

## Main changes and additions to Diploma subjects 2024-25

*(in addition to changes as shown on tax tables)*

### Pensions

- Abolition of Lifetime Allowance and BCE rules.
- Introduction of Lump Sum Allowance (LSA) of £268,275 and the Relevant Benefit Crystallisation Event (RCBE) rules, any additional 'tax free' lump sum referred to as Pension Commencement Excess Lump Sum (PCELS) and taxed at member's marginal tax rate instead.
- Introduction of Lump Sum & Death Benefit Allowance (LSDBA) of £1,073,100;
  - Any lump sum taken above this limit taxed at the member's (or beneficiary's) marginal tax rate.
  - If lifetime allowance protection is in place, the LSA will be higher, up to a max of £1,800,000 x 25% = £450,000.
- Introduction of Transitional Tax Free Amount Certificates (TTFAC);
  - Required for BCEs between April 2006 and April 2024 where 25% of the crystallised value did not provide a tax free lump sum.
  - Required before the first RBCE post April 2024, otherwise not available.

### State Pension

- Full rate for the new State Pension increased to £221.20 weekly / £11,502.40 annually.

### Capital Gains Tax

- Annual exemption reduced to £3,000 for individuals and estates.
- Trusts generally reduced to £1,500.
  - 1 trust allowance £1,500
  - 2 trusts allowance £750
  - 3 trusts allowance £500
  - 4 trusts allowance £375
  - 5 trusts or more allowance £300.
- The rate of capital gains tax on second properties for higher and additional rate taxpayers will reduce from 28% to 24%.
- The rate for non and basic rate taxpayers will remain the same for residential property at 18%.

### National Insurance

- The Class 1 NIC primary rate was cut from 10% to 8% from April 6th.
- The Class 4 rate was cut to 6%.
- Mandatory Class 2 NICs contributions are abolished:
  - Self-employed people with profits above the Lower Profits Limit (£12,570) will no longer have to pay Class 2 NICs, but will still benefit from entitlement to contributory state benefits such as the State Pension.
  - Self-employed individuals with profits below £6,725 will continue to have the option of paying voluntary Class 2 NICs in order to build their entitlement to the State pension and other contributory benefits.
  - The rate will be frozen at £3.45 per week for the 2024/25 tax year, and the Small Profits Threshold for self-employed individuals will remain at £6,725.
  - Further reforms of Class 2 NICs could be made this year, with the goal of abolition, but no details have been published so far.

## Income Tax

- Following the move to the tax year basis for self-employed individuals, it is no longer possible to generate overlap profits in the first year of trading.
- Transitional year profits may still form part of the exam, including the fact that they are spread over five years if no election for earlier payment is made.
- Dividend allowance for 2024/25 reduced from £1,000 to £500 @ 0%.
- Trust income exemption introduced for discretionary and accumulation and maintenance trusts.
  - If a trust generates income below £500 per year the income is taxed at 0%. If the trust generates income in excess of £500 the whole trust income will be taxed at either 39.35% or 45%.
  - Anti-fragmentation rules apply to prevent multiple trusts being arranged to take advantage of the £500 limit. If settlor has more than one trust, the £500 is divided by the number of trusts, subject to £100 minimum per trust.
  - The standard rate band of £1,000 has been removed.

## Child Benefit High Income Tax charge

- Changes that apply from April 2024;
  - Child benefit is effectively withdrawn at a rate of 1% for each £200 earned over £60,000 a year by the higher-income partner. Therefore, the benefit is fully withdrawn where the income of the higher earner reaches £80,000 a year.

## State Benefits

- Various state benefit rates changed as per the CII tax tables.

## ISAs

- From 6 April 2024, you can pay into multiple ISAs of the same type.
  - Previously, you could split your ISA allowance between different types of ISA, but were restricted to only one ISA of the same type each tax year.
  - Benefits?
    - You could set up a Stocks and shares ISA with one provider and later in the year invest into an ISA somewhere else.
    - Cash ISA savers could mix and match, e.g. an easy access Cash ISA with one provider and a fixed-term account ISA account with another.
  - Caveats:
    - Investors must make sure that by using multiple ISAs, they don't go over their £20,000 allowance for the tax year.
    - The new flexibility does not apply to Lifetime ISAs or Junior ISAs.
  - No need to reapply each year.
    - If you have an existing ISA that you haven't paid into in the previous tax year, you'll no longer need to make a declaration to pay money in again.
  - Transfer all or just part of your ISA;
    - If you're 18 or over, you can now transfer part of your ISA from one provider to another, regardless of when the money was paid in.
  - Higher minimum age for cash ISAs;
    - The minimum age for opening a cash ISA has increased from 16 to 18. This brings cash ISAs in line with the minimum age for opening other types of adult ISA.
- Junior Cash ISAs are still available for children under 18.

