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Tax planning in an uncertain economic world

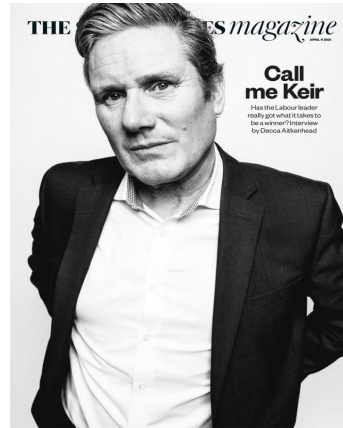
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The rest of the cast

- The “Leader”
- The “Money Man”
- The Maverick





The Leader?

- First Election victory since 2005
- Ended the Conservatives 14-year tenure
- Achieved a simple majority of 174 and a total of 411 seats
- Huge opportunity for Labour
- Deliver a long-term strategy with Labour values at its core





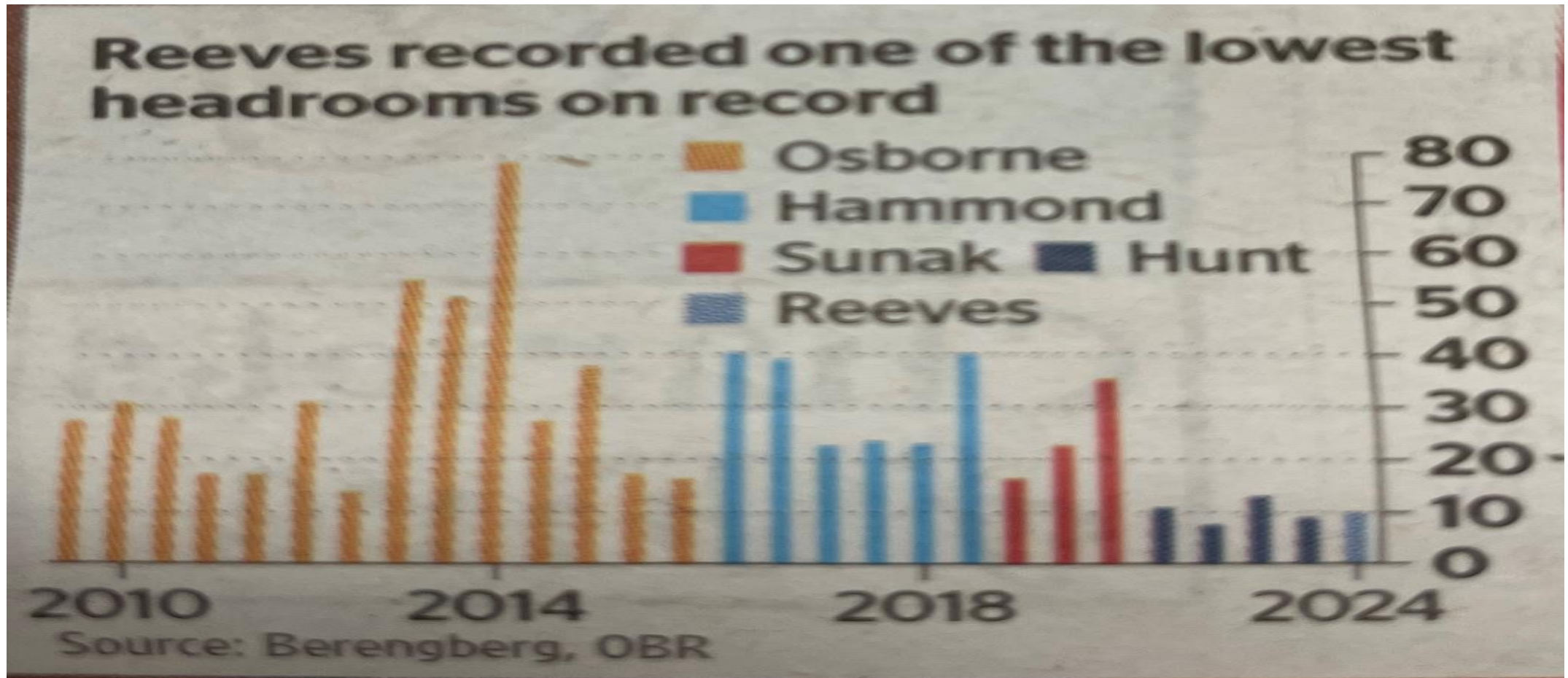
Under-performing UK Plc

- Inflation fell to 3.4% in March but still above Bank of England target of 2.0%....sticky inflation
- Interest rates unchanged at 4.25% - dour lead by Andrew Bailey but expectation that rates may fall to 3.25% by 2026..... Subject to inflation
- Unemployment at 4.6% but concern over the number of those out of employment particularly the Young. Perceived impact of NI increases
- Debt burden increasing as exceeded official forecasts by £20bn. Higher debt interest costs
- Growth forecast halved from 2% to 1% but upgraded after
- Everything that could go wrong....has





Lowest fiscal headroom





The “Money Man”

- In a very difficult place
- Stuck to promise of only one fiscal event in the Autumn linked to the OBR forecasts
- Driven by two clear fiscal rules
 - Stability rule — government spending to be paid for by tax revenues by the end of the decade. £9.9bn buffer in October
 - Debt rule - To get debt falling. £15.7bn buffer in October
- Performance of UK PLC results in stability rule buffer exhausted by £4.1bn
- But commitment not to increase taxes or borrowing — no additional tax measures in the Spring Statement....but what about the Autumn Budget





The Maverick

- April 2nd was labelled as Liberation Day
- Or as Whitehall called it “World Tariff day”
- Reciprocal Tariffs of up to 25% on imports from countries that impose VAT on American products
