



YOUR GUIDE TO THE

# Autumn Budget

30TH | OCTOBER | 2024

**Safehands Accounting Ltd**

St George House, 29 St George Road, Cheltenham, Gloucestershire GL50 3DU

**Tel:** 01242 517889

**Email:** [enquiries@safehandaccounting.co.uk](mailto:enquiries@safehandaccounting.co.uk)



# The main highlights from the Chancellor's autumn budget.

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In Labour's first budget speech since 2010, Chancellor of the Exchequer, Rachel Reeves, announced the Government's plan for the economy.

On the morning of the announcement, Prime Minister, Keir Starmer, posted on social media saying that in this budget Labour *"will not shy away from the tough decisions to grow our economy and protect working people's pay slips"*.

With plenty of rumors on the proposed budget announcement being shared across the media prior to the announcement, the nation eagerly awaited confirmation of the rumored changes to taxes, pensions and much more.

Mrs. Reeves began Labour's first budget update in 14 years by saying that on the 4<sup>th</sup> of July, *"the country voted for change"* and vowed that this government would *"restore stability to our country and begin a decade of national renewal"*.

Following a detailed blaming of the opposition for the £22bn "black hole" in public finances, Mrs. Reeves began to confirm the Government's budget plans.

## Compensation payments

Thanking former Prime Minister, Rishi Sunak for making an unequivocal apology for the injustice of the infected blood scandal on behalf of the British state, she continued by confirming that £11.8bn will be set aside to compensate victims of the scandal. Furthermore, Mrs. Reeves confirmed that £1.8bn would be set aside to compensate victims of the post office horizon scandal.

## Economic growth

*"Today's budget marks an end to short-termism"* is how the Chancellor began the section on economic growth before turning to the Office for Budget Responsibility's (OBR) forecast, which predicts real GDP growth over the next five years of 1.1% in 2024, 2.0% in 2025, 1.8% in 2026, 1.5% in 2027, 1.5% in 2028 and 1.6% in 2029.

Turning to the matter of *"driving efficiency and reducing wasteful spending"* in the government, Mrs Reeves confirmed a 2% productivity, efficiency and savings target for all departments to meet next year, by using technology more effectively and joining up services across government.

Mrs Reeves continued stating that the OBR are clear; that this budget will permanently increase the supply capacity of the economy, boosting long term growth every budget.

*"At the election, we promised there would be no return to austerity. Today, we deliver on that promise"*



## Changes to wages and allowances

In order to support the high cost of living, the Chancellor confirmed changes to the national minimum wage, which will rise by 6.7% to £12.21 from April 2025.

Additionally, the minimum wage for those aged 18 to 20 will rise by a record 16.3% to £10 an hour, as recommended by the Low Pay Commission.

Furthermore, the weekly earnings limit for those claiming carers allowance will increase to the equivalent of 16 hours per week at the national living wage. This translates to carer's being able to earn over £10,000 per year while receiving carer's allowance.

A new fair repayment rate was also announced meaning that the level of debt that can be taken from a household's monthly Universal Credit payment will reduce from 25% to 15%, which will result in 1.2 million of the poorest households keeping more of their award each month, in turn lifting children out of poverty.

## Pensions

The Chancellor announced that this Government are committed to the pension triple lock and announced that the state pension will increase by 4.1% in the 2025/26 tax year, which will give over 12 million pensioners an extra £470 a year.

It was confirmed that the pension credit standard minimum guarantee will also rise by 4.1%.

## Fuel duty

While the cost of living remains high, the Chancellor confirmed that fuel duty would remain frozen and confirmed that the 5p cut would continue for another year too.

*"The only way to drive economic growth is to invest, invest, invest".*

## National insurance and income tax

Mrs. Reeves confirmed that there would be no rise in national insurance or income tax to working people.

However, one of the key announcements from the budget was that employer national insurance contributions will be increasing to 15% from April 2025. In addition, the secondary threshold which is the level at which employers start paying national insurance on an employee's salary will decrease from £9,100 to £5,000 per year, raising £25bn every year.

Acknowledging the difficulty in asking businesses to contribute more, the Chancellor explained that the decision was not made lightly *"but in the circumstances that I have inherited, it is the right choice to make"*.

Noting the importance of protecting the smallest companies, it was confirmed that employment allowance would be increased to £10,500 from £5,000. This means that around 865,000 won't pay national insurance at all and Over 1 million people will pay the same or less than they did previously.

Mrs. Reeves confirmed that there will be no extension of the freeze in income tax and national insurance thresholds beyond the decisions of the previous government. Therefore, from the 2028/29 tax year, personal tax thresholds will be uprated in line with inflation once again.

## Capital gains tax

Mrs. Reeves announced an increase to the lower rate of capital gains tax from 10 to 18% and the higher rate from 20 to 24% while maintaining the rates of capital gains tax on residential property at 18 and 24% too, noting that the UK will still have the lowest capital gains tax rate of any European G7 economy.

## Business asset disposal relief

Furthermore, the Chancellor announced that the Government are maintaining the lifetime limit for business asset disposal relief at £1m to encourage entrepreneurship.

