



McDade Roberts
Expect more...

Tax Facts 2024-2025

CONTENTS

- 2 Personal Tax
- 4 Pensions
- 6 Investment Reliefs
- 7 National Insurance Contributions (NIC)
- 8 Employee Benefits
- 12 Capital Gains Tax (CGT)
- 13 Corporation Tax
- 14 Capital Allowances
- 15 Unincorporated Business Tax
- 17 Property Taxes
- 19 Value Added Tax (VAT)
- 21 Inheritance Tax
- 22 Trusts
- 23 Key Deadlines
- 24 Freeports



This booklet is prepared for guidance only.
We recommend that you contact us for advice
before acting on any information contained in the
booklet and we cannot accept responsibility for any
action taken without such advice.

Personal Tax

Main personal allowances

	2024/25	2023/24
Personal income tax allowance (PA)	£12,570	£12,570
Marriage allowance (transferable)	1,260	1,260
Blind person's allowance	3,070	2,870
Rent-a-room relief	7,500	7,500
Trading Income	1,000	1,000
Property Income	1,000	1,000

Notes

1. PA is reduced by £1 for every £2 by which Adjusted Net Income (ANI) exceeds £100,000, so PA is nil when ANI is £125,140.
2. ANI is total taxable income, less qualifying pension contributions and Gift Aid donations.
3. Marriage allowance is the transferable part of the PA and is available only to married couples and civil partners born after 5 April 1935. It can be transferred to their spouse or civil partner as long as the recipient is not a higher or additional rate taxpayer.
4. The rent-a-room exemption is available where the taxpayer lets out part of the home they live in as furnished residential accommodation.
5. The trading and property income allowances have various conditions that restrict their availability.
6. Where rent-a-room, trading or property income exceed the relevant limit above, that limit (rather than expenses) may be deducted from gross income.

Income tax bands

	2024/25	2023/24
Savings Rate Band	£5,000	£5,000
Basic Rate Band (BRB)	37,700	37,700
Higher Rate Band (HRB)	37,701-125,140	37,701-125,140
Additional rate	over 125,140	over 125,140
Personal Savings Allowance (PSA)		
– Basic rate taxpayer	1,000	1,000
– Higher rate taxpayer	500	500
Dividend allowance	500	1,000

Notes

1. The BRB (Scotland: intermediate rate band) and additional rate threshold are extended by the grossed-up equivalent of personal pension contributions and Gift Aid donations paid by the taxpayer in the tax year, or treated as paid in the tax year.
2. Taxable income usually uses up the rate bands in the following order:
 - **G** 'General income' (employment, pensions, business profits, rent)
 - **S** 'Savings income' (mainly interest)
 - **D** 'Dividends' (distributions from companies/most unit trusts)
3. The savings rate band is part of the basic rate band, meaning that to the extent that savings income falls in the first £5,000 of the basic rate band, it is taxed at nil rather than 20%.
4. Different bands and rates apply to general income in Scotland (see page 3).

Income tax rates

Rates differ for:	2024/25			2023/24		
	G	S	D	G	S	D
	%	%	%	%	%	%
Basic rate	20	20	8.75	20	20	8.75
Higher rate	40	40	33.75	40	40	33.75
Additional rate	45	45	39.35	45	45	39.35

Notes

1. The PSA (see page 2) taxes interest at nil, where it would otherwise be taxable at 20% or 40%. It is not available to an additional rate taxpayer.
2. Dividends are usually taxed as the 'top slice' of income. The Dividend Allowance taxes the first £500 (2023/24: £1,000) of dividend income at nil rather than the rate that would otherwise apply.

Income tax bands and rates - Scotland

		2024/25	2023/24
Starter rate	19% (19%)	£2,306	£2,162
Basic rate	20% (20%)	2,307-13,991	2,163-13,118
Intermediate rate	21% (21%)	13,992-31,092	13,119-31,092
Higher rate	42% (42%)	31,093-62,430	31,093-125,140
Advanced rate	45% (N/A)	62,431-125,140	N/A
Top rate	48% (47%)	over 125,140	over 125,140

Note

The Scottish rates and bands do not apply for savings and dividend income, which are taxed at normal UK rates.

Remittance basis charge

Resident in the UK for	2024/25	2023/24
7 of preceding 9 tax years	£30,000	£30,000
12 of preceding 14 tax years	60,000	60,000
15 of preceding 20 tax years	Deemed to be UK domiciled	

Notes

1. The remittance basis charge (RBC) is payable by non-UK domiciled individuals who claim the remittance basis and who have been resident in the UK for the periods shown.
2. If remittance basis is claimed, foreign income or gains is only taxable in the UK when remitted to the UK.
3. Those persons domiciled or deemed domiciled in the UK are not eligible to claim remittance basis.

Residential landlords

	2024/25	2023/24
Proportion of finance costs allowable against letting income	Nil	Nil

Notes

1. Finance costs comprise mainly interest, but include related matters such as arrangement fees.
2. A tax reducer at 20% of the disallowed finance costs is available to reduce the landlord's income tax liability, but is subject to certain restrictions.
3. These rules do not affect qualifying furnished holiday lets, commercial property or corporate landlords.

High Income Child Benefit charge (HICBC)

	2024/25	2023/24
Lower threshold	£60,000	£50,000
Upper threshold	80,000	60,000

Notes

1. Only applicable to families who receive child benefit, where adjusted net income of the higher earner is above the lower threshold.
2. HICBC is equivalent to 1% of child benefit received by the family, for every £200 (2023/24: £100) of adjusted net income over the lower threshold.
3. The higher earner in the family must declare child benefit received by them or their partner on their tax return.
4. The recipient of child benefit can elect not to receive it in order to avoid the HICBC, without losing their right to accrue certain state benefits. Child benefit payments can subsequently be recommenced if the claimant chooses.

