

**CRANE & JOHNSTON** 

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### HMRC INHERITANCE TAX RECOVERY SOARS

Targeted efforts yield high returns from unpaid IHT as HMRC recovers £285 million from 3,028 investigations.

The amount of tax collected from unpaid inheritance tax (IHT) investigations is soaring, but HMRC could recover even more. Over the past five years, HMRC has conducted thousands of investigations into estates suspected of owing IHT, collecting £1.39 billion in unpaid taxes.

In 2023/24, HMRC recovered £285m from 3,028 investigations. However, the number of enquiries has nearly halved since 2019, according to figures from NFU Mutual. In 2019/20, there were 5,658 investigations, recovering £273m. By 2023/24, investigations had dropped by over 2,000 to 3,028, a 49% decrease.

In 2020/21, investigations fell to 3,574 due to reduced activity during the COVID-19 pandemic, yet HMRC still raised £254m.

This trend indicates that the number of investigations does not necessarily correlate with the amount of IHT collected.

The 2021-22 tax year saw HMRC recover the highest amount in the past five years, with £326m collected from 4,258 investigations. Despite the decrease in investigations, the amount of money recovered has remained relatively stable, except for the notable increase in 2021/22.

The data indicates that despite decreasing investigations, HMRC's effectiveness in recovering unpaid IHT remains robust. The lower number of investigations suggests that these efforts are becoming more targeted and forensic in nature. To maximise returns, industry experts have recommended that HMRC continues to prioritise identifying and targeting cases with substantial unpaid taxes.



Talk to us about your taxes.

#### LONDON RANKED 8<sup>TH</sup> MOST EXPENSIVE GLOBAL CITY

Soaring rents and inflation have driven the price surge as London now ranks eighth in the global cost-of-living index, one spot higher than last year.

Soaring rents, inflation, and the cost-ofliving crisis have pushed London up the rankings as one of the most expensive cities to live and work in. London now ranks eighth in the global cost-of-living index, one spot higher than last year, just behind New York.

Hong Kong remains the most expensive city for expats and global workers, followed by Singapore in second place. Switzerland holds the next three positions, with Zurich, Geneva, and Basel occupying the third, fourth, and fifth spots. Copenhagen is the only other European city in the top 20, while Paris and Berlin are ranked 29th and 31st, respectively.

UK cities outside of London fare much better. Edinburgh has dropped to 53rd from last year's 33rd position, Glasgow is at 68th, Birmingham at 78th, and Aberdeen has fallen to 82nd from 37th.

The cost of housing significantly impacts the cost-of-living rankings. Between 2023 and 2024, there was notable volatility in housing rental prices worldwide, with significant variations between cities.

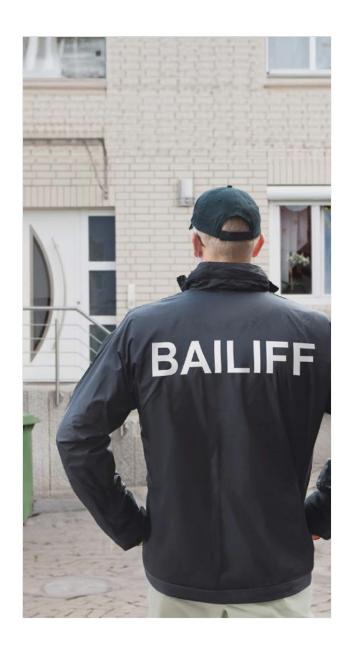
A key factor driving the cost of housing is the supply shortage relative to demand. This mismatch is pushing prices up, particularly for international assignments.

The index revealed that average rents in London increased by 4%, New York by 7%, and Dubai by 21%. These rising costs are putting additional pressure on businesses, which must consider these expenses when relocating staff.



Schedule a financial health check.





# COUNCIL TAX DEBT CRISIS ESCALATES

Debt charity StepChange reports a 50% rise in the average debt among its clients, from £1,146 in 2019 to £1,726 in 2023.

As councils nationwide face financial constraints, council tax debt has surged by 9% in the past year. This represents a 71% increase since pre-pandemic levels, when the debt stood at £3.5bn, as more residents struggle with council tax bills.

StepChange has reported a 50% rise in the average debt among its clients. With most councils increasing taxes by the maximum 5%, some surpassing this due to bankruptcy, this trend will likely persist.

For the 2024/25 tax year, council tax increased by an average of 5%, with notable hikes in Woking (10%), Birmingham (9.94%), Slough (8.51%), Bolsover (8.32%), and Thurrock (7.98%). To collect overdue payments, councils often take stringent measures, including demanding the full amount in one

payment and involving bailiffs. In extreme cases, this can lead to a three-month prison sentence.

StepChange's research shows that 69% of people support banning the use of bailiffs for collecting council tax debt, especially for those in financial difficulty. Additionally, 84% advocate for a regulator to ensure bailiffs treat people fairly.

Moreover, 69% of respondents believe council tax rates should be reduced for those with the lowest incomes. Current regulations allow councils to demand full annual payments if a household misses one month's payment, a practice opposed by 82% of people.



Talk to us about your finances.

# LABOUR'S LANDMARK ELECTION VICTORY

Labour's campaign pledged not to raise National Insurance, income tax, or VAT, yet it proposed significant tax reforms.

Labour secured a historic landslide victory in the general election, with Sir Keir Starmer's Government setting the stage for the introduction of several new tax measures. The party, running on a platform promising change, achieved its largest-ever majority, allowing it to implement its policies, including Rachel Reeves becoming the first female Chancellor. Her predecessor, Jeremy Hunt, narrowly retained his seat with an 891-vote majority.

Labour's campaign pledged not to raise National Insurance, income tax, or VAT, yet it proposed significant tax reforms. One notable policy is imposing a standard 20% VAT rate on private schools. Additionally, Labour plans to replace non-dom status with a "modern scheme for people genuinely in the country for a short period".

This includes ending offshore trusts to avoid inheritance tax (IHT).

Addressing tax avoidance is a key focus of Labour's manifesto. The party aims to modernise HMRC and reform laws to combat tax evasion. In recent years, HMRC has faced heavy criticism for long waiting times and poor service standards, highlighting the urgent need for investment and improvement.

Labour now has the opportunity to implement its proposed changes, potentially marking a significant shift in British politics.



Talk to us about these changes.



#### WANT TO TALK TO AN EXPERT?

If you've found the topics covered in this report to be of interest or you would like to delve deeper into any of them, we welcome the opportunity to engage in a more detailed discussion with you. Our team of experts is always keen to share insights, and we're confident that a conversation with us can provide valuable perspective.

We are also well-positioned to update you on the latest trends, opportunities and challenges in the business world. As we all know, staying ahead of the curve is vital in today's fast-paced business landscape, and we're here to help you navigate it successfully.

If you're considering getting extra support, we invite you to explore the comprehensive solutions we offer.



To schedule a meeting or to get more information, please don't hesitate to contact us.



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