Retirement income planning

AF8 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 2, section C3A, page 2/16:

Clients commonly regard ‘bricks and mortar’ as a more secure investment than financial assets and frequently underestimate the risks in relying on property ownership to sustain them in retirement. They may plan to put their tax-free pension commencement lump sum (PCLS) or redundancy money into property to let. It is important therefore to ensure they understand the changes introduced since 2016 in the treatment of residential rental property for income tax, CGT and stamp duty land tax (SDLT – or its equivalents in Scotland and Wales), and their impact on buy-to-let (BTL) as an investment. New non-tax considerations have also emerged that must be considered, such as plans to end no-fault (s. 21) evictions and plans – recently abandoned by the current government – to tighten minimum energy efficiency requirements. Combine these factors with higher mortgage interest rates and there is growing evidence to suggest that ‘amateur’ BTL investors, with small or single property portfolios are leaving the market. The reduction from 28% to 24% in the top rate of CGT for residential property gains **in the Spring Budget 2024 was** expected to encourage more departures from smaller BTL investors.

Chapter 3, section A2A, pages 3/6 and 3/7:

Buy-to-let (BTL) properties have been the focus of recent Government policy and many of the perceived tax advantages have been either reduced or eliminated. For example, purchases of property where an individual has owned more than one property and where they have not replaced their main residence, attract an additional **5%** stamp duty land tax (SDLT) charge. **This increased from 3% on 31 October 2024, following the Autumn Budget 2024**.

[…]

Table 3.2: SDLT rates in England and Northern Ireland (from 23 September 2022 to 31 March 2025)

Slice of property value	Standard SDLT rate*	SDLT where more than one property is owned	
		Up to 30 October 2024	From 31 October 2024
Up to £250,000	**0%**	3%†	**5%†**
£250,001 to £925,000	5%	8%	**10%**
£925,001 to £1,500,000	10%	13%	**15%**
£1,500,001 and over	12%	15%	**17%**

* First-time buyers are able to benefit from an SDLT exemption on the first £425,000 of property purchase where the value is up to £625,000.

† Applies to property purchases over £40,000.

Be aware

Temporary SDLT cuts

The Government announced on 23 September 2022 that it would increase the 0% SDLT band from £125,000 to £250,000 in England, with a similar increase to the exemption for first-time buyers. It was subsequently announced in the Autumn Statement 2022 that the change will be reversed from 1 April 2025, after which the slice of property value between £125,001 and £250,000 will be taxed at 2% (or **7%** for additional properties, **rising from 5% up to 30 October 2024**).

Chapter 3, section A7, page 3/18:

The rates are 18% where the gain falls below the threshold between basic rate and higher rate tax, and 24% where it falls above the threshold, and also for trusts. Before 30 October 2024, the 2024/25 rates for non-residential property were 10% and 18% respectively, before being aligned with those for residential property in the Autumn Budget 2024.

[...]

Basic rate income tax band (£37,700) minus taxable income (£22,930)	£14,770 at **18% = £2,659**
Remaining gain	£30,230 at **24% = £7,255**
Total tax on chargeable gain	**£9,914**

Chapter 6, section A2B, page 6/5:

- **Following the Autumn Budget 2024**, BTL property purchases are subject to an additional **5%** SDLT (or the regional equivalent plus 6% in Scotland and plus 4% in Wales). Alongside legal and other fees, this can make the initial costs of acquiring a BTL property more than 7% of the purchase price.

[...]

- CGT on residential property gains is payable within 60 days of the completion of the sale. The **Autumn Budget 2024 means that the** CGT rate is **now the same as** the rates that apply to virtually all other investments (i.e. 18% on gains within the basic rate band and **24%** on those above). The CGT annual exemption has been reduced to £3,000 in 2024/25.

Chapter 6, section B1, page 6/10:

In theory, the announcements in the Autumn Statement 2022 of a reduction in the dividend allowance (to £500 in 2024/25), the CGT annual exemption (to £3,000 in 2024/25) plus the latest ISA administrative simplifications and the **Autumn Budget 2024 increase in CGT rates**, should increase future interest in ISAs, even for basic-rate taxpayers.

Chapter 6, section B3, page 6/13:

- While the CGT position is **relatively** unfavourable for many potential investors, the overall tax position may be better than direct investment for some investors, e.g. those who have exhausted their dividend allowance (an increasing number following the allowance cuts) or who wish to defer taxable income.

Chapter 6, section B3, table 6.2, page 6/14:

Equity gains:				
Collective fund	**18.00**	**18.00**	**24.00**	**24.00**

[…]

Fixed interest gains:				
Collective fund	**18.00**	**18.00**	**24.00**	**24.00**

Chapter 6, section C1, page 6/15:

The current 10% rate of CGT for business owners who qualify for business asset disposal relief makes investment in business assets a tax-efficient alternative to other retirement investments if the strategy is unwound at a later date. However, the lifetime limit for the relief was cut from £10m to £1m from 11 March 2020, reducing its usefulness, **and the rate will rise to 14% in 2025/26 and 18% thereafter**.

Chapter 6, section C3, page 6/16:

- Realised capital gains from any source can be reinvested in EIS without limit, up to three years after the gains arise. This can raise the effective tax relief rate on the first £2m to as much as **54%** (i.e. 30% income tax relief and, **in nearly all instances, a maximum of 24% CGT**). The CGT relief is only a deferral; the gains will fall back into the investors' taxable gains calculation when the EIS investment is disposed of. However, any gains made on the EIS are CGT free after three years.

Chapter 6, section C3A, page 6/17:

- SEIS losses (net of income tax relief) can be offset against income. For an additional-rate taxpayer, this can mean that once the CGT relief is allowed for, **84.5%** of any losses are met from tax savings.

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.