Personal taxation

R03 2024–25 edition

Web update 1: 18 December 2024

As announced in the Autumn Budget 2024 on 30 October 2024:

- The lower main rate of capital gains tax (CGT) will increase to 18% and the higher main rate will rise to 24% for disposals made on or after 30 October 2024.
- From 31 October 2024, the higher rate for additional dwellings stamp duty land tax (SDLT) surcharge will be increased from 3% to 5%. The single rate of SDLT charged on the purchase of dwellings costing more than £500,000 by corporate bodies will also be increased by two percentage points to 17%.

Therefore, the following content should be updated as noted in **bold**.

Chapter 3, section D4, page 3/12:

Sven has the following chargeable gains and losses in 2024/25:

- a gain of £10,000 on 15 April 2024 taxable at **10%**;

[...]

		£
April 2024 gain	£10,000 × **10%**	**1,000**
January 2025 gain	(£40,000 – £15,000 – £3,000) × 24%	5,280
Total CGT liability		**6,280**

Chapter 3, section E, pages 3/13 and 3/14:

- The taxable gain after deducting the annual exempt amount is treated as if it sat on top of the income of the tax year. Any part of the gain that falls within the basic rate band is taxable at **18%** and the rest is taxed at **24%**.
- **These rates of CGT apply to disposals made on or after 30 October 2024 (the date of the Autumn Budget 2024). Prior to 30 October 2024, the basic rate of CGT was 10%, with a higher rate of 20%. However, the current rates of 18% and 24% applied for non-exempt residential property gains (e.g. buy-to-lets). Only the rates of CGT applicable to disposals made on or after 30 October 2024 are used in this text, even if the stated date of disposal is earlier than this.**
- For a self-employed individual, any transitional period additional profits are ignored when calculating the amount of available basic rate band.

[...]

The taxable gain of £17,500 sits on top of Rob's income for the purpose of determining the CGT rates. So, £6,000 is taxed at **18%** because it falls within the basic rate band. The remaining £11,500 is taxed at **24%**.

[...]

	£
Gain on shares	30,900
Residential property gain	20,000
Total gains	50,900
Annual exempt amount	(3,000)
Chargeable gains	47,900
CGT	
£7,600 (i.e. £37,700 – £30,100) at **18%**	**1,368**
£40,300 (i.e. **£47,900** – £7,600) at **24%**	**9,672**
Total CGT due	**11,040**

Chapter 3, section F1, page 3/16:

Tax at 24%	**40,080**

The annual exempt amount is set against the gain on the freehold warehouse because it is taxable at a higher rate than the other **gains**.

Chapter 3, section F1A, page 3/16:

Investors' relief extends business asset disposal relief to long-term external investors in unlisted trading companies. **Investors' relief offers the same 10% tax rate but has its own separate £1m lifetime limit. This limit applies for disposals made on or after 30 October 2024 (prior to 30 October 2024, the lifetime limit was £10m).**

Chapter 3, section F5A, page 3/19:

- Investment in EIS shares may also qualify for 30% income tax relief, though the conditions for income tax relief are slightly different. Depending on the type of asset disposed of, a taxpayer can get **10% or 24%** CGT relief, as well as the 30% income tax relief, on the reinvestment.

Chapter 3, section I1B, page 3/22:

- **The tax due on trust gains is now 24% for gains made on or after 30 October 2024 (non-property gains made between 6 April and 29 October 2024 are taxed at 20%), subject to any available annual exempt amount.**

Chapter 3, section I1C, page 3/23:

- In **May 2024**, Penelope transferred a residential property valued at £200,000 (the property did not qualify for private residence relief (PRR)) to a relevant property trust. Her acquisition cost was £80,000. She had already used her CGT annual exemption in that year.

