



Financial Planning Ltd  
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**HFB Financial Planning Ltd**  
Shardlow Business Centre  
No.1 Mill, The Wharf, Shardlow,  
Derby, Derbyshire, DE72 2GH

**Tel:** 01332 987624

**Email:** [admin@hfbfinancial.co.uk](mailto:admin@hfbfinancial.co.uk)

**[www.hfbfinancial.co.uk](http://www.hfbfinancial.co.uk)**

# Autumn Budget 2024



*“Our mission to grow the economy”*

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# Autumn Budget 2024

Chancellor of the Exchequer, Rachel Reeves, delivered the Labour government's first Budget on 30 October with a promise to "restore economic stability" and "invest, invest, invest" to promote growth. In her statement, she outlined a number of new tax and spending measures that she said would create "an economy that is growing, creating wealth and opportunity for all." In total, the Budget will see taxes rise by £40bn.

## Economic forecasts

The Chancellor stressed that every Budget she delivers "will be focused on our mission to grow the economy" and outlined seven pillars that will form the government's growth policy priorities. Key among these is restoring economic stability and increasing investment, while other areas include boosting regional growth, improving skills across the workforce, creating an industrial strategy, driving innovation and transitioning to Net Zero.

Ms Reeves then unveiled the Office for Budget Responsibility's (OBR's) latest economic projections, which suggest the economy will expand slightly faster than previously expected both this year and next, before easing off from 2026 onwards. The new forecast predicts the economy will grow by 1.1% in 2024 and 2.0% next year, before falling back to 1.6% by the end of this Parliament. Overall, the OBR noted that, although the policies in the Budget will 'temporarily boost' the economy, the overall level of output will be 'broadly unchanged' over the five-year forecast period. Inflation is predicted to average 2.5% this year and 2.6% in 2025.

## Cost-of-living measures

The Chancellor acknowledged the burden that the cost-of-living crisis has placed on working people, and committed to:

- Increasing the **National Living Wage** (NLW) from £11.44 to £12.21 per hour from April 2025 – a 6.7% increase
- Increasing the minimum for 18 to 20-year-olds from £8.60 to £10 per hour (over time, the intention is to create a single adult NLW rate)
- Freezing fuel duty for one year and extending the temporary 5p cut to 22 March 2026
- Increasing the weekly earnings limit for **Carer's Allowance** to equate to 16 hours at the NLW rate

- Providing £1bn for local authorities to support those in immediate hardship and crisis.

## Personal taxation, savings and pensions

As pledged in the Labour manifesto, there are to be no changes to the basic, higher or additional rates of **Income Tax, employee National Insurance contributions (NICs) or VAT**.

As previously announced, the government has committed to maintain the **State Pension Triple Lock** for the duration of this Parliament, meaning that the basic and new State Pensions will increase by 4.1% in 2025-26, in line with earnings growth. This means £230.30 a week for the full, new flat-rate State Pension (for those who reached State Pension age after April 2016) and £176.45 a week for the full, old basic State Pension (for those who reached State Pension age before April 2016).

The lower and higher main rates of **Capital Gains Tax (CGT)** will increase to 18% and 24% respectively for disposals made on or after 30 October 2024. The rate for **Business Asset Disposal Relief** and **Investors' Relief** will increase to 14% from 6 April 2025 and then to 18% from 6 April 2026. The lifetime limit for Investors' Relief will be reduced to £1m for all qualifying disposals made on or after 30 October 2024, matching the lifetime limit for Business Asset Disposal Relief.

**Inheritance Tax (IHT)** nil-rate bands will stay at current levels until 5 April 2030 (previously 2028). The nil-rate band remains at £325,000, residence nil-rate band at £175,000, and the residence nil-rate band taper starts at £2m. Unused pension funds and death benefits payable from a pension will be subject to IHT from 6 April 2027.

The government intends to reform **Agricultural Property Relief** and **Business Property Relief** from

6 April 2026. In addition to existing nil-rate bands and exemptions, the current 100% rates of relief will continue for the first £1m of combined agricultural and business property. Thereafter, the rate of relief will be 50%, including for quoted shares which are 'not listed' on the markets of recognised stock exchanges, such as AIM. From 6 April 2025, Agricultural Property Relief will be extended to land managed under an environmental agreement with, or on behalf of, the UK government, devolved governments, public bodies, local authorities, or approved responsible bodies.

The concept of **domicile status** is to be removed from the tax system and replaced with a residence-based regime from 6 April 2025. This includes ending the use of offshore trusts to shelter assets from IHT and scrapping the planned 50% tax reduction for foreign income in the first year of the new regime. Individuals who opt in to the regime will not pay UK tax on foreign income and gains (FIG) for the first four years of tax residence.