- Likely to lead to Global Economic shock which could kill Reeves’ hope of stirring growth and wipe out the Headroom
- Already seen Trump’s use of tariffs as a weapon
- General protectionism approach
- EU and UK seen as “hanger on”





UK's Rising Tax Burden



Source: OBR - Tax % of GDP, Feb 2024



Downing Street 4 November 2025

- Unprecedented speech so close to an Election
- 8.00 on a Tuesday morning is never a good sign!
 - Is this simply a pre-emptive strike?
 - Testing the market reaction
 - Setting our priorities and the scale of the challenge
 - Do the right thing not the popular thing
- Taxes are going UP!!!
- But no challenge on increase in the size of the Gap





Perfect Storm

- Difficult times for all Charities and Not For Profit
 - Falling income and donations
 - Greater transparency on what charities are doing with that income and accountability from Donors
 - Government funding strain
 - Increasing costs particularly wages
 - Exponential demand for services
 - Increasing use of reserves to support delivery
- Increasing number of closures/mergers/failures





Budget Predictions?

- Increase in income tax rates — breaking the promise!
- Freezing of personal allowances to the end of the economic cycle in 2030....Stealth Tax
- No wealth tax
- Small increases in capital gains tax
 - Anticipation impact
 - The Laffer Curve
- National Insurance on rental income
- Increased VAT rate on luxury goods as low elasticity of demand





National Insurance — Weathering the Storm



- Employers National Insurance increased to 15% from 1 April 2025
- Combined with National Minimum Wage and National Living Wage the impact will be significant in those sectors where wage levels are traditionally low
- Particular significant impact on this sector
 - Reduction in staffing levels
 - Worsening terms and conditions
 - Increased reliance on volunteers
- Pension salary sacrifice as a means of reducing Employers NI?





Making the most of what you've got?

