



CLIENT UPDATE

KING FINANCIAL PLANNING
OCTOBER 2024

Dear all,

So, the summer is over (or what little we had of it), the nights are drawing in and pretty much every day it seems to rain! Having started with some doom and gloom, from an investment point of view 2024 has been a good one. Both equity markets and bond markets have provided positive returns and unlike 2022 and most of 2023, we have made some money! We also made changes to some of the investment managers we use which reduced costs and so far, has improved performance.

Politically we still live in turbulent times, with the Middle East still on a knife edge, and the worry from an economic perspective that the escalation of this conflict leads to higher oil prices, which leads to inflation, which leads to interest rates not coming down in the way they are expected to.

Looking at interest rates, the last estimates I saw from Brewin Dolphin showed that they believed the bank base rate in the UK will be at 3.5% by the end of 2025, with the US rate being around 3%. Of course, economists nearly always get it wrong, but it gives you a flavour of what the thinking is out there.

Over recent weeks my conversations with pretty much all my clients have centred around the budget on 30 October. I must start this part of my update by saying I do not have a crystal ball and so anything I say is purely based on my thoughts on what I've read over the last few weeks.

So, for what it is worth, I do not believe they will get scrap tax-free cash on pensions. I think the tax take on this would be relatively small compared to the uproar that would follow. MPs are also pretty selfish, and it would probably affect them as well! There are rumours that they might bring the amounts you can take tax free down over a long period of time, but id be surprised.

I do think they will do something with Capital Gains Tax, but I think it will be unlikely to happen in this tax year. If they bring Capital Gains Tax back to where it used to be i.e., at the same rate as income tax, then they will have to bring in some form of indexation so that people holding assets for a long time are rewarded, otherwise nobody is going to invest anywhere!

There is a strong possibility of the government introducing National Insurance on employer pension contributions, at what rate I'm not sure. My final prediction would be that at some point soon they start to look at council tax bandings, as the difference between large houses and small houses and what people pay isn't very big now.

At a conference a couple of weeks ago, the chart below was put up on the screen. I thought many people might find this of interest as it shows how much tax the government takes and where it makes most of its money. The obvious areas of course are Income Tax, National Insurance, and VAT. This is followed by Corporation Tax. However, interestingly at present the difference between alcohol duties and Capital Gains Tax isn't that great! You can also see that Inheritance Tax is still a relatively low figure compared to other areas included, such as tobacco duties. I'm not sure what my conclusions are on this, apart from it seems to indicate that the receipts from Capital Gains and Inheritance Tax will need to go up, but how I'm not sure yet.

So, let's wait to see what happens at the end of the month at which point if there are any major consequences from the Autumn Budget, I will be in touch with what we might need to do.



Table A.5: Current receipts

	£ billion						
	Outturn	Forecast					
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Income tax ¹	250.5	279.2	302.7	315.8	331.4	348.7	363.3
of which: Pay as you earn	213.3	241.8	254.3	264.5	275.5	287.7	298.6
Self assessment	42.9	42.5	55.4	58.5	63.3	68.7	72.7
Other income tax	-5.8	-5.1	-7.0	-7.2	-7.4	-7.7	-8.0
National insurance contributions	177.1	179.2	168.1	173.6	179.8	186.1	192.1
Value added tax	162.1	170.7	175.6	182.1	189.6	197.8	206.0
Corporation tax ²	79.7	94.9	101.3	102.7	106.3	110.2	115.0
of which: Onshore	73.9	92.4	99.5	101.1	105.0	108.9	114.1
Offshore	5.8	2.6	1.8	1.6	1.3	1.2	0.9
Petroleum revenue tax	-0.2	-0.5	-0.2	-0.2	-0.2	-0.1	-0.1
Fuel duties	25.1	24.6	24.7	27.3	27.6	28.0	28.2
Business rates	28.2	29.5	32.1	35.4	36.3	36.7	37.4
Council tax	42.0	44.6	46.9	49.3	51.9	54.6	57.5
VAT refunds	25.2	27.6	27.8	28.7	29.4	30.1	30.9
Capital gains tax	16.9	14.8	15.2	16.2	18.9	21.3	23.5
Inheritance tax	7.1	7.6	7.5	7.7	8.2	9.0	9.7
Property transaction taxes ³	16.7	12.7	14.0	15.1	17.2	19.6	22.1
Stamp taxes on shares	3.8	3.2	3.7	4.0	4.1	4.3	4.4
Tobacco duties	9.4	8.8	8.8	8.6	8.4	8.3	8.2
Alcohol duties	12.4	12.6	12.7	13.5	14.3	15.2	16.0
Air passenger duty	3.3	3.8	4.5	4.9	5.2	5.5	5.9
Insurance premium tax	7.5	8.2	8.2	8.4	8.5	8.7	8.8
Climate change levy	2.1	1.9	1.9	1.9	1.9	1.9	1.8
Bank levy	1.3	1.6	1.4	1.4	1.4	1.3	1.3
Bank surcharge	2.5	1.5	1.1	1.1	1.1	1.1	1.1
Apprenticeship levy	3.6	3.9	4.0	4.1	4.3	4.4	4.6
Digital services tax	0.6	0.7	0.8	0.8	0.9	1.0	1.0
Other HMRC taxes ⁴	10.6	10.2	10.1	10.4	10.8	11.5	11.9
Vehicle excise duties	7.3	8.0	8.3	8.8	9.3	9.9	10.4
Licence fee receipts	3.7	3.7	3.9	4.0	4.0	4.0	4.1
Environmental levies	6.6	9.9	11.5	12.1	13.8	11.5	10.9
Emissions Trading Scheme	5.8	6.1	3.6	2.4	2.0	1.9	1.6
Energy profits levy	4.2	3.1	2.2	2.1	1.9	1.8	1.4
Electricity generator levy	0.3	1.3	1.6	0.8	0.3	0.0	0.0
Other taxes	10.4	11.7	12.0	11.7	11.6	11.6	11.8
National Accounts taxes	925.8	985.2	1,016	1,055	1,100	1,146	1,191
Interest and dividends	31.5	41.1	43.8	38.4	37.8	40.4	42.4
Gross operating surplus	69.2	73.5	76.7	78.5	80.8	83.4	85.9
Other receipts	2.2	2.3	2.5	2.7	2.7	2.9	2.8
Current receipts	1,029	1,102	1,139	1,174	1,222	1,272	1,322
<i>Memo: UK oil and gas revenues</i> ⁵	9.8	5.2	3.8	3.5	3.0	2.9	2.2

¹ Includes PAYE, self assessment, tax on savings income and other minor components, such as income tax repayments.

² National Accounts measure, includes Pillar 2 taxes.

³ Includes stamp duty land tax, devolved property transaction taxes and the annual tax on enveloped dwellings.

⁴ Consists of landfill tax (excluding devolved), aggregates levy, betting and gaming duties, customs duties, diverted profits tax, soft drinks industry levy, residential property developer tax, carbon border adjustment mechanism, vaping tax and plastic packaging tax.

⁵ Consists of offshore corporation tax, petroleum revenue tax and energy profits levy.

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James