Pensions

Registered pensions	2024/25	2023/24
Annual Allowance (AA) - maximum	£60,000	£60,000
Annual Allowance - minimum	10,000	10,000
Money Purchase		
Annual Allowance (MPAA)	10,000	10,000

Notes

1. Tax relief is generally obtained on pension contributions in one of three ways:
 - a) Under "net pay arrangements" i.e. contributions come out of gross pay;
 - b) By "relief at source" (RAS) i.e. contributions are made net of basic rate tax (which the fund claims back from HMRC);
 - c) Salary sacrifice (see note 12).
2. Tax relief at the taxpayer's marginal income tax rate is given on the individual's pension contributions up to 100% of earnings, capped by the AA.
3. Those with little or no UK relevant earnings can make pension contributions up to £3,600 gross (£2,880 net) per year.
4. AA can be increased by unused allowance brought forward from the previous three tax years.
5. AA is usually tapered down by £1 for every £2 of adjusted income over £260,000, to a minimum of £10,000.
6. Annual allowance charge (for pension inputs exceeding the annual allowance) is levied at the individual's highest marginal tax rate.
7. Employers can contribute to the employee's pension fund up to the AA per year, less any contributions made by the individual. Employers will enjoy tax relief on those contributions under the normal rules for business expenses.
8. Investors in personal and other defined contribution pension schemes can currently access all of their pension savings once they reach age 55.
9. When the investor takes benefits from such pension schemes under flexi-access drawdown, up to 25% of the accumulated fund can be drawn as a tax-free lump sum. The balance is taxed at the investor's marginal rate of tax that applies in the years those benefits are drawn.
10. The maximum tax-free pension commencement lump sum is £268,275, unless a higher amount is "protected".

11. MPAA replaces AA where the taxpayer has started to take taxable income from a defined contribution scheme (other than via an annuity) and has further pension inputs. There is no carry forward of unused MPAA.
12. Salary sacrifice for pension contributions is very tax-efficient. An employee agrees to give up some of their salary in exchange for pension contributions by the employer, which are exempt from income tax and National Insurance.
13. The amount that must be paid to the employee for National Minimum Wage (NMW) purposes will be the post salary sacrifice amount, so a salary sacrifice can't generally take an employee below the NMW. There is an exception where an employee is provided with work-related accommodation under a salary sacrifice arrangement.
14. The post-salary sacrifice amount will apply for all tax, NIC and benefits purposes, including tax credits, pension net relevant earnings and statutory redundancy.
15. 'Auto enrolment' (AE) makes it a legal requirement for all employers to automatically enrol their eligible employees into a workplace pension and make contributions to that pension.
16. Under AE, the total minimum contribution is 8% of salary, of which the employer must fund a minimum of 3% of salary.
17. Employees can opt out of AE but those that do will need to be re-enrolled every three years.
18. Self-invested Personal Pensions (SIPPs) are a form of personal pension fund that can invest in a wider range of assets than other pension funds, where the investment is restricted to insurance-backed funds.
19. In particular, the permitted investments include direct holdings of quoted investments and commercial property. The latter is often owned by SIPPs of business owners, with the property being rented to the business as premises from which to operate. The rental payments are tax-deductible for the business and tax-exempt receipts for the SIPP.
20. Unlike other pension schemes, SIPPs are allowed to take on debt. They can (broadly) borrow up to 50% of their net asset value to invest in permitted investments.

State pension

Maximum amount per week	2024/25	2023/24
Old state pension	£169.50	£156.20
New state pension	221.20	203.85

Notes

1. An individual is eligible to draw the state retirement pension when he or she reaches State Pension Age (SPA). State Pension age is increasing for both men and women. It became 66 in October 2020; thereafter it will gradually increase to 68.
2. Individuals who reach SPA after 5 April 2016 receive the new state pension, which replaced the old state pension, the second state pension and pension credit.
3. An individual who qualifies for the state pension may choose to defer claiming it. Any deferred pension will be paid at a higher rate than the normal pension.
4. The state pension is taxable.

Investment reliefs

Annual investment limits	2024/25	2023/24
Individual Savings Account (ISA)		
– Overall Limit	£20,000	£20,000
– Lifetime ISA (LISA)	4,000	4,000
– Junior ISA	9,000	9,000
Enterprise Investment Scheme (EIS)	2,000,000	2,000,000
Seed EIS (SEIS)	200,000	200,000
Venture Capital Trust (VCT)	200,000	200,000

Notes

- ISA investors can invest in any combination of cash or shares, up to the overall limits shown. The £4,000 LISA limit is part of the general ISA limit of £20,000, not additional to it.
- Taxpayers aged between 18 and 40 may open a LISA and invest up to £4,000 each year, which qualifies for a 25% Government bonus on amounts invested up to the age of 50.
- This benefit is retained as long as the money is either:
 - put towards a first home costing up to £450,000, or
 - kept in the account until reaching age 60, or
 - withdrawn after being diagnosed with a terminal illness when having less than 12 months to live.
- If the money in a LISA is withdrawn in other circumstances, the bonus is clawed back, with an additional 5% charge (i.e. total charge of 25% of amount withdrawn).
- Junior ISAs are available to those aged under 18 and who don't have a Child Trust Fund account. At age 18, their junior ISA becomes an adult ISA.
- EIS and VCT investments attract 30% Income Tax relief, but those schemes all have different qualifying rules.
- SEIS investments attract 50% Income Tax relief.
- Where the disposal proceeds from any capital gain are reinvested under EIS in the four-year period that starts one year before the date of the gain, all or part of the original gain can be deferred.
- Gains reinvested under SEIS, within the same tax year, up to the investment limit attract 50% exemption from CGT.
- Investments made under EIS and SEIS can be carried back to be treated as made in the previous tax year, subject to the investment limits.
- Gains on disposals of investments acquired under EIS and SEIS are exempt from CGT if investment conditions have not been broken. Disposals of VCT shares are exempt CGT (i.e. no gain or loss arises).
- Dividends from investments in VCTs do not attract income tax provided the original investment was made within the permitted maximum of £200,000 per year. Dividends received from EIS and SEIS schemes are taxable as normal.

National Insurance Contributions (NIC)

Class 1 NIC thresholds 2024/25

	Week	Month	Year
Lower Earnings Limit (LEL)	£123	£533	£6,396
Primary Threshold (PT)	242	1,048	12,570
Secondary Threshold (ST)	175	758	9,100
Upper Secondary Threshold (UST)	967	4,189	50,270
Upper Earnings Limit (UEL)	967	4,189	50,270

Notes

1. Employers and employees both contribute at rates dependent on the level of earnings during a weekly, monthly or annual earnings period.
2. No employee NIC are payable on earnings between the LEL and the PT but, when reported by the employer, the employee accesses entitlement to contributory benefits.

