Budget reaction: Non-dom changes praised, but warnings over NI

Briefings

20 November 2024

ATT, CIOT and LITRG commented on significant tax announcements in the Budget, from Making Tax Digital to inheritance tax.

CIOT has welcomed adjustments to the government's non-dom plans announced in the Budget, saying these reflect recommendations made by the Institute in response to the previous government's proposals. 'Changes to the 10 year new-arrival window and the tapering of the 10 year "tail" are to be welcomed,' said John Barnett, chair of the Institute's Technical Policy and Oversight Committee. 'A consultation reviewing the settlements legislation and the transfer of assets abroad rules is also very welcome; a wholesale review of these rules is long overdue.'

However, both CIOT and ATT have warned that the increase in employers' national insurance will further widen the difference in cost between taking on an employee compared to a self-employed contractor and could lead to an increase in 'false self-employment'. 'The higher employers' NI goes, the greater the likelihood that employers may seek ways to mitigate or absorb the burden, which could include potential alternative arrangements to taking on people as employees,' warned Eleanor Meredith, chair of CIOT's Employment Taxes Committee. ATT President Senga Prior encouraged the government to launch a wider review of the taxation of employment versus self-employment.

On the Chancellor's decision to freeze fuel duty again, Senga warned that, with growing number of motorists turning to electric vehicles, the government must now put a plan in place to deal with declining revenue.

The tapering of business and agricultural property reliefs for inheritance tax is likely to trigger an increase in the number of lifetime gifts, CIOT warned. The Institute also pointed out that the need for more formal valuations would create a lot more work for both HMRC and executors, and suggested that the Budget was a missed opportunity for a wider review of inheritance tax.

CIOT described the increase to capital gains tax rates as 'pragmatic', while observing that the gap between the immediate introduction of the changes to the main capital gains tax rates and those for realising gains under business asset disposal relief means the relief will be of particularly high benefit for the next few months. CIOT also noted that business asset disposal relief is a relief that only benefits entrepreneurs when they sell up, and suggested the government should look at how more help can be provided to new entrepreneurs.

Making Tax Digital for Income Tax should not be rolled out to those with income between £20,000 and £30,000 until HMRC has been able to properly assess how the initial rollout has gone, so not before April 2027, said ATT. Sharron West of LITRG agreed, saying HMRC should not try to run before they can walk with MTD.

CIOT's Ellen Milner welcomed what she called 'a bold, billion-pound bet on tackling the tax gap', but said the additional revenue estimates were ambitious and taxpayers could be forgiven for wondering whether they would be delivered. The Institute also welcomed the government's attempts to provide more predictability to companies through the Corporate Tax Roadmap. However, Ellen Milner warned that a narrow focus and the lack of a clear statement of strategic aims missed a trick for greater coherence across business taxation and wider government priorities.

LITRG responded to the announcement that recruitment agencies, or end clients where there is no agency, are to be responsible for accounting for PAYE tax and NI on payments made to workers that are supplied by umbrella companies. ‘Action to tackle non-compliance in the umbrella market … is long overdue,’ said Victoria Todd, though she noted that the move might lead some responsible umbrella companies to leave the market.