Chapter 3, section I1E, page 3/24:

As discussed earlier, the tax due on trust gains is **24% (20% for non-property gains realised between 6 April and 29 October 2024).**

Example 3.19

Tax calculations for 2024/25

	£
Trust gains arising from **November** 2024 on the disposal of shares	30,000
Less annual exemption	(1,500)
Taxable gain	28,500
CGT due at **24%**	**6,840**

Example 3.20

Scales Trust

The trustees of the Scales Trust sell one of the trust's investments in **December 2024** and realise a chargeable gain of £10,000. Mr Scales has created two other trusts since 6 June 1978. The exemption is thus reduced to £500, giving a taxable gain of £9,500. The tax at **24% is £2,280**.

Chapter 3, section I3, page 3/24:

Trustees **pay** CGT at the higher **rate of 24%**, so any amount of gain that would fall within the beneficiary's basic rate will be taxed at **18%** rather than the higher **rate**.

Chapter 3, section I4, page 3/25:

Disposals made by the trustees

Any disposals made by the trustees during the life of the trust are chargeable in accordance with the usual rules and taxable at the rate of **24% (20% for non-property gains between 6 April and 29 October 2024)**.

[...]

The gains made after 1990, when the trust was set up, escape a CGT liability. However, the trustees are now liable to CGT on the held-over gain when the trust was set up (the value of asset at date of transfer £60,000, less acquisition cost £20,000, gives a chargeable gain of £40,000) taxed at the trust rate of **20%** (the asset was shares), which equals **£8,000. Had the gain been realised on or after 30 October 2024, the rate applicable would have been 24% and the tax £9,600.**

Chapter 3, section I6, page 3/26:

- The trustees are liable to CGT on trust gains at **24% (20% for non-property gains realised between 6 April and 29 October 2024)**. If assets are transferred to a beneficiary, this is treated as a disposal at market value by the trustees – if this results in:
  - gains, the tax can be deferred, as these gains can always be held over; or
  - capital losses, the losses can be transferred to the beneficiary.

Chapter 3, section I8, page 3/26:

Even in cases where the settlor retains an interest in the trust, capital gains are taxed on the trustees at the trust rate of **24% (20% for non-property gains between 6 April and 29 October 2024).**

Chapter 3, Key points, pages 3/27 and 3/28:

- The taxable gain after deducting the annual exempt amount (and any capital losses) is as if it sat on top of the income of the tax year. Any part of the gain that falls within the basic rate band is taxable at **18%** and the rest is taxed at **24%**.

[...]

- Investors' relief extends business asset disposal relief to long-term external investors in unlisted trading companies. **Investors' relief offers the same 10% tax rate but has its own separate £1m lifetime limit.**

[...]

- Trustees are liable to CGT at **24% (20% for non-property gains between 6 April and 29 October 2024)** subject to any available exemption £1,500 for 2024/25.

Chapter 3 self-test answers, page iii:

7 The normal rates are **18% and 24%**. A rate of 10% also applies if business asset disposal or investors' relief is available.

[…]

14 At **24% (20% for non-property gains between 6 April and 29 October 2024).**

15 At **24% (20% for non-property gains between 6 April and 29 October 2024).**

Chapter 7, section A3, pages 7/4 and 7/5:

An ***anti-avoidance rate*** of SDLT of **17% (15% prior to 31 October 2024)** is charged on the entire purchase price when companies and collective investment schemes buy residential properties with a value over £500,000. There are reliefs for genuine property businesses so that the lower residential banded basis applies instead. This rate only applies to property transactions in England and Northern Ireland.

There is a 2% SDLT surcharge for non-UK residents buying residential property in England and Northern Ireland costing £40,000 or more. This is charged on top of all other rates of SDLT. Rather than using the normal statutory test of residence, residence for the purpose of the 2% surcharge is defined broadly as being resident in the UK for at least 183 days during a two-year window spanning the date of the property transaction. The surcharge also applies to non-UK resident companies, so the top rate could be **19%** (i.e. **17%** + 2%) in some circumstances.