Class 1 NIC rates 2024/25

	Employee	Employer
PT/ST to UEL	8%	13.8%
Above the UEL	2%	13.8%
Class 1A/1B	N/A	13.8%

Notes

1. No employee NIC are payable once the employee reaches state retirement age, but employer NIC continue to be payable.
2. No employer NIC are payable on earnings up to the UST for:
 - employees aged under 21;
 - apprentices aged under 25;
 - armed services veterans in their first 12 months of civilian employment.
3. Employers with physical premises in a Freeport tax site or in an Investment Zone may be eligible for some relief from employers' Class 1 NIC. See page 24.
4. A person with more than one employment can defer the payment of some employee NIC until after the end of the tax year. The total amount payable is then checked and limited, so the full 8% rate is only applied to income between the PT and the UEL.
5. An 'employment allowance' of £5,000 per qualifying business gives exemption from Class 1 Employer NIC. Some businesses are excluded, including certain sole director companies and employers that had an employer's Class 1 NIC liability of £100,000 or more for the previous year. Employee NIC are unaffected.
6. Employer contributions (at 13.8%) are also due on most taxable benefits (Class 1A) and on the amount chargeable to income tax under a PAYE settlement agreement (Class 1B).
7. When an employer reimburses non-deductible expenses to an employee, who has paid the initial cost themselves, the reimbursed amount is treated as earnings and is subject to PAYE and Class 1 NIC.

Class 2 NIC

Rate per week	2024/25	2023/24
Flat rate (voluntary)	£3.45	£3.45
Flat rate	N/A	3.45
Small Profits Threshold (SPT)	6,725	6,725

Notes

- From 6 April 2024, self-employed people with profits above the SPT are no longer required to pay Class 2 NIC. For 2023/24, Class 2 NIC was payable if profits were above £12,570.
- Those with profits above the SPT access entitlement to contributory benefits, while those whose profits are less than the SPT can pay Class 2 NIC voluntarily to maintain this access.

Class 3 NIC

Rate per week	2024/25	2023/24
Flat rate	£17.45	£17.45

Note

Anyone who wants to maintain State Pension rights may pay voluntary Class 3 NIC, but there are restrictions on paying Class 3 (or voluntarily paying Class 2) where the individual lives abroad.

Class 4 NIC

Annual	2024/25	2023/24
Lower profits limit (LPL)	£12,570	£12,570
Upper profits limit (UPL)	50,270	50,270
LPL to UPL	6%	9%
Above UPL	2%	2%

Notes

- Class 4 NIC are payable on profits from UK trades or professions that exceed the lower profits limit.
- Both Class 2 and Class 4 NIC are collected through self assessment.
- An individual who is both employed and self-employed may pay Class 1, Class 2 and Class 4 NIC, subject to the maximum limit for the year.

Employee Benefits

Employer-provided car benefit

Cars: Taxable benefit: List price multiplied by chargeable percentage

CO ₂ g/km	Electric Range miles	2024/25 & 2023/24 %
0	N/A	2
1-50	>130	2
1-50	70 - 129	5
1-50	40 - 69	8
1-50	30 - 39	12
1-50	<30	14
51-54	N/A	15

Then a further 1% for each 5g/km CO₂ emissions, up to a maximum of 37%.

Notes

1. 'List price' is the list price when new, plus the cost of most accessories added, less any capital contribution (up to £5,000) by the employee.
2. The employer must pay Class 1A NIC at 13.8% on the benefit.
3. Diesel cars (with some exceptions, including cars featuring 48V mild-hybrid technology) suffer a 4% supplement on the table's figures, but are still capped at 37%.

Car fuel benefit

	2024/25	2023/24
Benefit multiplier	£27,800	£27,800

Notes

1. Where fuel is provided by the employer for private use in a company car, the percentage used to calculate the car benefit is applied to the benefit multiplier in order to determine the taxable benefit.
2. The benefit is charged without reduction for contributions by the employee, unless all private fuel is paid for (in which case there is no benefit). This reimbursement by the employee must be done by 6 July following the end of the tax year, unless the fuel benefit is "payrolled", in which case the deadline is 1 June following the end of the tax year.
3. There is no taxable benefit where an employer provides free charging points for electric vehicles at their premises.
4. Where the employer provides the car and the employee provides the fuel, HMRC's advisory fuel mileage rates can be used to reimburse the cost of fuel used on business journeys. This includes reimbursement of 9p/mile for electric cars. Those rates are updated each quarter and published at <https://www.gov.uk/guidance/advisory-fuel-rates>.

Employer-provided van benefits

	2024/25	2023/24
Ordinary van	£3,960	£3,960
Zero-emission van	Nil	Nil
Fuel benefit	757	757

Note

If the private use of a van is restricted to home-to-work travel, there is no taxable benefit, unlike for company cars.

Employment-related loans	2024/25	2023/24
Official Rate of Interest (ORI)	Note 4	2.25%

Notes

1. Where a director or employee receives one or more loans from an employer that in total exceed £10,000 at any point in the tax year, interest of at least the ORI must be paid to avoid a benefit charge. There must also be a contractual obligation to pay that interest.
2. Where a benefit arises, the excess of the ORI over the actual interest paid must be applied to the value of the loan to calculate the benefit.
3. Loans from a close company to shareholders of the company may also generate a tax charge for the company. A close company is (broadly) one under the control of 5 or fewer shareholders.
4. At the time of publication, the ORI for 2024/25 has not been announced.

Tax-free mileage allowances

Employee's own transport	per business mile
Cars, first 10,000 miles	45p
Cars, over 10,000 miles	25p
Business passengers	5p
Motorcycle	24p
Bicycle	20p

Notes

1. The above mileage rates also apply to employees completing business journeys in their own electric vehicle, as long as the employee is charging the vehicle themselves.
2. Passenger must be completing the same business journey.
3. For all except the business passengers' allowance, if the employer does not pay the full mileage rate, the employee can claim tax relief on any shortfall from HMRC.