Business asset disposal relief will remain at 10% this year before rising to 14% in April 2025 and to 18% from 2026/27 maintaining a significant gap compared to the higher rate of capital gains tax.

## Inheritance tax

Acknowledging the *"strongly held desire"* to pass one's savings onto children and grandchildren, the Chancellor announced her *"balanced"* approach to inheritance tax, revealing that the current thresholds that were frozen until 2028 will be extended until 2030.

This means that the first £325,000 of any estate can be inherited tax free. This rises to £500,000 if the estate includes a residence passed on to a direct descendant, and further increases to £1m when a tax-free allowance is being passed on to a spouse or civil partner.

A further key announcement from the Chancellor is that from April 2027, inherited pensions will be subject to inheritance tax.

Moving onto agricultural property relief and business property relief. Mrs. Reeves announced that from April 2026, the first £1m of combined business and agricultural assets will continue to attract no inheritance tax at all, but for assets over £1m, inheritance tax will apply with 50% relief, at an effective rate of 20%.

*"Working people will not see higher taxes in their pay slips as a result of the choices that I am making today. That is a promise made and a promise fulfilled."*

## Vaping and tobacco products

The Chancellor announced an introduction of a flat-rate duty on all vaping liquid from 2026 and a one-off increase in tobacco duty. In addition, there will be an increase duty by 10% on hand-rolled tobacco this year.

## Electric vehicles

Mrs. Reeves explained how the Government wants to support the take up of electric vehicles, Therefore the incentives for electric vehicles in company car tax from 2028 will be maintained, and the differential between fully electric and other vehicles will be increased, in the first year of vehicle excise duty from April 2025.

## Air passenger duty

Noting that air passenger duty has not kept up with inflation in recent years, Mrs. Reeves announced an increase of no more than £2 for an economy class short haul flight, but took a different approach when it comes to private jets by increasing the rate of air passenger duty by a further 50% which is equivalent to £450 per passenger.

## High street business relief

The Chancellor announced a 40% relief on business rates for the retail, hospitality and leisure industry in 2025/26 up to a cap of £110,000 per business. Alongside this, the small business tax multiplier will also be frozen next year.

## Alcohol duty

Mrs. Reeves told the House that duty rates on non-draught products will increase in line with the Retail Price Index (inflation) from February 2025.



Noting how nearly two-thirds of alcoholic drinks sold in pubs are served on draught, she announced that instead of uprating those products in line with inflation, she was cutting draught duty by 1.7%, which means a penny off a pint in the pub.

## Non-dom tax regime

*"I've always said that if you make Britain your home, you should pay your taxes here too".*

As such, the Chancellor confirmed that she will abolish the non-dom tax regime in April 2025, replacing it with a new residence-based scheme with internationally competitive arrangements for those coming to the UK on a temporary basis, while closing the loopholes in the scheme to further encourage investment into the UK.

## Stamp duty land tax

The Chancellor announced an increase in the stamp duty land tax surcharge for second homes, known as a higher-rate for additional dwellings, to 5% which will come into effect from 31<sup>st</sup> October 2024.

## Energy profits levy

Committed to reform the energy profits levy on oil and gas companies, the chancellor confirmed that they will increase the rate of the levy to 38% which will now expire in March 2030 and that they will remove the 29% investment allowance, to ensure that the oil and gas industry can protect jobs and support our energy security.

## Education

In another key announcement of the day, the Chancellor confirmed the rumours that the VAT levied on private school fees will come into effect at a 20% hike from January 2025. Furthermore, business rates relief would be removed from April 2025.

Referring back to Labour's pledge to hire thousands more teachers into key subjects, Mrs. Reeves confirmed that the core schools' budget will increase by £2.3bn in 2025.

An additional £300m will be provided for further education and a £1bn uplift will be given to fund special educational needs education, a 6% increase from this year.

Mrs Reeves also announced that she would be tripling investment in breakfast clubs to fund them in thousands of schools.

To fix the poor state of repair that many schools are in, Mrs. Reeves announced £6.7bn of capital investment to the Department for Education next year, including £1.4bn for the schools in the greatest need.

There will be an additional £2.1bn to improve school maintenance which will help schools deal with the RAAC concrete crisis.

Along with the tax avoidance measures the Government has set out, Mrs. Reeves said that these announcements will raise more than £9bn over five years.

## Ministry of defence

Reiterating that the Government is conducting a strategic defence review that will be published next year, Mrs. Reeves announced an increase in the Ministry of Defence's budget of £2.9bn in 2025 to ensure that the UK *"comfortably exceeds our NATO commitments"* and guarantees military support to Ukraine of £3bn per year *"for as long as it takes"*.

## Commemoration

The Chancellor announced funding to commemorate the 80th anniversary of VE and VJ Day next year, to honour those who have served a home and abroad. Furthermore, £2m will be put towards holocaust education so that charities can continue their work to ensure vital testimonies are not lost.

## Public services

*"To repair our public services, we need to work alongside our mayors and local leaders"*

£1.3bn in grant funding was announced to deliver essential services. This includes £600m to social care and £230m to tackle homelessness and rough sleepers.