Chapter 7, section A6, page 7/6:

SDLT, LBTT and LTT rates are all increased for purchases of ***additional residential properties*** such as buy-to-lets (BTLs) and holiday homes. **The percentage increase is 3% (before 30 October 2024) or 5% (from 31 October 2024) for SDLT in England and Northern Ireland, 6% for LBTT and usually 4% for LTT.**

Table 7.4: SDLT, LBTT and LTT rates for additional residential properties

SDLT (England and Northern Ireland)			LBTT (Scotland)		LTT (Wales)	
Slice of purchase price	**Rate (until 30 Oct 2024)**	**Rate (from 31 Oct 2024)**	**Slice of purchase price**	**Rate**	**Slice of purchase price**	**Rate**
Up to £250,000	3%	**5%**	Up to £145,000	6%	Up to £180,000	4%
£250,001 to £925,000	8%	**10%**	£145,001 to £250,000	8%	£180,001 to £250,000	7.5%
£925,001 to £1.5m	13%	**15%**	£250,001 to £325,000	11%	£250,001 to £400,000	9%
Above £1,500,000	15%	**17%**	£325,001 to £750,000	16%	£400,001 to £750,000	11.5%
			Above £750,000	18%	£750,001 to £1,500,000	14%
					Above £1,500,000	16%

[...]

	£
First £250,000 at **5%**	**12,500**
£250,001 to £405,000: £155,000 at **10%**	**15,500**
Total	**28,500**

Chapter 7, Key points, page 7/8:

- An anti-avoidance rate of SDLT of **17%** is charged on the entire purchase price when companies and collective investment schemes buy residential properties with a value over £500,000.

[…]

- SDLT, LBTT and LTT rates are all increased for purchases of additional residential properties. The percentage increase is **5%** for SDLT, 6% for LBTT and usually 4% for LTT.

Chapter 8, section A2D, page 8/5:

- Exempt supplies include insurance, finance, health, education and burial and cremation services. **However, education services and vocational training provided by a private school in the UK for a charge is standard-rated from 1 January 2025.**

Chapter 9, section C10, page 9/10:

Gains that qualify for relief are taxed at 10% instead of either:

– 18%: **gains** within the basic rate band; **or**

– 24%: **gains** above the basic rate band.

Chapter 10, section K5, page 10/33:

Individuals can defer chargeable gains on any assets by reinvesting the gain in shares that qualify under the EIS. This makes the maximum potential tax relief 54% (30% income tax and deferral of a CGT liability of up to **24%**).

Chapter 10, section K5, page 10/33:

Alternatively, the loss could be set against any chargeable gains for the year of the loss, but relief would then only be at a top rate of **24%**.

Chapter 10, section K6, page 10/34:

- For someone paying CGT at the higher rate, the overall tax relief is **62%** (i.e. 50% income tax relief and **24%** CGT exemption on 50% of a reinvested gain).

Chapter 10 self-test answers, page x:

4 Capital gains tax (CGT) at a rate of **18% and/or 24%.**

Chapter 11, section A1, page 11/2:

Capital gains have previously benefited from a relatively high annual exempt amount, but for 2024/25, the exemption is now just £3,000 (it was £12,300 for 2022/23). Even though capital gains tax (CGT) is not payable on death, the reduction to the annual exempt amount is likely to see more people paying this tax. Previously, CGT has been paid by only a small percentage of the population. Despite the change, the rates of tax on gains – **18%** and **24%** are lower than the equivalent rates on income. It is therefore often advantageous from a tax point of view to choose investments that are subject to CGT rather than income tax, but the result may be that the client invests in shares or property that might be unsuitable for their risk profile.

Chapter 11, section A2, page 11/3:

For example, an offshore single premium bond would allow income to be rolled up gross until such time as the bond is paid out, which may be in ten or more years' time. Where CGT is concerned, appropriate tax planning may ensure that a disposal of an asset associated with a business qualifies for business asset disposal relief, with the result that it suffers a **lower tax rate rather than 24%** for a higher- or additional-rate taxpayer.