Employee share schemes

Type of share scheme	Tax advantages
----------------------	----------------

Share Incentive Plan (SIP)

Free shares worth up to £3,600 pa. Employee can buy up to £1,800 pa (or 10% of income if lower) out of pre-tax pay. Employer can match each share bought with up to two more.

If shares left in the scheme for at least five years: no Income Tax or CGT on the value when they leave the scheme. Gains on disposal are subject to CGT.

Enterprise Management Incentive (EMI)

Trading companies with fewer than 250 employees and assets up to £30m can grant options to selected employees to buy up to £250,000 worth of shares.

No Income Tax or NIC if option is exercised within ten years of option grant. Shares qualify for 10% rate of CGT on disposal if grant is at least two years before disposal.

Company Share Option

Plan (CSOP)

Share options to buy up to £60,000 of shares can be granted to employees.

No Income Tax or NIC if option is exercised between three and ten years of grant. Gains on disposal are subject to CGT.

Save As You Earn (SAYE)

Employees contribute up to £500 a month to a savings scheme, and use money to exercise share options.

No Income Tax or NIC if option is exercised three years or more after the grant of option. Gains on disposal are subject to CGT.

Notes

1. Generally, employees are charged to Income Tax on the value of shares that they are given or are issued to them by their employer, less any amount paid for the shares. NIC are also charged if the company is quoted, or the shares can be easily sold. If the employer operates one of the above tax-advantaged schemes, the tax charges may be eliminated, reduced or deferred.
2. The employer must register the share scheme with HMRC, using the online Employment Related Securities (ERS) system, by 6 July following the end of the tax year in which the scheme is implemented.

- Employers must file an annual return for each share scheme online through ERS by 6 July each year.
- The above is a very brief summary of the main tax-advantaged share schemes; other conditions apply.

Tax-free Childcare (TFC)

	2024/25	2023/24
Contribution limit per child	£8,000	£8,000

Notes

- Tax-free Childcare (TFC) accounts are available to all eligible parents. You cannot use TFC if you are receiving childcare vouchers, a scheme that is closed to new entrants.
- Under TFC, where both parents work and earn a specified minimum income (but neither has income of more than £100,000 per year), they are able to put up to £8,000 a year per child into an account, which the Government will top up with 25p for every £1 contributed by the parents.
- A TFC account can be used to pay for childcare for a child aged 11 and under, except for disabled children, where the limits are doubled and contributions can continue up to the age of 17.
- Unlike the voucher scheme, TFC is available to the self-employed.
- You cannot get TFC at the same time as claiming Working Tax Credit, Child Tax Credit or Universal Credit.
- Parents of 3 and 4 year-olds may be eligible for up to 30 hours of government-funded childcare, for up to 38 weeks a year, subject to various qualifying conditions. This is extended to include 15 hours of childcare for parents of 2 year-olds from April 2024 and for parents of those aged 9 months and over from September 2024.

Main exempt benefits

Benefit item	Limit of exemption
Mobile phone	One per employee
Subsidised meals	For all employees in a staff canteen
Free parking at or near the employee's place of work	None
Pension contributions	Annual allowance (see Pensions)
Personal incidental expenses when staying away from home	£5 per night, £10 if abroad
Qualifying relocation expenses	£8,000 per employee per move
Medical treatment to help an employee return to work from absence of at least 28 days.	£500
"Trivial benefits" not given in recognition of work done (or to be done)	£50 and not cash or a cash voucher; 6 x £50 per annum cap for directors of most small companies
Long-service awards where the service is not less than 20 years and no similar award has been made to the same employee within the previous 10 years.	Non-cash awards of up to £50 per year of service
Christmas or other annual party open to staff generally	£150 per head (including VAT) per employee attending (or £300 where employee can bring a guest)
Home working allowance if required to work from home	£6 per week or £26 per month (or higher amount if there is evidence of higher costs incurred)

Capital Gains Tax

Annual Exempt Amount (AEA)

	2024/25	2023/24
Individuals and deceased estates	£3,000	£6,000
Most trusts	1,500	3,000

Notes

1. Each individual is entitled to an AEA, but that exemption may be denied if they claim the remittance basis (see Personal Taxation).
2. The AEA cannot be transferred, nor carried forward or back to another year.

Tax rate	2024/25	2023/24
Individual up to Basic Rate Limit (BRL)		
– Residential property	18%	18%
– Other assets	10%	10%
Individual above BRL, Trusts and estates		
– Residential property	24%	28%
– Other assets	20%	20%

Notes

1. CGT is payable on capital gains made in the tax year, after deduction of capital losses, available reliefs and the AEA.
2. There is no CGT on gains accrued to the date of a taxpayer's death.
3. There is no charge on disposals between spouses. On such disposals, the transferee takes over the transferor's CGT cost.
4. When a chargeable asset is given away, the donor is treated as receiving the full market value and is thus liable for CGT, unless a gift relief claim is made. This relief is only available on certain types of assets and, if a claim is made, the recipient is deemed to take over the donor's CGT cost.
6. CGT is normally payable on 31 January following the end of the tax year of disposal (e.g. 31 January 2026 for 2024/25) as part of the self assessment process. However, for disposals of UK residential property, any CGT is due within 60 days of completion of sale.
7. Non-residents disposing of any UK land and buildings must report the disposal and pay any CGT within 60 days of completion.
8. CGT is payable at 18% or 28% on receipts of carried interest.

Business Asset Disposal Relief (BADR)

	2024/25	2023/24
Lifetime limit	£1m	£1m
CGT on qualifying disposals	10%	10%

Notes

1. Disposals made by individuals or certain trustees can qualify for BADR.
2. The asset disposed of must have been owned for at least two years and be one of:
 - a business or an interest in a business
 - business assets sold within three years of the business ceasing
 - shares in a trading company, of which the individual is an officer or employee and either holds at least 5% of the ordinary share capital or acquired the shares under an EMI scheme; other conditions apply
 - assets used by the shareholder's 'personal company' or partnership and disposed of as an 'associated disposal' of 5% or more of either the company's shares or the partnership interest.

Certain other CGT reliefs and exemptions

Asset

Taxpayer's only or main home

Chattels (tangible movable property)

Any asset gifted to charity

Assets which become of negligible value

Conditions

Gain is exempt for the periods the taxpayer lives there, or is deemed to live there, plus the last 9 months of ownership.