The chancellor also confirmed that Greater Manchester and the West Midlands will be the first mayoral authorities to receive integrated settlements from next year giving mayors meaningful control of the funding for their local areas and to support our high streets.

Mrs. Reeves said that they will be taking action to deal with the sharp rise in shoplifting and will be providing additional funding to crack down on the organised gangs which target retailers.

The chancellor further announced plans to support public services across Scotland, Wales and Northern Ireland.

£25m was awarded to the Welsh Government next year for the maintenance of coal tips to ensure that communities are kept safe and to support growth, including in our rural areas.

The budget included an additional £3.4bn to Scotland through the Barnett formula funding to *"deliver the public services that the people of Scotland deserve"*.

The budget also provides £1.7bn to the Welsh Government and £1.5bn to the Northern Ireland executive in 2025/26.

## Key sector funding

Turning to multi-year funding commitments to invest in specific areas of the economy.

Mrs. Reeves announced:

- Nearly £1bn for the aerospace sector to fund vital research and development.
- Over £2bn to support the electric vehicle industry and develop Britain's manufacturing base.
- Up to £520m for a new Life Sciences Innovative Manufacturing Fund.
- £25m for the Northeast Combined Authority to invest in the Crown Works Studio site in Sunderland creating 8,000 new jobs.
- Over £20bn for government investment in research and development.

Mrs. Reeves further pledged that Labour would continue to drive progress in improving fast, reliable broadband and mobile coverage across our country, including in rural areas.

## Housing

Mrs. Reeves confirm that £5bn of investment will help to deliver Labour's manifesto promise on building 1.5m homes during its time in power.

Additionally, the Treasury will increase the Affordable Homes Programme to £3.1bn, which Ms Reeves says will deliver *"thousands of new homes"*.

The Chancellor also announced that the Government will provide investment to renovate sites across the country, including 2000 new homes at Liverpool Central Docks and provide funding to help Cambridge realise its full growth potential.

Additionally, £1bn will be provided from 2025 to extend the Household Support Fund.

The Government will also commit to accelerating the remediation of homes following the findings of the Grenfell inquiry, with £1bn of investment to remove dangerous cladding next year

The Government will also provide £3bn of support in guarantees to boost the supply of homes and support smaller housebuilders.

## Transport and road improvements

Mrs. Reeves announced that the £3 bus fare cap will be extended to December 2025, rising from £2 for a single fare.

The Chancellor also pledged to provide over £650m of local transport funding to *"improve connections across the country in towns, villages and in rural areas"*.

Additionally, Mrs. Reeves announced that £1.3bn of funding will be delivered to improve connectivity in our city regions. This includes projects like Brierley Hill Metro extension in the West Midlands, the renewal of the Sheffield Supertram and West Yorkshire Mass Transit.

The Chancellor announced a range of rail projects across the country that will drive growth between cities including a Trans-Pennine upgrade as well as key projects with East-West rail and HS2.

Alongside this, the Chancellor announced funding for significant improvements to our road network, which includes a £500m increase in road maintenance budgets to fix an additional 1 million potholes per year.

## Carbon capture

Earlier this month, the government announced a significant multiyear investment between the Government and businesses into carbon capture and storage, creating 4000 jobs across Merseyside and Teesside.

Today, the Chancellor announced funding for 11 new green hydrogen projects across England and Scotland, which will be amongst the first commercial scale projects anywhere in the world, including in Bridgend in Renfrewshire and Barrow-in-Furness

The Government are also kick-starting the warm homes plan by confirming an initial £3.4bn over the next three years, to transform 350,000 homes including a quarter of a million low income and social homes.

Furthermore, Mrs. Reeves announced that the Government will establish GB energy at its new home in Aberdeen.

## Health budget

To remedy the “*state of disrepair*” that the NHS is currently in, Mrs. Reeves says that she will provide a £22.6bn increase to the day-to-day health budget, and a £3.1bn increase in the capital budget before the end of 2025.

Furthermore, £1bn of health capital investment will be given to address the backlog of repairs and upgrades across the NHS estate. This will focus on improving technology systems providing over a million additional diagnostic tests, new surgical hubs and diagnostic centres.

The Chancellor said that this cash injection will also increase capacity for tens of thousands more procedures next year, with a further £1.5bn for new beds in hospitals across the country.

With this pledge, Mrs Reeves said that *“we can now begin to bring waiting lists down more quickly, and move towards our target for waiting times no longer than 18 weeks”*.





"The choices I have made today are the right choices. The to restore stability to our public finances, to protect working people, to fix our NHS and to rebuild Britain. That doesn't mean these choices are easy, but they are responsible... This is a moment of fundamental choice for Britain. I have made my choices the responsible choices to restore stability to our country, to protect working people, more teachers in our schools, more appointments in our NHS, more homes being built, fixing the foundations of our economy, investing in our future, delivering change, rebuilding Britain. On these benches, commend those choices, and I commend this statement to the house."

## **Rachel Reeves**

Chancellor Of the Exchequer

30<sup>th</sup> October 2024

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