

Investment planning

AF4 2024–25 edition

Web update 2: 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**.

Part 1, section B1A, page 16:

- It is worth noting that short-term borrowing may make sense in the context of tax planning, e.g. an investor with a need for cash can borrow against an asset to meet the need and thus avoid triggering a CGT charge from selling an asset. This allows gains to be pushed into the following tax year when income might be lower and selling the asset will trigger a lower CGT rate. However, the cuts to the CGT annual exempt amount in 2023/24 and 2024/25 **along with the increase in CGT rates from October 2024** now need to be factored into the decision-making process.

Part 1, section C7, page 39:

- Disposal is likely to result in a CGT liability. **Property** disposals (in which the property is not the main residence) are subject to CGT rates of 18% or 24% **depending on the investor's income tax rate**. This position has worsened with the reduction in the CGT exempt amount to £3,000 in 2024/25.

Part 1, section E4A, page 63:

- Individuals have an annual exempt amount for CGT (£3,000 in 2024/25). The CGT rates are **18%** for gains falling within the basic rate and **24%** for those falling within the higher rates **of income tax**.

Case study 2, model answer to question (b)(ii), pages 2/7 and 2/8:

Stamp duty land tax

- SDLT is calculated on the proportion of the property value that falls within each band. **The SDLT rates for residential property for UK residents are:**
 - For property values up to £250,000, the rate is 0%; from £250,000 to £925,000, the rate is 5%; from £925,000 to £1.5m, the rate is 10%; and above that figure, the rate is 12%.
 - **The rate of SDLT chargeable if the purchase is of an additional residential property is increased by an extra 3% over these standard rates for the period up to 30 October 2024 and by 5% from 31 October 2024. So, if Keith was to purchase an additional property, it would be liable to SDLT as follows: for property values up to £250,000, the rate is 5%; from £250,000 to £925,000, the rate is 10%; from £925,000 to £1.5m, the rate is 15%; and above that figure, the rate is 17%.**
 - For first-time buyers, there is a 0% band for properties. Up to 30 October 2024, this was properties valued up to £425,000 with a 5% charge for properties from £425,000 to £625,000. From 1 April 2025, the 0% band is for properties worth up to £300,000, with a 5% rate charged above that.

[...]

Capital gains tax

- Until 29 October 2024, the rates of CGT were higher for sales of second properties than for other assets, such as commercial property. However, the Autumn Budget 2024 aligned these, so from 30 October 2024, the rates of CGT are 18% for basic-rate taxpayers and 24% for higher-rate taxpayers.
- UK residents must make a payment on account of CGT following the disposal of a residential property, whose gain is not otherwise covered by private residence relief.

[...]

- From 2020 onwards, any CGT payments must be made within **60** days of a sale of a BTL property. The general rule is that a return in respect of the disposal must be delivered to HMRC within a 'payment window' of 30 days following the completion of the disposal, and a payment on account made at the same time. The self-assessed calculation of the amount payable on account takes into consideration unused losses and the person's annual exempt amount. The rate of tax for individuals is determined after making a reasonable estimate of the amount of taxable income for the year.

Notes

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