If bought and sold for less than £6,000.

Not charged to CGT; lifetime gifts of quoted shares and land also enjoy income tax relief.

Deemed to be sold at nil, to create loss, when an election is made.

Corporation Tax (CT)

Rates from

	1.4.2024	1.4.2023
Main rate (profits above £250,000)	25%	25%
Small profits rate (profits up to £50,000)	19%	19%
Marginal relief band (MRB)	£50k - £250k	£50k - £250k
Marginal relief fraction	3/200	3/200
Effective marginal rate	26.5%	26.5%

Notes

- Where profits are £250,000 or more, all of the company's profits are taxed at 25%.
- Where profits are between £50,000 and £250,000, 'marginal relief' reduces the average rate of tax to somewhere between 19% and 25%. The effect of this calculation is that the first £50,000 of profits are taxed at 19% and the balance at 26.5%.
- These limits are split between the number of 'associated companies', which are (broadly) companies under common control plus any company exercising that control (subject to exceptions).
- Unless there is no substantial commercial interdependence between the companies, holdings of certain 'associates' (e.g. spouse, parents, siblings and children) may be attributed to an individual. The "substantial commercial interdependence" test considers financial, economic and organisational ties between the companies.
- Most companies must pay their Corporation Tax by nine months and one day after the end of the accounting period.
- Large companies or groups generally make four quarterly payments on account of Corporation Tax, starting in either the third or seventh month after the start of a 12-month accounting period, depending on level of profits. Interest runs on any underpayments until final settlement of the period's liability.
- All companies must file Corporation Tax returns online within 12 months of the end of the accounting period.

Research and Development

Accounting periods beginning on/after

	1.4.2024
R&D Expenditure Credit (RDEC) scheme	20%
R&D-intensive SMEs enhanced expenditure scheme	86%

Notes

- RDEC is a taxable expenditure credit for qualifying R&D.
- The enhanced expenditure scheme gives an additional deduction for qualifying R&D.

3. R&D-intensive companies are those that have R&D expenditure constituting at least 30% total tax-deductible P&L expenses plus capitalised R&D costs. Loss-making R&D intensive companies can claim a payable credit rate of 14.5% from HMRC in exchange for their losses (capped at £20,000 plus 3 x [PAYE & NIC]).
4. Previously, most SMEs used the enhanced expenditure scheme, but with a payable tax credit rate for losses of 10% (or 14.5%, from 1 April 2023, for those with R&D expenditure constituting at least 40% of total expenditure).

Special reliefs

Area

Intangible assets: goodwill, know-how and patent rights

Profits from goods/services deriving from a patent generated by the entity
Certain creative industries, including those producing films or video games

Relief

Deduction given according to depreciation ("amortisation") in the accounts, unless the circumstances in Note 1 below apply.

10% rate of CT.

Enhanced deductions for certain expenditure and losses surrendered for payable tax credits, but these reliefs are currently in transition to an expenditure credit system.

Notes

1. Special restrictions apply to relief for amortisation of goodwill and customer-related intangibles:
 - No deduction if arising from incorporations from 3.12.14.
 - No deduction if arising from acquisitions from 8.7.15 to 31.3.19.
 - Deduction at 6.5% pa if a purchase from 1.4.19, but qualifying amount limited to 6 x qualifying intellectual property purchased at the same time.
2. The above is a brief summary of selected reliefs available to companies; other conditions apply in each case.

Capital allowances

Plant and machinery

	Year to 31.3.2025	Year to 31.3.2024
Companies only		
– First-year allowance (main pool)	100%	100%
– First-year allowance (special rate pool)	50%	50%
Annual Investment Allowance (AIA)		
– Expenditure of up to £1m	100%	100%
New electric vans	100%	100%
Writing down allowance: main pool	18%	18%
Writing down allowance: special rate pool	6%	6%

Notes

1. Neither capital expenditure nor depreciation is generally allowed as an expense, but 100% First-year allowance (FYA) effectively allows qualifying expenditure to be expensed in the accounting period of purchase.
2. The writing down allowance (WDA) spreads the cost over several years, and is not related to the accounting depreciation.
3. Special rate pool includes plant integral to buildings and thermal insulation.

4. The special rate pool FYA provides an initial 50% relief on new plant and machinery that would qualify for 6% WDAs in the special rate pool.
5. Cars are not usually eligible for the FYA or AIA. Exceptions include dual-control driving instructors' cars and hackney carriages.
6. In general terms, plant and machinery comprises items that perform a function in the business, rather than providing the setting within which the trade is conducted.

Motor cars purchased

	From 1.4.21	Allowance
	CO ₂ (g/km)	
New cars only	Nil	100%
In general pool	up to 50	18% pa
In special rate pool	above 50	6% pa

Note

Unincorporated businesses: the allowance is reduced for private use of the car.

Structures and buildings allowances (SBA)

Fixed deduction p.a. 3%

Notes

1. The SBA is available on commercial buildings and structures purchased new or built on/after 29 October 2018 and used for a qualifying purpose.
2. It is not available on residences or buildings situated in residences (e.g. garden offices), nor on the cost of land itself.
3. On disposal of a qualifying structure or building, the acquirer continues to claim the allowances that would have been available to the previous owner.

Unincorporated Trading Businesses

Basis of assessment

From 2024/25 Tax year

Notes

1. Under tax year basis, the profits assessable for a tax year are those arising in the tax year.
2. 2023/24 was a transition year, where businesses moved from the old system of assessment ("current year basis") to the new one.
3. The above rules apply also for partnerships and limited liability partnerships (LLPs).

Cash basis

	2024/25	2023/24
Entry threshold – turnover up to:	N/A	£150,000
Exit threshold – turnover not more than:	N/A	300,000

Notes

1. Up to 2023/24, in order to use the cash basis, trading businesses had to opt in and their turnover be between the limits above.
2. From 2024/25, the cash basis is the default method of calculating profits, with traders able to opt to use the accruals basis instead.
3. Calculating taxable profits on the 'cash basis' involves comparing income received and expenditure paid, rather than invoiced or accrued.
4. Up to 2023/24, using the cash basis meant that a number of special rules applied (e.g. a maximum deduction of £500 for interest and losses only being able to be carried forward). These special rules have been abolished for 2024/25, so that trading businesses using the cash basis have the same reliefs available as those using the accruals basis.
5. Certain businesses are not permitted to use the cash basis, including: farmers using the herd basis, persons using profit averaging and LLPs.
6. Unincorporated property businesses use the cash basis. The key differences to the rules for trading businesses are:
 - the entry and exit thresholds are both £150,000; above this, the accruals basis must be used.
 - cash basis is the default position for such businesses, but they can elect to use accrual accounting.