Chapter 11, section B3, page 11/8:

- Anyone who holds share options should consider the tax position (as well as the investment issues) when deciding whether to exercise them now or in a future tax year. CGT may be at **18%** or at the higher rate of **24%**, depending on whether the gain or part of it falls within the individual's basic rate band in the year of exercise.

Chapter 11, section D1, page 11/11:

- Pension contributions may also impact on CGT liabilities because they will increase a person's basic rate tax band, and therefore reduce the amount of gains taxed at the higher CGT rates of **24%**.

Chapter 11, Question answers, page 11/24:

11.4 By increasing a person's basic rate tax band and therefore reducing the amount of gains taxed at **24%**.

Chapter 12, section A5C, pages 12/11–12/13:

Tax at **18%** on £12,000 (i.e. £37,700 – £25,700)	**2,160**
Tax at **24%** on £73,000 (i.e. £85,000 – £12,000)	**17,520**
Total tax liability	**19,680**

[...]

Tax at **24%** on £6,500	**1,560**
Total tax liability	**1,560**

[...]

As her taxable income is £40,700, £1,000 (i.e. £41,700 – £40,700) of the taxable gains fall within the basic rate band and are taxed at **18%**. The remaining £19,300 are taxed at **24%**.

Susan's CGT liability is therefore:

	£
£1,000 at **18%**	**180**
£19,300 at **24%**	**4,632**
Total tax liability	**4,812**

[...]

£11,750 at **24%**	**2,820**
Total tax liability	**2,820**

Chapter 12, section B2, page 12/18:

CGT planning is important especially when gains do not fall within a person's basic rate income tax band and are therefore taxed at **24%**. The reduction of the annual exempt amount from £12,300 (for 2022/23) to £3,000 for 2024/25 will result in more individuals having to pay CGT.

Reinforce

CGT planning should always take account of whether the gain would fall to be taxed at **24%** depending on the client's other income.

Chapter 12, section B2A, page 12/19:

- If capital gains will only be taxed at the lower rate of **18%**, it is important to avoid incurring excessive costs in making use of the annual exempt amount or in realising losses.

Chapter 12, section B2B, page 12/19:

Gains that do not fall within an individual's basic rate income tax band are taxed at **24%**.

- Tax at **24%** is considerably less than the higher and additional income tax rates of 40% and 45%. For high-income individuals, it may therefore be preferable to choose investments aimed at producing capital growth rather than income.
- The link to an individual's income means that it may be possible for a higher-rate taxpayer to save 20% income tax and 6% NICs, and reduce the CGT rate by **12%**, e.g. when a sole trader buys plant and machinery qualifying for the 100% annual investment allowance.

Example 12.1

Ronnie

Ronnie, a sole trader, will have a trading profit of £50,270 for 2024/25. He also has a taxable gain of £2,000 (after deducting the annual exempt amount), subject to CGT at the rate of **24%**.

Ronnie purchased a computer for £2,000, thereby reducing his trading profit to £48,270. This saves 20% income tax and 6% NICs on the £2,000 and, by bringing the gain into the basic rate tax band (£48,270 – £12,570 = £35,700, which is £2,000 less than £37,700), reduces the rate of CGT on the gain from **24%** to **18%**.

- An individual may be able to dispose of assets in a year when they have little income so as to avoid the **24%** rate, e.g. if a sole trader has a loss-making year.
- The benefit of holding investments within an ISA is enhanced for higher- and additional- rate taxpayers because they save CGT at the higher rate of **24%**.
- It is more beneficial to defer gains by investing in the enterprise investment scheme (EIS), if this saves CGT at the higher **24% rate. Given that the rate of CGT where business asset disposal relief is available is going to increase to 14% from 6 April 2025, and then to 18% from 6 April 2026, it is not beneficial to defer a gain if it will be taxed at the current business asset disposal relief CGT rate of 10%**. Investors and advisers should bear in mind that EIS investment is inherently risky and it might be preferable to pay tax at 10% when that rate is **available**.
- Gains can be exempted by investing in the seed enterprise investment scheme (SEIS), although only 50% of the reinvested gains are exempt. Given the 50% income tax relief available, such an investment will result in total tax relief of 50% + 12% = 62%, if it saves 50% of the CGT at the higher **24% rate**.