- The Government plan to allow fractional share contracts (a portion of a share rather than a whole share) in stocks and shares ISAs. This may allow holdings of part shares of high-value equities which otherwise may be too expensive or too restrictive from a diversification perspective.
- Innovative finance ISAs can now include assets such as private equity and infrastructure.
- A new UK ISA, also referred to as a 'British ISA' will be introduced, that will give investors an extra £5,000 allowance.
  - Investment will be focussed on UK companies and fixed interest securities.
  - There is no set launch date for the British ISA yet.

## **NS&I Investments**

- NS&I Guaranteed Income and Growth bonds are now marketed as British Savings Bonds;
  - Guaranteed rate.
  - Fixed term, up to five years.
  - Taxable.

## **Residence and domicile**

- From 6/4/25, the concept of residence will go in relation to income tax and CGT.
- It will be replaced by a residence-based regime.
- New UK arrivals will be exempt from tax on foreign income and gains for 4 years after arrival. After that, all foreign income and gains will be taxable.
- The remittance basis is being abolished from 6/4/25.

## **Stamp Duty**

- Multiple-purchase stamp duty relief (often used by landlords buying multiple dwellings at the same time) will be abolished.

## **Holiday lets**

- The furnished holiday lets regime will be scrapped with effect from 6 April 2025. Owners will lose:
  - Deducting the full amount of mortgage interest from FHL income.
  - Business Asset Disposal Relief
    - owners may want to consider selling the property before April 2025 and potentially benefiting from 10% CGT or gifting the property as part of succession planning.
  - Ability to count profits from FHLs as relevant earnings for pension purposes.
  - Capital allowances on items such as furniture and fixtures and fittings against the rental income where the accruals basis applies.
  - Ability to deduct expenditure on furniture as an expense of the property business where the cash basis applies.

## **VAT**

- The registration threshold for VAT has increased from £85,000 to £90,000 as of April 2024.

## **HMRC (anti-avoidance) campaigns**

- The Affluent Compliance Team is now referred to more generically as 'Wealthy Individuals'.
- Wealthy individuals are now defined as someone who in the last three years has:
  - annual income of £200,000 or more;
  - or
  - assets of £2m or more.

## Corporation tax

- Clarification of the 2-stage process for calculating corporation tax, i.e.;
  - Stage 1: calculating tax-adjusted trading profits:
    - start with net profit in accounts
    - add back items such as depreciation and entertaining
    - deduct non-trading income
    - deduct allowable expenses
  - Stage 2: determine total taxable profits:
    - add income from other sources (e.g. interest and rent)
    - deduct reliefs

## Regulatory changes

- Two global USA regulators and information about their remit have been included: the US Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA).
- Both the FCA and PRA have a beefed-up secondary competition objective:
  - To facilitate the international competitiveness and growth of the UK economy.
- This objective has now formally been widened since Brexit.
- The ten supervision principles used by the FCA have been reduced to five:
  - being forward looking and pre-emptive,
  - outcomes focused,
  - proportionate and evidence-led,
  - transparency,
  - and integrated and coordinated.
- The ESG sourcebook has been significantly beefed-up from the Sustainable Disclosure Requirements (SDR). There are now four Sustainability labels: Focus, Improvers, Impact and Mixed Goals with key requirements for each.
- Electronic Identity Verification (EIDV) using private and public databases has been added.
- Information on the Advice Guidance Boundary Review consultation and the need for simplified advice to fill the advice gap has been included.
- Introduction of stricter Defined Benefit funding requirements through the implementation of a new DB funding code of conduct outlined within the Pensions Scheme Act 2021. Trustees will require a new Funding & Investment Strategy (FIS), consult with the sponsoring employer to complete signed regular Statements of Strategy and send to The Pensions Regulator as appropriate.

## Financial Ombudsman Service Award Limit Change

- Changes to the Financial Ombudsman Service (FOS) award limits come into effect on 1 April 2024.
- From 1 April 2024, award limits will go up to:
  - £430,000 for complaints referred on or after 1 April 2024 about acts or omissions by firms on or after 1 April 2019.
  - £195,000 for complaints referred on or after 1 April 2024 about acts or omissions by firms before 1 April 2019.
- Businesses don't need to pay a case fee for the first 3 complaints against their business that the FOS deal with in each financial year. From the 4th complaint onwards, they charge a case fee of £750.

## Intestacy

- Statutory legacy up from £270k to £322k, announced in July 2023.