Flat rate deductions**Item used for business****Permitted deduction**

Taxpayer's car or goods vehicle	Up to 10,000 miles pa	45p/mile
	Over 10,000 miles pa	25p/mile
Taxpayer's home (use per month)	25 - 50 hours	£10/month
	51 - 100 hours	£18/month
	101 hours or more	£26/month

Business premises partly used as home**Private use adjustment**

(e.g. public house or B&B)	1 occupant	£350/month
	2 occupants	£500/month
	3 or more occupants	£650/month

Notes

1. Unincorporated businesses can choose the above fixed rate deductions to use instead of calculating the business proportion of actual expenditure.
2. 'Use of home' deduction covers rent, utilities and other similar costs. It does not cover internet or telephone expenses.
3. 'Use of vehicle' does not cover the finance element of lease or hire purchase.
4. 'Use of business premises' amounts are deducted from the actual expenses of running the building.

Property Taxes

Annual Tax on Enveloped Dwellings (ATED)

Property value	Annual charge to	
	31.3.2025	31.3.2024
£0.5m - £1m	£4,400	£4,150
£1m - £2m	9,000	8,450
£2m - £5m	30,550	28,650
£5m - £10m	71,500	67,050
£10m - £20m	143,550	134,550
Over £20m	287,500	269,450

Notes

1. The ATED applies to 'high value' residential properties owned via a corporate structure, unless the property is used for a qualifying purpose.
2. There are many reliefs that can remove or reduce the charge, but in order to claim a relief, a Relief Declaration Return (RDR) must be submitted.
3. The ATED return, RDR and any tax due must generally reach HMRC by 30 April within the relevant year.

Stamp Duty Land Tax (SDLT)

Residential property

Purchase price	Rate on band
Up to £250,000	Nil
£250,001 - £925,000	5%
£925,001 - £1.5m	10%
Over £1.5m	12%

Notes

1. A supplement of 3% of the total purchase price applies where someone owning one or more residences acquires an additional residence for more than £40,000, unless they are replacing their main residence. It also applies to all corporate purchasers. A supplement also applies to Land & Buildings Transaction Tax (LBTT) and Land Transaction Tax (LTT). For LBTT it is 6%, but LTT has specific higher rates applying in different bands. These taxes are covered below.
2. First-time buyers purchasing a property for up to £625,000 pay SDLT at a nil rate on the first £425,000 of the price.
3. Where purchaser is a company (or partnership including a corporate member) and price is over £500,000, SDLT is 15% of total purchase price, if ATED exemptions or reliefs do not apply.
4. Non-residents are subject to a 2% supplement on the above rates.
5. New leases with a net present value of rents exceeding £125,000 attract SDLT of 1% of that excess.

Commercial property

Purchase price for freehold	Rate on band
Up to £150,000	Nil
Between £150,001 and £250,000	2%
Over £250,000	5%
Net present value of rent for lease	Rate on band
Up to £150,000	Nil
Between £150,001 and £5m	1%
Over £5m	2%

Note

New leases with an NPV of rents exceeding £150,000 attract SDLT of 1% up to an NPV of £5m, when the rate increases to 2%.

Land and Buildings Transaction Tax (LBTT) - Scotland

Residential property

Purchase price	Rate on band
Up to £145,000	Nil
£145,001 - £250,000	2%
£250,001 - £325,000	5%
£325,001 - £750,000	10%
Over £750,000	12%

Notes

1. For first-time buyers, the nil band is extended to £175,000.
2. The additional residence supplement is 6% of total purchase price.

Commercial property

Purchase price	Rate on band
Up to £150,000	Nil
£150,001 - £250,000	1%
Over £250,000	5%

Notes

1. The above rates of LBTT also apply to any lease premium on commercial properties.
2. New Leases with an NPV of rents exceeding £150,000 attract LBTT of 1% up to an NPV of £2m, when the rate increases to 2%.

Land Transaction Tax (LTT) - Wales

Residential property

Normal rates

Purchase Price	Rate on band
£000	
Up to 225	Nil
225 - 400	6.0%
400 - 750	7.5%
750 - 1,500	10.0%
Over 1,500	12.0%

Additional residence supplement rates

Purchase Price	Rate on band
£000	
Up to 180	4.0%
180 - 250	7.5%
250 - 400	9.0%
400 - 750	11.5%
750 - 1,500	14.0%
Over 1,500	16.0%

Commercial property

Purchase price for freehold

Purchase price for freehold	Rate on band
Up to £225,000	Nil
£225,001 - £250,000	1%
Between £250,001 and £1m	5%
Above £1m	6%

Net present value of rent for lease

Net present value of rent for lease	Rate on band
Up to £225,000	Nil
Between £225,001 and £2m	1%
Over £2m	2%

Value Added Tax

VAT rates

	VAT rate	VAT fraction
Standard rate	20%	1/6
Reduced rate	5%	1/21
Zero rate	0%	–

Notes

1. Reduced rate applies to a small range of supplies, including domestic fuel and power and some conversions and renovations of residential property.
2. Zero rate applies to a range of supplies, including some types of food, books and newspapers, new houses and children's clothes. VAT is charged at a zero rate to the customer, but the supplier can recover VAT on costs.
3. Exempt supplies include many land-related supplies, insurance, finance, education, health and welfare, and non-profit sports clubs. No VAT is charged to the customer, but the supplier cannot recover VAT on costs.

