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For Experienced Investors

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Navigating 5 key tax changes in 2024/25

Minimising tax with alternative investment strategies

The need for planning your investments

As we navigate through the Spring Budget and enter a new financial year, tax planning and investment strategies have become increasingly significant topics of discussion, particularly given the reaffirmed tax pressures highlighted in the recent Budget announcement.

The current tax landscape presents challenges, with the UK experiencing its highest tax burden since 1949.

Tightening tax regulations naturally impact one's ability to retain and grow capital. However, as we have seen by the latest announcements and changes, taxes do not need to increase or thresholds decrease for this to be a cause for concern. Investors and high-net-worth individuals must understand these changes and explore avenues to mitigate their adverse effects should they present challenges.

As inflationary pressures persist and taxation rates rise, the importance of implementing tax-efficient strategies in 2024/25 cannot be overstated, as failure to do so could result in significant financial losses.

What tax changes have been introduced in the 2024/25 tax year?

As of 6th April 2024, a number of tax changes have come into play that could directly impact investors.

These include:

Freeze on Personal Allowance at the £12,570 Threshold until 2028

Breaking from the traditional pattern of annual increases, the government has decided to freeze the personal allowance threshold until 2028. This threshold, remaining at the £12,570 level it was set at in 2023/24, defines the income level individuals can earn before paying taxes. However, the decision to freeze it marks a significant change in tax policy.

As incomes grew 6% last year, the stagnant personal allowance threshold means individuals will face higher tax liabilities over time. For instance, an individual with a pre-tax salary of £70,000 receiving a 6% salary increase could pay over £1,600 in extra taxes this year. With higher inflation and wages on the rise, this freeze will impact individuals indirectly.

Dividends Tax Allowance Decreased To £500

The dividend tax allowance has steadily decreased in recent years, marking a notable change in tax policy from the years prior. In 2017/18, it was £5,000 tax-free, but by 2023/24, it had dropped to £1,000. Now, it's set to halve again to just a mere £500.

These changes amount to a 90% allowance reduction over the previous seven years, meaning that a business owner withdrawing £200,000 in dividends as their only income will be subject to pay an extra £3,985 compared to then.

Capital Gains Tax Annual Exempt Amount for Individuals: £3,000 (from £6,000 in 2023/24)

Continuing the trend of tax adjustments, individuals face a notable reduction in the Capital Gains Tax (CGT) annual exempt amount. Previously standing at £6,000 in the 2023/24 tax year, this allowance has now been halved to £3,000, effective immediately.

This reduction follows a series of changes aimed at tightening tax regulations and increasing government revenue. For investors and individuals managing assets subject to CGT, this means a narrower window for tax-free gains. A higher rate income taxpayer selling an asset with £10,000 gain could be liable to pay an extra £600 in taxes compared to the previous year.

ISA Remains at £20,000 & British ISA Uncertain

For the 2024/25 tax year, the government has opted to maintain the ISA allowance at £20,000, a decision that hasn't changed since 2017/18. Despite wages rising and persistent inflation, there's been no indication of increasing the allowance, leading to concerns about the diminishing effectiveness of current ISAs.

To help address this situation, a British ISA is set to be launched; however, it is currently undergoing a consultation period until 6th June 2024. The anticipated launch date for the British ISA is likely to be April 2026, which may disappoint some investors.

Multiple Dwellings Relief Abolition and Capital Gains Tax Rate Drop

An unexpected announcement this year was the abolition of Multiple Dwellings Relief (MDR) for Stamp Duty Land Tax (SDLT), effective from 1st June 2024. MDR, previously allowing for a lower SDLT rate, will no longer apply to transactions in England and Northern Ireland, unless under a pre-6th March 2024 contract.

Additionally, a surprising reduction in the higher rate of Capital Gains Tax (CGT) for individuals selling residential property occurred, dropping from 28% to 24% from 6th April 2024. However, with the exempt amount reduced, additional profits resulting from this decrease could be offset.

Reminder

Tax bands, rates and reliefs are dependent on individual circumstances. Your personal scenario may affect how a specific tax change impacts you.

If you are unsure, always consult a professional tax advisor to discuss your individual circumstances.

How can investors minimise the impact of these changes?

Millie Gerber
Investor Relations Director, GCV

While investors have several tools at their disposal to navigate recent tax changes — from trust funds to pensions to ISAs — two particularly powerful tax wrappers continue to be key considerations. The Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS) present distinct opportunities to address multiple challenges at once.

The UK government provides both wrappers to incentivise investment into early-stage companies, by offering substantial tax reliefs. From 50% income tax relief on the value of their investment to reducing an existing capital gains tax liability, through the schemes investors can enhance potential venture capital returns while aiding in broader tax planning initiatives.

Enterprise Investment Scheme (EIS)

30% income tax relief

Introduced by the government in 1994 with the goal of connecting ambitious private investors with early-stage, high-growth companies, since that point the EIS has attracted over £25 billion of investment into more than 36,000 SMEs, in part due to the range of generous tax reliefs it offers investors.

- **30% income tax relief** on the value of an investment up to £1m
- **Capital gains tax exemption** when shares are sold
- **Capital gains tax deferral** enabling the deferral of existing CGT bills to later years should proceeds be reinvested via the EIS
- **Inheritance tax exemption** enabling shares to be passed on IHT-free
- **Returns upon exit** rather than dividend-focused

Seed Enterprise Investment Scheme (SEIS)

50% income tax relief

Launched in 2012 as a sibling scheme to the EIS, the SEIS encourages investment into particularly early stage startups via its stricter eligibility criteria. Whilst this early stage focus can bring higher risk (reflected by the scheme's more generous tax incentives) it should also mean companies have particularly high growth potential.

- **50% income tax relief** on the value of an investment up to £1m
- **Capital gains tax exemption** when shares are sold
- **Capital gains tax reinvestment** enabling the halving of existing CGT bills should proceeds be reinvested via the SEIS
- **Inheritance tax exemption** allowing shares to be passed on IHT-free
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What we offer at GCV

At GCV, we provide our network of over 700 experienced investors with access to growth-focused, impact-driven opportunities across three asset classes of venture capital, private equity and property.

Sourced from established industry networks and GCV Labs - our internal venture builder that creates, launches, and scales technology-enabled companies - we purposely present only a small number of opportunities each year. These opportunities are focused on their propensity to deliver positive returns for investors.

Vetted by the experienced GCV team, they are carefully selected to support investors' in building their wealth through a variety of alternative investments.

Utilising tax efficient wrappers where possible, the GCV portfolio has delivered three positive exits to date. Two of these exits saw returns realised tax-free as a result of their SEIS and EIS eligibility, providing investors into these transactions with realised returns of up to 75x money-on-money.

Craig Peterson
COO & Founder, GCV

Norm Peterson
CEO & Founder, GCV

EIS-eligible investment opportunities

LIVE OPPORTUNITY

n-gage.io

Scan to view opportunity:

Sector: MediaTech

Target Sought: £500,000

Min. Investment: £ 5,000

Investment Type: Equity

LIVE OPPORTUNITY

GCV

Scan to view opportunity:

Sector: Fintech

Target Sought: £ 1,000,000

Min. Investment: £ 5,000

Investment Type: Equity

ALL LIVE OPPORTUNITIES

Scan to view all of our live opportunities:

Want to learn more?

If you are interested in learning more about tax efficient investing and the opportunities available with GCV, you can contact our Investor Relations Director, Millie Gerber, via the email address below:

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