

# BUDGET 2024 AND CAPITAL TAXES

## *'The Times They Are A-Changing'*

An insight into protecting family businesses and farms for the future.



### Introduction

The Budget announcements made by the Chancellor will have a major impact on family businesses. In the past it was possible for businesses to be passed down through the generations without suffering major tax costs. That will now all change. Inheritance tax is going to be a major worry for the future.

### The changes in a nutshell

Whilst agricultural and business property will continue to benefit from 100% inheritance tax relief there is now an important cap. From 6 April 2026, the relief for agricultural and business property will be limited to £1 million. Property in excess of this combined cap will only qualify for relief at a level of 50%. Inheritance tax will then become payable at 20%. Funding that extra cost is going to be a major worry for many families.

### The start of the new rules has been delayed

These new changes will not come into effect until 6 April 2026. Families are being given a second chance to revisit their planning options. There are a range of options that can be considered but whether or not they are relevant will depend on your individual circumstances as well as that of the business and agricultural property you hold. So, now is the right time to plan for the future.

## The £1 million allowance

The new cap will apply where the combined value of the property held qualifies for 100% business property relief and 100% agricultural property relief. If the total value of the property exceeds the cap, the relief will be applied proportionately across all qualifying property.

The new allowance will cover:

- Transfers taking place on death
- Lifetime gifts to individuals that qualify for potential exemption so that no tax is payable where the donor survives 7 years from making the gift
- Chargeable lifetime gifts to trusts.

## What can be done

### Use of trusts

Trusts have been a feature of estate planning over many hundreds of years. They are still widely used. The government has announced that there will be a technical consultation early in 2025 on the position of such trusts so it would be prudent to defer undertaking any planning steps in relation to existing trusts until the results of that consultation are known.

### Changing wills

Some business owners do not have wills or, if they do, they have not been reviewed for many years. That needs to be considered in the light of these announcements. In particular, some of the strategies around which the wills have been built will cease to be relevant after 5 April 2026.

### Using insurance

Just in the same way that estate planning strategies will need to be reassessed in the light of these changes, the use of insurance based arrangements will become increasingly important to generate sufficient liquidity to meet the additional tax costs that will be on the horizon.

### Need for a thorough review

All of these factors lead to but a single conclusion. Owners of successful businesses and farming enterprises will need to review their capital tax positions in good time prior to the introduction of these new rules. So it makes sense to get that process underway as soon as possible.

### Getting started

We will be happy to meet up with you to discuss any aspects of these changes that might prove to be of interest, as well as talk about any scenarios that you might like to discuss.



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