VAT thresholds

From	1.4.2024	1.4.2023
Registration		
– Turnover for last 12 months	£90,000	£85,000
Deregistration		
– Turnover next 12 months	88,000	83,000

Notes

1. An unregistered business must register for VAT if it has made taxable supplies that equal or exceed the registration threshold in the last 12 months, up to any month-end, or if it expects to exceed that threshold in the next 30 days alone. Taxable supplies include reduced rate and zero-rated sales but not exempt sales. Businesses with taxable supplies below the registration limit can register voluntarily.
2. A VAT-registered business can apply to deregister if it can satisfy HMRC that taxable supplies in the next year will not exceed the deregistration threshold.
3. Businesses that are VAT-registered must comply with the Making Tax Digital (MTD) provisions. These mean that businesses will have to keep their records digitally for VAT and provide VAT return information through MTD functional compatible software.
4. Most VAT returns are prepared for three-month periods, and must be filed electronically within seven days of the end of the month following the return period.
5. Payment of VAT must be made electronically, and must be received by HMRC by the same deadline as the return or be paid by direct debit.
6. A construction industry business making a supply to another such business will not usually charge output tax. Instead, the customer will account for the output tax itself through the reverse charge mechanism.
7. The VAT rules on imports and exports are complex and have changed since the UK left the EU. Specialist advice should be sought in this area, as it should for transactions in goods between Great Britain and Northern Ireland.

Small business schemes

Annual turnover	Joining	Leaving
Flat-rate scheme (FRS)	£150,000	£230,000
Annual accounting	1,350,000	1,600,000
Cash accounting	1,350,000	1,600,000

Notes

1. When using the FRS, the VAT paid to HMRC by the business is a fixed percentage (based on business category) of 'FRS turnover' rather than the excess of output tax over input tax.
2. Businesses in their first year of VAT registration are entitled to a 1% discount on the normal FRS percentage for their business category.
3. Under FRS, input VAT is not recoverable, unless it relates to the purchase of a capital asset costing £2,000 or more (including VAT).
4. The special rules for 'limited cost traders' mean that they are likely to be worse off by using the FRS. These are businesses that spend an amount (including VAT) on relevant goods that is either:
 - less than 2% of their VAT flat rate turnover; or
 - greater than 2% of their VAT flat rate turnover but less than £1,000 per year.
5. 'Relevant goods' excludes many items, for example food or drink for the trader or staff, capital expenditure goods of any value and (for most businesses) vehicle costs.
6. Under annual accounting, the business files a single VAT return each year instead of one every three months.
7. Under annual accounting, businesses will pay their VAT in nine monthly instalments of 10% of the previous year's liability. The instalments are payable at the end of months 4-12 of the current annual accounting period. Alternatively, businesses may choose to pay their VAT in three quarterly instalments of 25% of the previous year's liability (if there was one) falling due at the end of months 4, 7 and 10.
8. The balance of VAT for the year is then due, together with the annual VAT return, two months after the end of the annual accounting period.
9. When using the cash accounting scheme, the business only pays VAT to HMRC when its customers have paid the business, but it can only recover VAT on expenses actually paid for, rather than accrued.

Option to tax

1. Supplies of land and buildings, such as freehold sales or renting, are normally exempt from VAT. This means that no VAT is payable, but the person making the supply cannot normally recover any of the VAT incurred on their own expenses related to the supply.
2. You can 'opt to tax' non-residential land; this will include any buildings or structures permanently affixed to the land. Once you have opted to tax, all the supplies you make of your interest in the land will normally be standard-rated (e.g. you will have to charge VAT on disposal proceeds or rents). As a result, you will normally be able to recover any VAT you incur in making those supplies.
3. You must notify HMRC within 30 days of opting to tax, although in some circumstances they will accept late notification.
4. There are limited circumstances in which an option to tax may be revoked, including:
 - Within 6 months of the option taking effect, providing no VAT has become chargeable on a supply of the land as a result of the option;
 - 20 years after the option first took effect.

Inheritance Tax (IHT)

Rates and thresholds from

	2024/25	2023/24
Nil Rate Band (NRB)	£325,000	£325,000
Residential enhancement (RNRB)	175,000	175,000
Tax paid on legacies on death	40%	40%
Tax paid if at least 10% of net estate is left to charity on death	36%	36%
Gifts made up to seven years before death (see lifetime gifts)	40%	40%
Chargeable lifetime transfers to trusts	20%	20%

Notes

1. RNRB is available for transfers on death of a main residence (or assets of an equivalent value if the main residence has been sold) to direct descendants (or their spouses). It tapers away at the rate of £1 for every £2 of estate value (before reliefs and exemptions) above £2m.
2. Up to 100% of the proportion of a deceased spouse's/civil partner's unused NRB and RNRB may be claimed to increment the current NRB and RNRB when the survivor dies.
3. Gifts or legacies to UK charities are not charged to IHT.
4. IHT due on a deceased's estate and on gifts within seven years of death is generally due six months after the month of death, but in practice it usually must be paid before probate is granted.
5. If the donor pays the IHT due on a chargeable lifetime transfer to a trust, the effective rate is 25%.
6. IHT on chargeable lifetime transfers to trusts is payable within 6 months from the end of the month of transfer.

Lifetime gifts

Reduced tax charge on gifts up to seven years before death

Years before death	0 - 3	3 - 4	4 - 5	5 - 6	6 - 7
Percentage of IHT death charge payable	100%	80%	60%	40%	20%

Note

Lifetime gifts between individuals ('potentially exempt transfers') are only charged to IHT if the donor dies within seven years of the gift.

Exempt gifts

Amount of relief Conditions

£3,000 pa	Amount per donor (lifetime gifts only); unused exemption can be carried forward one year
£250 pa	<i>De minimis</i> amount per recipient (lifetime gifts only)
Unlimited	Regular gifts out of surplus income
Unlimited	To UK domiciled spouse or civil partner
£325,000	To non-domiciled spouse/civil partner by a UK-domiciled person (lifetime limit)
£5,000	From parent of a party to a marriage
£2,500	From a grandparent (or remoter ancestor) of a party to a marriage
£1,000	From any other person to a party to a marriage

Business and agricultural property

Amount of relief

100%

50%

100%

Property and conditions

All shareholdings in unquoted trading companies; an unincorporated business or interest in such a business

Controlling shareholding in quoted company; land and buildings used by either a trading company controlled by the owner, or a partnership where they are a partner

Agricultural value of qualifying farmland and buildings

Note

In all cases the property must have been owned for at least two years; other conditions apply.

