

Finance Act 2024

Relevant to Foundations in Taxation – United Kingdom (FTX - UK) – June and December 2025 sittings

This appendix outlines the effects of the changes made in the Finance Act 2024 and the Finance (No. 2) Act 2024 on FTX-UK. The sub-headings refer to the headings in the main Finance Act 2024 article on TX-UK.

INCOME TAX

Rates of income tax

The same thresholds and the rates of tax shown will also be used in FTX-UK.

Personal allowance

The personal allowance will be examined in a similar way to TX-UK. Both the withdrawal of the allowance - where income exceeds £100,000 - and the impact of personal pension contributions and gift aid donations on the calculation of adjusted net income will be examinable. The rules regarding the transfer of some of the personal allowance to a spouse or civil partner will **not be examined** and therefore the transferable amount will not be given in the FTX-UK rates and allowances.

Savings income

FTX-UK will examine savings income in a similar way to TX-UK; however tax planning remains outside of the FTX-UK syllabus, therefore the impact of transferring savings income to a spouse or a civil partner will **not be examined**.

The savings income nil rate bands will be given in the FTX-UK tax rates and allowances.

Dividends

FTX-UK will examine dividends in a similar way to TX-UK; however tax planning between spouses, civil partners and the impact on the decision to incorporate or extract funds from a company will **not be examined**.

The dividend nil rate band will be given in the FTX-UK tax rates and allowances.

EMPLOYMENT INCOME

Company car and fuel benefits

FTX-UK will examine the same detail as shown for TX-UK.

Electric and hybrid-electric cars are examinable and therefore all of the following will be examinable in FTX-UK:

- The percentage rates applying to petrol cars (and diesel cars meeting the RDE2 standard).
- Cars with zero emissions.
- Hybrid-electric cars where the electric range will determine the car benefit percentage.
- The 4% surcharge for diesel cars which do not meet the RDE2 standard.

The same car benefit percentage detail will be given in the FTX-UK rates and allowances as that given in TX-UK.

Company van and fuel benefits

Company van and fuel benefits will continue to be examinable in FTX-UK and the scale charges will be included in the FTX-UK tax rates and allowances. Zero emission vans will, however, **not be examined** and the scale charges will not be shown in the tax rates and allowances table.

Approved mileage allowance

FTX-UK will examine this in a similar way as that in TX-UK.

Official rate of interest

The official rate of 2.25% will be used in both of the 2025 examinations.

BASIS OF ASSESSMENT FOR UNINCORPORATED BUSINESSES

From the tax year 2024/25 onwards, sole traders and partners are assessed on a tax year basis i.e. the profits arising in the tax year from 6 April to 5 April (or 1 April to 31 March). FTX-UK will examine this in a similar way to TX-UK.

Transition profits

Transition profits will be examined in a similar way to TX-UK. As in TX-UK, you will not be expected to calculate transition profits, however you will need to know how a given amount of transition profit is subject to tax during any of the tax years 2024/25 to 2027/28.

CAPITAL ALLOWANCES

FTX-UK will examine the current annual investment allowance limit of £1,000,000 in the 2025 examinations.

Zero-emission cars

New zero-emission cars which qualify for the 100% first year allowance will be examined in a similar way as TX-UK.

Structures and buildings allowance

The structures and buildings allowance (SBA) of 3% will be examined in the 2025 examinations in the same way as they are for TX-UK. This will include future disposals of qualifying structures and buildings and the effect of the allowances claimed on the capital gain calculation.

The capital allowances rates of allowance section for FTX-UK will show the same detail as that shown for TX-UK.

PROPERTY INCOME FINANCE COSTS

The rules regarding finance costs of residential property remain outside the FTX – UK syllabus.

CASH BASIS FOR SOLE TRADERS AND PARTNERSHIPS

Cash basis has been made the default method for calculating trading profit for sole traders and partnerships, therefore, in FTX-UK, the calculation of trading profit or loss under the cash basis will be examined in a similar way to TX-UK.

The election, which can be made by sole traders and partnerships, to use the accruals basis to calculate trading profit will also be examined in FTX-UK, in a similar way to TX-UK.

INDIVIDUAL SAVINGS ACCOUNTS (ISAs)

Detailed knowledge of these remains outside the syllabus for FTX-UK but knowledge of income from these accounts being non-taxable is examinable.

NATIONAL INSURANCE CONTRIBUTIONS (NIC)

Class 1, Class 1A and Class 4 NIC

The new rates and thresholds will apply to FTX-UK and the same detail will be given in the rates and allowances as that given for TX-UK.

Class 2 has been removed for most taxpayers and will **not be examined** in FTX-UK.

The employment allowance

The unchanged threshold of £5,000 will be examined in FTX-UK.

PENSION SCHEMES

Awareness of the annual allowance limit is required in FTX-UK. The annual allowance for the tax year 2024/25 is £60,000.

The additional tax charges for excess contributions continue **not to be examinable**.

The method of obtaining tax relief for contributions to both occupational and personal schemes remains examinable.

The carry forward provisions for the annual allowance will continue **not to be examinable** in FTX-UK, therefore only the annual allowance limit of £60,000 will be shown in the tax rates and allowances section.

The rules regarding the tapered annual allowance **are not examinable**.

The lifetime allowance for the tax year 2024/25 has been abolished.

CAPITAL GAINS TAX

Annual exempt amount

For the tax year 2024/25, the annual exempt amount has been reduced from £6,000 to £3,000, therefore the annual exempt amount of £3,000 will be used in FTX-UK.

Rate of capital gains tax

The rates of capital gains tax will be examined in FTX-UK in a similar way to that used in TX-UK.

The higher residential property rate has been reduced from 28% to 24%, and will be examined in FTX-UK in a similar way to TX-UK. The lower rate residential property rate is unchanged at 18%.

No capital gains tax questions will be set which involve the effects of pension contributions and gift aid payments on the income tax thresholds.

Business asset disposal relief

The rate of tax of 10% and £1,000,000 lifetime limit remain required knowledge for FTX-UK.

Investors' relief

This relief remains outside of the FTX-UK syllabus.

The capital gains tax rates and allowances section for FTX-UK will show the same detail (with the exception of the detail on investors' relief) as that shown for TX-UK.

INHERITANCE TAX

This remains outside the syllabus for FTX-UK.

CORPORATION TAX

Rates of corporation tax

FTX-UK will examine this in a similar way as TX-UK.

Quarterly instalment payments

FTX-UK will examine this in a similar way as TX-UK.

The effect of dividends received on determining whether corporation tax is payable by instalments continues **not to be examinable** for FTX-UK.

The effect of associated companies on the profit threshold **is not examinable** for FTX-UK.

Enhanced capital allowances for companies only

FTX-UK will examine this in a similar way as TX-UK. Both a 100% first year allowance for main pool expenditure (full expensing) and a 50% first year allowance for special rate pool expenditure will be examined in FTX-UK, in a similar way to TX-UK. Disposals of these assets will also be examined in FTX-UK, in a similar way to TX-UK. Disposals of plant and machinery on which a 130% super deduction and a 50% first year allowance had been claimed is examinable, in a similar way as for TX-UK.

LATE PAYMENT INTEREST AND REPAYMENT INTEREST

The calculation of these remains outside of the FTX-UK syllabus.

VALUE ADDED TAX (VAT)

Registration and deregistration limits

The new VAT registration threshold of £90,000 and the new deregistration threshold of £88,000 will be used in FTX-UK exams.

Standard rate of VAT

The unchanged standard rate of 20% will be used in FTX-UK.

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