Chapter 12, section B2C, page 12/19:

- If one partner has fully used their basic rate income tax band and will therefore pay CGT at the rate of-**24%**, the assets could first be transferred to the other partner if they will only pay CGT at the rate of **18%**.

Chapter 12, section B2D, page 12/20:

- The rate of CGT on the disposal of qualifying assets is 10%. However, these gains must be taken into account when calculating the rate of CGT that will apply to non-qualifying disposals. **This rate will increase to 14% from 6 April 2025, and then to 18% from 6 April 2026.**

Chapter 12, section B2E, page 12/20:

Business asset disposal relief is extended to external investors in unlisted trading companies by means of investors' relief. **Investors' relief offers the same 10% tax rate but has its own separate £1m lifetime limit. This limit applies for disposals made on or after 30 October 2024 (prior to 30 October 2024, the lifetime limit was £10m).**

Chapter 12, section B4A, page 12/23:

It is also possible to defer CGT on a gain of any size by reinvesting in EIS shares. The gain must be reinvested in the period that starts one year before and ends three years after the disposal. The investor still has to pay CGT on the deferred gain when they dispose of the EIS shares. It may be possible to defer gains subject to CGT at the higher rate of **24%** until such time as the **18%** rate is available. However, such planning will not work if gains are too large since these are always likely to exceed an individual's basic rate income tax band and therefore be taxable at **24%**. It is important to remember that most EIS shares are high risk and low liquidity investments.

Chapter 12, section B5A, page 12/25:

Gains within life funds

Gains within a UK life fund are subject to tax at up to 20% (with no relief given for inflationary increases arising from January 2018 onwards as a result of the indexation allowance being frozen at December 2017). In contrast, some taxpayers do not pay CGT on their direct holdings of investments because of the annual exempt amount. But other individual investors who hold their investments directly pay **18%** and/or **24%** and are therefore taxed broadly **slightly less** beneficially, than a UK life fund.

Chapter 12, section B5D, page 12/27:

- For a higher- or additional-rate taxpayer, the tax position of a qualifying policy is attractive in principle because the income never suffers more than basic rate tax, with no tax payable in the case of UK equity dividends. The CGT position is **beneficial** if the investor is a regular CGT payer at the higher **24% rate**. In other circumstances, it is not advantageous.

Chapter 12, section B5E, page 12/28:

- Gains are not taxed within the fund, but they are ultimately subject to income tax on the investor as part of the chargeable gain on encashment. So, for most taxpayers, the whole of the gains generated within the fund is eventually taxed at 20%, 40% or 45% on encashment (although the personal savings allowance and top-slicing relief can reduce the amount payable). This compares with a personal CGT rate (after the annual exempt amount) of **18% or 24%**.

Chapter 12, key points, page 12/34:

- Capital gains tax (CGT) planning is important especially when gains do not fall within a person's basic rate income tax band and are therefore taxed at **24%**.

[…]

- Although offering the same 10% tax rate as business asset disposal relief, investors' relief has its own separate **£1m** lifetime limit.

Chapter 12, question answers, page 12/35:

12.2 Because the CGT rate of **24%** is lower than the higher rates of income tax at 40% and 45%.

Chapter 12 self-test answers, page xii:

4 The investor needs to invest in an EIS the amount of the chargeable gain after deducting the annual exempt amount. There are several circumstances in which it might be unwise to invest in an EIS in order to defer a capital gain: the EIS might be very high risk and the investor might end up deferring the potential tax liability but losing far more. It would also be inefficient planning to defer a tax liability of **18%** for the ultimate deferred gain to be taxed at **24%**.

Notes

- Any change related to the CGT or SDLT will be examined from 30 January 2025.
- This update has been incorporated into the digital copies of the study text, available on RevisionMate.