Trusts

Tax rates

2024/25

Type of trust

Life interest

Discretionary

Rate on dividend income

8.75%

39.35%

Rate on other income

20%

45%

CGT rate on residential property

24%

28%

CGT rate on other gains

20%

20%

CGT annual exempt amount (AEA)

£1,500

£1,500

Notes

1. Trustees are liable to Income Tax on the trust income, CGT on the trust gains and, in some circumstances, IHT.
2. Discretionary trusts pay tax at 8.75% or 20% on income used to pay trust expenses, before paying at the main rates (39.35% or 45%).
3. Trusts with income up to £500 do not pay tax.
4. Trusts for vulnerable beneficiaries (such as disabled people) may reduce their effective tax rates if an election is made.
5. The CGT AEA is divided between trusts established by the same settlor since 6.6.1978, to a minimum of £300.
6. Trustees are liable to pay IHT in a variety of circumstances; appropriate professional advice is essential.
7. Income beneficiaries of life interest trusts ('liferent' trusts in Scotland) are treated as entitled to the income of the trustees, and pay tax on it in the year it arises to the trust, with a credit for tax paid by the trustees. These beneficiaries are called life tenants of the trust ('life renters' in Scotland).
8. Beneficiaries of discretionary trusts pay tax on income distributed to them by the trustees, which is treated as paid with a tax credit of $\frac{9}{11}$ of the cash received (i.e. a £45 tax credit for every £55 of income distributed).
9. Any beneficiary receiving income from a trust is given an R185 form showing the income received and the appropriate tax credit. For life interest trusts, this will reflect the underlying income that has been distributed by the trustees.
10. The beneficiary will declare the income on their own tax return and pay tax at their own marginal rate on it, with credit given for the tax on the R185.

Key deadlines

Payment deadlines

Self assessment

		2024/25	2023/24
1st payment on account	31 January	2025	2024
2nd payment on account	31 July	2025	2024
Balancing payment	31 January	2026	2025
Capital Gains Tax	31 January	2026	2025

National Insurance

Class 1A NIC	19 July	2025	2024
Class 1B NIC	19 October	2025	2024

Notes

1. Payments on account for 2024/25 are based on 2023/24 self-assessed Income Tax and Class 4 NIC. The balancing payment includes Class 2 NIC.
2. Missing any payment dates leads to interest being charged at Bank of England base rate plus 2.5% (currently 7.75%).
3. Missing the balancing payment date by 30 days will lead to a 5% penalty.
4. When the balancing payment is 6 and 12 months late, further 5% penalties apply on each occasion.
5. Employment income is charged to both Income Tax and to Class 1 NIC.
6. Tax and NIC are normally paid by the employer through the PAYE system, under which the PAYE code makes adjustments for tax reliefs due and some tax due on other income.
7. Where a payment date is the 19th of the month, any cheque must reach HMRC by that date, or the business day preceding it (if the 19th falls on a week-end or Bank Holiday). Online payments can reach HMRC by 22nd of the month without incurring interest.
8. An employee who has overpaid or underpaid tax at the end of the year will normally receive a tax calculation from HMRC on form P800 and shortly afterwards receive a tax repayment, or be asked to pay any tax due.
9. Where taxpayers submit their self assessment tax return by 30 December following the tax year, they can request that underpaid tax of up to £3,000 is collected through their PAYE code in the subsequent tax year.
10. CGT payment deadlines for UK land and buildings have special rules. See page 12.

Filing deadlines

For tax year

	2023/24
Issue P60s to employees	31 May 2024
P11D and P11D(b)	6 July 2024
Paper version of self assessment return	31 October 2024
Online self assessment return	31 January 2025

Notes

1. A late filing penalty of £100 will be issued if the self assessment return is not submitted within the deadlines indicated above. This applies even if no tax is due.
2. Further late filing penalties are due if the self assessment return is more than 3, 6 and 12 months late.
3. CGT filing deadlines for disposals of UK land and buildings have special rules. See page 12.

Freeports and Investment Zones

Freeports

Freeports are special areas within the UK's borders where different economic regulations apply, including important tax breaks. Freeports in England are centred around one or more ports (air, rail or sea), but can extend up to 45km beyond the port(s). In England there are eight Freeports and two each in Scotland and Wales.

Notes

1. In Northern Ireland, no freeport site has yet been designated.
2. There is SDLT relief on land purchases within Freeport tax sites in England, where that property is to be used for qualifying commercial activity.
3. When companies invest in qualifying new plant and machinery, Freeport tax sites provide 100% tax relief in the same tax period that the cost was incurred.
4. Enhanced Structures and Buildings Allowance (SBA) at 10% p.a. (rather than the normal 3% p.a.) is available for firms constructing or renovating structures and buildings for non-residential use within Freeport tax sites.
5. Employers operating in a Freeport tax site will pay 0% employer NIC on the salaries of any new employee working in that Freeport site. This 0% rate applies for up to three years per employee on earnings up to £25,000 per annum. An employee will be deemed to be working in the Freeport tax site if they spend 60% or more of their working hours in that tax site.
6. Up to 100% relief from business rates on qualifying business premises is available to new and certain existing businesses in Freeport tax sites in England. This applies for 5 years from the point at which the beneficiary first receives relief.
7. Businesses operating within Freeport customs sites receive tariff benefits, including duty deferral while the goods remain on site and duty inversion if the finished goods exiting the Freeport attract a lower tariff than their component parts.
8. Freeport tax reliefs must be claimed by 30 September 2031

Investment Zones

The government has also announced thirteen Investment Zones around the UK. They have been introduced with a view to "catalysing high-potential knowledge-intensive growth clusters". Each Zone will benefit from a £160m funding package over 10 years.

Notes

1. Investment Zones can offer the same tax breaks as Freeports, but some are not intending to offer tax incentives.
2. Funding is available from 2024/25 and Zones will run until the end of 2033/34.

316 Blackpool Road, Fulwood, Preston PR2 3AE

Telephone: 01772 717110

BTC House, Chapel Hill, Longridge, Preston, PR3 3JY

Telephone: 01772 786858

E-mail: office@mcdaderoberts.co.uk

Website: www.mcdaderoberts.co.uk