October Budget Guide for Lawyers

4 Key Areas to Consider

In the document below, Adrian Johnson focuses on four key changes made in Labour's 30th October Budget announcement and discusses how they will affect you, your wallet and your life as a legal professional.

1. Pensions

There was considerable unhelpful speculation prior to the budget about what Chancellor Reeves might come up with for pensions. After the abolition of the Life Time Allowance ("LTA") in the most recent fiscal statement by the former government, Labour initially vowed to reverse those changes. This idea subsequently lost appeal but it did feel like pensions would be targeted.

The main take aways became what was not changed, rather than what was. No reimposition of LTA. No change to the annual allowance. The amount that one can withdraw from a pension as tax free cash on crystallisation (25%) was also left unchanged despite widespread panic that it would in the lead up. So far so good.

Sensible people have advocated for the removal of ridiculous tapering arrangements that horribly complicate the amount one is allowed to contribute annually, but that didn't change either.

The "catch" came with the inclusion of pensions in estates for inheritance tax ("IHT") from April 2027. Somewhat overshadowed in the press afterwards by other changes mentioned below, this is significant for many people. A lot more than those who currently pay inheritance tax. Bearing in mind that the UK now (finally) has auto-enrolment where all employees receive and make contributions into mainly defined contribution pensions, the net has been cast very wide for the future.

Note for lawyers, many of whom need to be mindful of the tapering arrangements - sensible planning still makes pensions a wonderful tool for wealth accumulation.

2. Capital Gains Tax

Another area subject to considerable unhelpful speculation prior to the budget announcement was Capital Gains Tax ("CGT"). Discussion about whether capital should be taxed at the same rate as labour is an aged old debate, as James pointed out. The fear for many was that the government would equalise the rates, which they did not do.

In what seemed sensibly constrained changes, rates moved upwards (10% became 18% for low rate taxpayers, and 20% to 24% for higher rate tax payers) which also realigned general rates with residential property rates. In a recurring theme, the CGT annual allowance was maintained at £3,000.

For owners of law firms who may be considering selling at some point, the Business Asset Disposal Relief was increased from 10% to 14% in April 2025 and 18% in April 2026.

One of the more technical areas subject to speculation included removing the tax-free step-up in basis for inherited assets, which would have meant beneficiaries might inherit assets at the original acquisition cost rather than a tax-free uplift to current market value. Such a shift would have triggered a CGT charge upon death, fundamentally altering estate planning.

3. Non-domiciled individuals and IHT

The tax regime for non-domiciled individuals ("Non-Doms") was a hot topic coming into the Budget, particularly as the previous government had already started tinkering. Labour did the sensible thing and abolished the concept of domicile. This was a rare feature of the UK, which can now start moving towards a system that will seem a lot fairer to most internationally mobile professionals, individuals and families. The Ultra High Net Worth are indeed mobile and some may decide to move away from the UK, but this change was probably not the one of in itself which triggers that.

Changes were made to the inheritance tax treatment of trusts established by Non-Doms, aiming to address perceived tax advantages within these structures. While broader, more radical reforms were anticipated, the adjustments focused on closing specific loopholes within trusts, ensuring that wealth held by Non-Doms in the UK aligns more closely with domestic tax obligations. This shift reflects an intention to increase fairness in tax contributions from non-domiciled individuals without imposing sweeping new rules.

4. Agricultural and Business Property Relief

Finally, adjustments were made to Agricultural Property Relief and Business Property Relief from IHT. This has garnered plenty of feedback in the press. Previously excluded from one's estate for IHT purposes, these assets are now subject to a combined total of £1 million relief before being taxed at 50% of the IHT rate of 40% - for normal people 20% IHT on these assets.

As this relief was primarily related to shares in private companies, the inclusion of AIM listed shares had been seen as an anomaly ripe for "fixing". The government has included them in these changes so the impact on those who had invested in AIM shares to take advantage of the relief were partially spared. The AIM market traded higher on the news.

NB. VAT on school fees was announced prior to and confirmed in the budget, so whilst that may effect many lawyers we have not focused on it here.

If you would like clarity on any of these points or to discuss how the Budget will affect your situation more specifically, feel free to get in touch. You can drop me an email at adrian@permanentwealth.co.uk or book a no-obligation call with me, free of charge, HERE.