OTS IHT Report (July 2019)	Loss of BPR on whole business where 80:20 test not met.	High 	The current regime allows BPR to be available where a business has more than 50% of its activity as trading. An update to this could take the form of increasing the ratio of trading:investment (for example, in a 2019 report, the OTS suggested moving to an 80:20 ratio rather than the current 51:49 ratio). Any such change could focus and accelerate decisions on passing assets to the next generation. Trading and investment activities should be reviewed and where any new trading:investment balance is not met, re-structuring should be considered to separate trading and investment business.
<b>Pension tax reliefs</b>	The press	Amendment to the IHT reliefs for self invested personal pension funds on death. Potential restriction to higher rate and additional rate income tax reliefs for pension contributions.	High 	Changes to the pension regime have been regularly mooted. Pension tax reliefs are among the tax reliefs under the microscope of the Public Accounts Committee. Changes to income tax relief may be made in terms of fairness. When the then chancellor Jeremy Hunt announced the abolition of the lifetime allowance Labour were quick to condemn the move and pledged to bring it back if they won the next general election, however during the election campaign Labour dropped the plan and decided not to reintroduce the pensions lifetime allowance, reportedly because the cap would cause uncertainty and be complex to reintroduce.
<b>Wealth tax</b>	TUC/Press	Wealth taxes operate in several European countries to redistribute wealth in addition or instead of inheritance or gift taxes.	Low 	The TUC published an analysis based on Spain's wealth tax suggesting a one off wealth tax could raise £10.4 billion. In August 2023, Rachel Reeves, the then shadow chancellor, publicly ruled out any plans to impose a wealth tax and she reiterated this in a House of Commons debate on 29 July.
<b>Abolition of IHT reliefs to include BPR</b>	APPG/Press	Increased inheritance tax charges on business assets decennially (when in trust) or on death. Relief on pension plans could also be removed other than transfers to a surviving spouse.	Medium 	It's unlikely that IHT reliefs such as BPR will be abolished completely, but possible changes include, increasing rates of IHT while providing additional allowances and reducing rates of relief. Changes could disincentive taxpayers from holding assets to shelter value from IHT, opening up opportunities for younger generations.  Overall impact on asset values may also have a knock-on CGT impact. Transferable spousal and charitable exemptions are likely to remain. A review of current IHT exposure and reliefs should be undertaken. Areas at risk of change should be examined closely and consider steps to mitigate the risks or pass assets to the next generation.

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<b>Nil Rate Band (NRB) and residential NRB frozen until 2028</b>	Autumn Statement 2022	The NRB and residential NRB remain at £325,000 and £175,000 respectively, leading to an increase in IHT exposure in real terms.	<b>In place</b> 	Individuals with assets currently valued below their NRBs may be brought within the IHT net and others will face increased IHT charges as their estates grow in value.
<b>Capital gains tax</b>				
<b>Increases to CGT rates in line with income tax rates</b>	Press	The current CGT rates are recognised as historically low.	<b>High</b> 	CGT rates for higher rate taxpayers are currently 20%, 24% (residential property) or 28% (carried interest gains) – these rates may increase. Labour pledged during the election campaign that none of its plans required tax rises beyond those announced, which didn't include any increase in CGT rates, but, other changes to CGT could be a means of increasing revenue from capital transactions, and since announcing that Labour had found a £22 billion overspend in the current year, Reeves has said that she thinks there will have to be tax rises in the Budget on 30 October. Any increase in rates will need to be balanced against the possibility that capital transactions may decrease in response.

# Our offices

## Bournemouth

Midland House, 2 Poole Road,  
Bournemouth BH2 5QY  
T: +44 (0)1202 204744

## Bristol

St Catherine's Court,  
Berkeley Place, Clifton,  
Bristol BS8 1BQ  
T: +44 (0)117 915 1617

## Cayman Islands

Unit A4-A6, Printers Way 115B  
Cayman Technology Centre  
George Town  
PO Box 1092, Grand Cayman  
KY1-1102  
T: +1 345 926 4092

## Dubai

812-A, Level 8, Liberty House,  
DIFC, Dubai, United Arab Emirates  
T: +971 (0)4 328 6303

## Dublin

99 St Stephen's Green, Saint Kevin's,  
Dublin 2, D02 V278, Ireland  
T: +353 (0)1 525 5440

## Edinburgh

Edinburgh Quay,  
133 Fountainbridge,  
Edinburgh EH3 9BA  
T: +44 (0)131 221 2777

## Geneva

Rue de la Confédération 5,  
1204 Geneva, Switzerland  
T: +41 (0)22 319 0970

## Guernsey

PO Box 141, La Tonnelle House,  
Les Banques, St Sampson,  
Guernsey GY1 3HS  
T: +44 (0)1481 721374

## Harrogate

Mitre House, North Park Road,  
Harrogate HG1 5RX  
T: +44 (0)1423 568012

## High Wycombe

St John's Court, Easton Street,  
High Wycombe HP11 1JX  
T: +44 (0)1494 464666

## Inverness

Torrison House, Beechwood Park,  
Inverness IV2 3BW  
T: +44 (0)1463 246300

## London

71 Queen Victoria Street,  
London EC4V 4BE  
T: +44 (0)20 7841 4000

## Manchester

Trinity, 16 John Dalton Street  
Manchester M2 6HY  
T: +44 (0)161 200 8383

## Peterborough

Westpoint,  
Peterborough Business Park, Lynch Wood  
Peterborough, PE2 6FZ  
T: +44 (0)1733 353300

## Zurich

Olgastrasse 10,  
8001 Zürich, Switzerland  
T: +41 (0)43 343 9328

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