- Better use of cash funds.
 - CAF platform
 - Liquidity but better return
 - £85,000 protection per account?
 - Not taxable as long as Investment income used for charitable objectives
- Better use of Property
 - Generate rental income
 - Possibly with tenants aligned to your charitable objectives
 - Don't become a landlord!
 - Exempt income as long as don't provide services above those that a landlord would provide





Income diversification

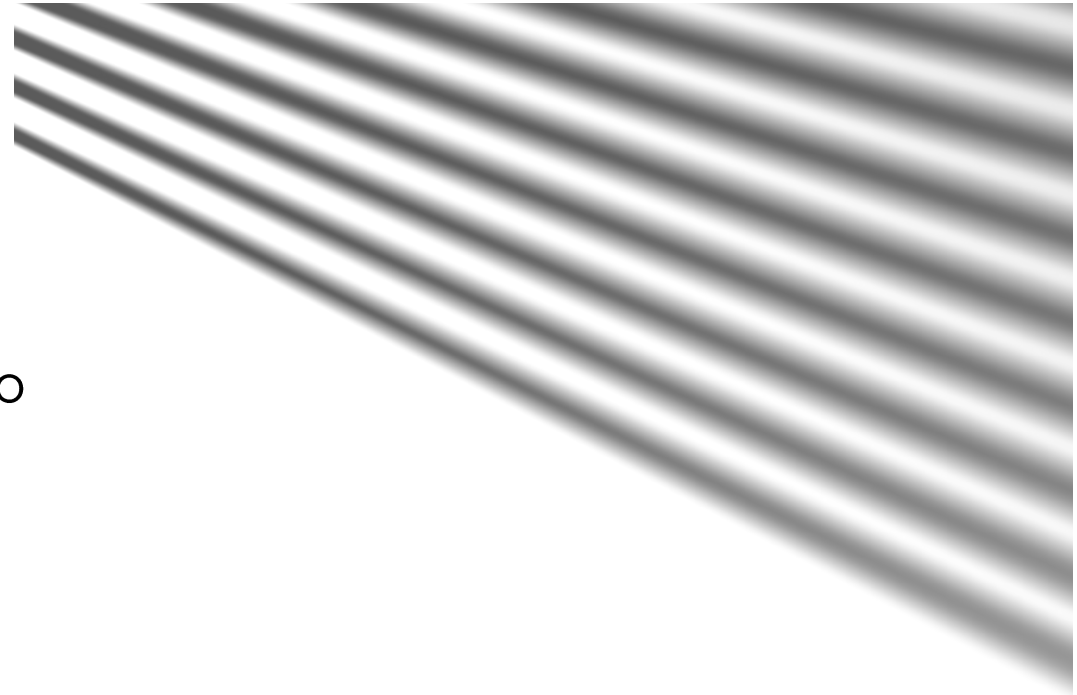
- More and more Charities considering alternative methods of generating income
- Lateral thinking and blue sky
- Does it further the cause?
- Is it primary purpose trading?
- Non-primary purpose trading?
 - Ancillary trading
 - Beneficiary Worker trading
 - Small scale fund —raising events
 - Gross trading income exemption £80,000





Blurred lines

- Systemic Risk of trading
- Is it allowed within your objects?
- Significant expenditure could be viewed as breach of trust
- HMRC challenge to status of charity
- Use of trading subsidiaries as a safety net to mitigate tax liabilities
- Need to monitor income e sources and manage within reasonable expectation





Inheritance tax changes — an opportunity?

- More Estates now liable to IHT
 - Reduction in BPR and APR limits from 6 April 2026
 - Treatment of unspent Pension funds from 6 April 2027
- Make Charitable Giving a feature of the Will
 - 62% of High-Net-Worth Families include a charitable gift in their Wills
- Gifts to Charity are exempt from IHT reducing the overall value of your taxable Estate
- Reduce the IHT rate to 36% by gifting 10% or more of your net Estate to Charity





Gift Aid

- Income tax rates are going up
- Use gift aid donations to extend your basic rate band and get Higher rate tax Relief
- Use gift aid donations to maintain your personal allowances if in the marginal rate band





Thank you

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