



Guide to the General Election 2024: Tax implications for your business

As a business owner, you'll likely be wondering how the upcoming general election on 4 July 2024 is likely to affect your business. A new government can mean significant legislative changes and tax upheavals that can impact your business operations and financial planning.

Here is a comparison table of what Labour and the Conservatives say in their manifestos about tax.

	LABOUR	CONSERVATIVE
Income Tax		
<i>Comparison: Same/similar</i>	The basic, higher and additional rates of income tax will not be increased.	Income tax rates will not be increased.
	Pension reforms will be adopted alongside a review of the pensions landscape.	The tax-free allowance for pensioners to be brought into a new 'Triple Lock Plus.' This pledges a rise equal to the highest of inflation, earnings or 2.5% by way of a new age-related personal allowance. This will apply from April 2025. The tax-free (or personal) allowance is currently frozen at £12,570 for all taxpayers until 6 April 2028.
		No new taxes on pensions. Marginal rate relief and the 25% tax free lump sum will both be maintained.
	No mention of the High Income Child Benefit Charge	The High Income Child Benefit Charge to be assessed on a household basis, with the charge only starting to apply when combined income reaches £120,000. The charge would only reach the full amount of Child Benefit when household income exceeds £160,000. It is currently based on the highest earner in the household and whether their income exceeds £60,000.

National Insurance Contributions (NIC)		
<i>Comparison: The Conservative Party are pledging reductions</i>	National Insurance will not be increased.	A further 2p reduction in the main rate of employees' NIC. This is currently 8% and the Manifesto promises to cut this to 6% by April 2027. NIC will not be extended to employer pension contributions.
Business Tax		
<i>Comparison: The Conservative party are pledging reductions.</i>	A roadmap for business taxation for the next parliament will be published, enabling confident investment planning.	Further reductions in the main rate of self-employed Class 4 NIC. This is currently 6% and the Manifesto promises to abolish it altogether by the end of the next Parliament (no later than July 2029).
	Full expensing and the annual investment allowance to be retained. There will be greater clarity on qualification criteria, to aid investment.	Extension of full expensing for expenditure on brand new plant and machinery, including in cases where the asset is leased to a third party. This will apply 'once fiscal conditions allow'.
Corporation Tax		
<i>Comparison: Possible increases coming for smaller companies under Labour.</i>	Corporation tax will be capped at the current main rate of 25% for the whole parliament. This perhaps hints at increases for companies with annual profits of less than £250,000 (as divided by the number of associated companies), i.e. those currently benefiting from the small profits rate or marginal relief.	No increase in corporation tax.
VAT		
<i>Comparison: Same/similar albeit Labour's private school plans are significant for some.</i>	The rate of VAT will not be increased. VAT will however be applied to private school fees.	The rate of VAT will not be increased. The VAT registration threshold will be kept under review with options explored to smooth the cliff edge at the current £90,000 level.

Capital Gains Tax (CGT)		
<i>Comparison: Possible increases coming for investors under Labour. Certain increases within private equity.</i>	No specific mention of CGT rates or reliefs. The 'carried interest tax loophole' will be closed. This relates to private equity executives that receive a stake in the funds they manage, rather than traditional remuneration.	CGT will not be increased. Business Asset Disposal Relief will be retained. Private Residence Relief will be maintained. A new temporary 2 year CGT relief will be offered to landlords who sell their properties to their existing tenants.
Inheritance Tax		
<i>Comparison: Labour to impose IHT on offshore trusts.</i>	No specific mention of IHT rates or reliefs. The use of offshore trusts to avoid inheritance tax will be ended.	No specific mention of IHT rates or reliefs. Agricultural Property Relief and Business Relief will be retained.
Stamp Duty Land Tax		
<i>Comparison: Increases under Labour for non-residents and possibly, down the line, for UK residents as well.</i>	SDLT on purchases of residential property by non-UK residents will increase by 1%. This will increase the existing surcharge from 2% to 3%.	Rates and levels of SDLT will not be increased. The first-time buyer threshold to be set permanently at £425,000. This is due to revert to £300,000 on 1 April 2025.
Non-domiciled individuals		
<i>Comparison: Likely same/similar</i>	The non-domiciled status will be abolished and replaced with a modern scheme for people genuinely in the country for a short period.	Interestingly, no mention is made of the previously announced plans to curb non-domiciled individuals' use of the remittance basis from April 2025.
Furnished holiday lets		
<i>Comparison: Likely same/similar</i>	No indication given.	Councils will be given the powers needed to 'manage the uncontrolled growth of holiday lets'. Beyond this, no further detail is given on the planned April 2025 reform to limit tax benefits.

