Financial planning practice

R06 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 B6, page 3/10:

The CGT position and status of the assets
Prior to 30 October 2024, the CGT on nearly all assets **was** taxed at a flat rate of 10% for gains falling within the basic rate tax band (18% for non-exempt residential property) and at 20% (24% for non-exempt residential property) for gains falling within the higher and additional rate bands. **From 30 October 2024, the rates of CGT are 18% and 24% for all gains (regardless of asset type) falling below and above the basic rate threshold, respectively.**

There are valuable exemptions and reliefs, and financial planners need to understand the client position to make the most of them.

Chapter 4, section F1, page 4/23:

Example 4.12

Joan
Joan bought 4,000 shares in ABC plc in March 2010 for £5,000. She bought a further 6,000 shares in September 2011 for £26,000. In **September** 2024, she sold 4,000 shares and received proceeds of £30,600. In matching shares disposed of on or after 6 April 2008 with acquisitions, all shares of the same class in the same company acquired before the date of disposal are pooled to form a single asset (s.104 holding).

[…]

A similar calculation would also be required if the client owned a life assurance bond that might need to be encashed. In this instance, it would be an income tax calculation and might allow for top-slicing relief. There is no CGT liability on encashment of a life assurance bond by the original policyholder.

If Joan had sold her shares in November 2024 (instead of September 2024), then due to the changes announced in the Autumn Budget 2024, tax would have been due at 18%, resulting in a tax payment of £2,736 (i.e. £15,200 at 18%).

Chapter 4, section F2, page 4/24:

- Tom holds life assurance bonds containing growth-oriented equities, as well as some fixed-interest securities in collectives. These could be changed to reflect the more advantageous tax treatment of gains made on fixed-interest securities held in bonds and growth-orientated equities held in collectives. The CGT rate on realised gains on the growth-orientated equities held in collectives would be 20% **(24% from 30 October 2024)** at most. In addition, the fixed-interest securities within bonds would be taxed at 20% at most and would not have to be 'grossed up' to calculate the potential higher rate tax that Tom would have to pay on encashment of the bonds. Tom may be able to avoid this higher rate tax altogether if his income tax rate drops to basic rate (including the 'top-sliced' gains on the bonds at the time of encashment).

Chapter 4, case study: John and Margaret Williams – completed fact-find, Part 6, page 4/44:

- Expected cash from the sale of company shares: £46,840. The acquisition cost of the shares was £31,200. The most CGT due would be £3,160 after the annual exempt amount (£50,000 − £31,200 − £3,000 at 20%). **This figure would increase to £3,792 (i.e. £50,000 − £31,200 − £3,000 at 24%) if the sale took place on or after 30 October 2024.** However, if John becomes a basic-rate taxpayer after retirement, the CGT bill could be less than this.

Chapter 5, section D1E, page 5/9:

- The majority of BTL and second home purchases in excess of £40,000 attract a surcharge of an additional 3% SDLT **(5% from 31 October 2024)**. The impact of this on the purchase of a second property valued at, say, £275,000, is to increase the SDLT payable from £1,250 to £9,500 **(£15,000 from 31 October 2024)**.

Chapter 6, section A4B, page 6/9:

Collectives

Collectives are generally subject to tax on the income they generate but are free of tax on gains until encashment. At that point, CGT may not be paid because of the annual exempt amount or the tax-free uplift on death. The rate of CGT is 10% or 20% (**18% or 24% for gains made on or after 30 October 2024)**, depending on whether the gain falls under or over the investor's basic rate tax band. Collectives are usually most appropriate for growth-oriented investments.

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.