SME growth initiatives		
<i>Comparison: Likely same/similar although no commitment from Labour.</i>	No indication given.	The Enterprise Investment Scheme (EIS), Seed Enterprise Investment Scheme (SEIS) and Venture Capital Trusts (VCT) regimes will be retained.
Research & Development (R&D) and Creative tax reliefs		
<i>Comparison: Likely same/similar although no commitment from Labour.</i>	No indication given.	R&D tax reliefs will be maintained. Priority will be given to cutting edge farming technology such as fertiliser and vertical farming. Creative sector tax incentives to remain competitive.
HMRC resources		
<i>Comparison: Likely same/similar although Labour appear to be budgeting less to tackle avoidance</i>	A promise to modernise HMRC and change the law to tackle tax avoidance. A £855 million investment to reduce tax avoidance. Registration and reporting requirements will increase and HMRC's powers will be strengthened. There will be investment in technology to build capacity within HMRC. There will be a renewed focus on tax avoidance by large businesses and the wealthy.	A further £6 billion a year will be raised by tackling tax avoidance and evasion over the next Parliament. There is no specific commentary on funding for HMRC although there are pledges to double digital and AI expertise within the wider civil service.
Taxpayer digitalisation		
<i>Comparison: Likely same/similar</i>	The Making Tax Digital (MTD) initiative does not get a mention in the manifesto.	The Making Tax Digital (MTD) initiative does not get a mention in the manifesto.
Other associated pledges		
<i>Comparison: Minimum wage cost increases under Labour.</i>	A commitment to one major fiscal event a year, giving families and businesses due warning of tax and spending policies.	The National Living Wage will be maintained at two-thirds of median earnings.

	<p>The minimum wage will be a genuine living wage and the age bands will be removed.</p> <p>England's business rates system to be replaced with a fairer model, levelling the playing field between the high-street and online 'giants'. Business rates to apply to private schools.</p> <p>A new plan to 'Make Work Pay' will overhaul HR practices.</p> <p>A new windfall tax on oil and gas 'giants'.</p>	<p>A business rates support package worth £4.3 billion over the next 5 years.</p> <p>More freeport and business rate retention zones will be created.</p> <p>Investment zones will continue to be backed.</p>
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What the other parties have said about tax

The Liberal Democrats, under their manifesto "For a Fair Deal," are proposing a fairer tax system. They're looking at:

- increasing the global minimum corporation tax rate to 21%. This looks like an increase to the current UK small profits rate of 19%.
- raising the personal income tax allowance when public finances allow.

The Green Party's "Real Hope. Real Change" manifesto is quite ambitious. They're advocating for:

- a £15 per hour National Minimum Wage but allowing small businesses to reduce their National Insurance payments as an offset.
- a wealth tax for those with assets above £10 million.
- aligning Capital Gains Tax (CGT) rates with income tax rates.
- aligning the tax rates on investment income with the combined income and NIC rates paid on employment income.
- removing the NIC upper earnings limit, which will mean higher earning employees paying NICs on all their employment earnings at the main rates.

Reform UK, with their "Britain Needs Reform" manifesto, includes proposals like:

- increasing the personal allowance to £20,000 and the higher rate threshold to £70,000.
- cutting residential Stamp Duty Land Tax (SDLT) to 0% for properties below £750,000 and 2% for properties costing £750,000 - £1.5m.
- reestablishing the VAT refund scheme for tourist shopping.
- abolishing Inheritance Tax (IHT) for estates under £2 million and bringing the rate for estates worth more than that down to 20%.
- lifting the small profits threshold for corporation tax to £100,000.
- lowering the main rate of corporation tax from 25% to 15% over three years.
- abolishing IR35 rules.
- increasing the VAT registration threshold to £150,000.

- no VAT and a 20% income tax relief on school fees
- reducing UK tax legislation from 21,000 pages to nearer 500.

Plaid Cymru, in their “For Fairness, For Ambition, For Wales” manifesto:

- Believe that Wales should have full control of economic levers and want the Senedd to have powers to set income tax bands and thresholds, as is the case in Scotland.
- Pledge to campaign for capital gains tax to be equalised with income tax.
- Pledges to investigate increasing NICs, introduce a wealth tax, further crack down on evasion and avoidance and to abolish loopholes for non-domiciled individuals.

The SNP’s manifesto, “A future made in Scotland” includes:

- The demand for the full devolution of tax powers, including over National Insurance, windfall taxation for companies and to crack down on tax avoidance and evasion.
- Support for the reform of VAT to address imbalances in the rating system, including ending the VAT exemption for private schools.
- A pledge to introduce a lower VAT rate for hospitality and tourism sectors.

Can you rely on these manifesto pledges?

A government is not legally held to its manifesto or required to stick to the promises they have made. Circumstances change and even a fully intentioned promise made now may or may not be suitable in 2029. So, while it’s reasonable to think that at least some pledges will turn into reality, there is no guarantee.

Whether or not these pledges are actually affordable when it comes down to it is of course another question.

Will we have another budget?

If a new party comes into power on 4 July, then they will likely set out their initial plans in an ‘emergency’ budget. Since the Office of Budget Responsibility (OBR) will need 10 weeks to prepare independent forecasts, this is unlikely to happen until September or October.

Regardless of the election outcome, we are here to support you through any changes. Following the election and the announcement of any budget, we’ll let you know and we’ll be happy to provide you with personalised advice if you want it.

Please feel free to reach out to discuss any concerns or to schedule a consultation. Together, we can navigate these changes!