In England, higher rates of **Stamp Duty Land Tax (SDLT)** which apply to purchases of second homes, buy-to-let residential properties and companies purchasing residential property, increase from 3% to 5% above the standard residential rates, effective 31 October 2024. The single rate of SDLT that is charged on the purchase of dwellings costing more than £500,000 by corporate bodies will also be increased by two percentage points, from 15% to 17%.

In addition:

- Annual subscription limits will remain at £20,000 for **ISAs**, £4,000 for **Lifetime ISAs** and £9,000 for **Junior ISAs** and **Child Trust Funds** until 5 April 2030. The government will not proceed with the British ISA due to mixed responses to the consultation launched in March 2024

- The **Enterprise Investment Scheme** and **Venture Capital Trust** schemes are extended to 2035

- The **Income Tax** Personal Allowance and higher rate threshold remain at £12,570 and £50,270 respectively until April 2028. From April 2028, these personal tax thresholds will be updated in line with inflation (rates and thresholds may differ for taxpayers in parts of the UK where Income Tax is devolved)

- Working age benefits will be updated in full in 2025-26 by the September 2024 Consumer Prices Index (CPI) inflation rate of 1.7%

- The starting rate for savings will be retained at £5,000 for 2025-26.

### Business measures

In her speech, Ms Reeves said, *“we are asking businesses to contribute more”* to raise revenues required to fund public services. She added, *“I do not take this decision lightly,”* before announcing:

- An increase in **employers' National Insurance Contributions** (NICs) by 1.2 percentage points to 15% from April 2025
- A reduction of the secondary threshold from £9,100 per year to £5,000 per year
- An increase to the **Employment Allowance** from £5,000 to £10,500
- The introduction of two permanently lower business rates for retail, leisure and hospitality businesses from 2026-27, funded by a higher multiplier for the most valuable properties
- £1.9bn of support to small business and the high street in the form of a freeze on the small business multiplier and 40% rates relief for retail, hospitality and leisure properties (capped at £110,000)
- £250m in funding for the British Business Bank's small business loans programmes
- The headline rate of **Corporation Tax** will be capped at 25%.

*“I have made my choices, the responsible choices, to restore stability to our country, to protect working people”*

### Health and education

To round off her inaugural Budget, Ms Reeves turned her attention to *“two final areas in which investment is so badly needed to repair the fabric of our nation.”*

As indicated in the Party's election manifesto, the Chancellor confirmed plans to introduce VAT on private school fees (except for children below compulsory school age) from January 2025, and to remove private schools' business rates relief from April 2025.

Funding for the state school system is set to increase by £11.2bn from 2023-2024 levels – a 3.5% real terms increase. This includes:

- Increasing funding for day-to-day school spending by £2.3bn, £1bn of which is earmarked for pupils with special educational needs and disabilities (SEND)
- £1.8bn to continue the expansion of government-funded childcare
- £30m to fund thousands more breakfast clubs in primary schools
- Investing in new teachers for core subjects
- £300m for further education.

Ms Reeves also announced a £6.7bn capital funding package for education in England in 2025-26, a real terms increase of 19% from 2024-25, including £1.4bn towards rebuilding over 500 schools in the greatest need.

Lastly, the Chancellor tackled her plans for the National Health Service, announcing:

- A 10-year plan for the NHS, to be published in the spring
- A £22.6bn increase in the day-to-day health budget to deliver on the government's 18-week waiting time target
- £3.1bn increase in the capital budget over this year and the next.

### Other key points

- Help to Save scheme - extended until April 2027
- Alcohol duty - tax on non-draught alcoholic drinks to increase by the usually higher RPI measure of inflation, tax on draught drinks cut by 1.7%
- Vaping products duty - new tax of £2.20 per 10ml of vaping liquid introduced from October 2026
- Tobacco duty - to increase by 2% above RPI on all tobacco products and 10% above inflation for hand-rolling tobacco with immediate effect
- Bus fares - £2 cap on single fares in England to rise to £3 from January 2025
- Clean energy sector - £3.9bn of funding in 2025-26
- Air Passenger Duty (APD) - increased for 2026-27, £1 more for domestic economy flights, £2 more for short-haul economy flights and £12 more for long-haul destinations. The higher rate applicable to private jets will rise by 50% in 2026-27
- Devolved government funding - to receive an additional £6.6bn through the operation of the Barnett formula in 2025-26 (£3.4bn for the Scottish Government, £1.7bn for the Welsh Government and £1.5bn for the Northern Ireland Executive)
- Expanding government-funded childcare support - an additional £1.8bn pledged for working parents in England, bringing total spending on childcare to over £8bn in 2025-26.

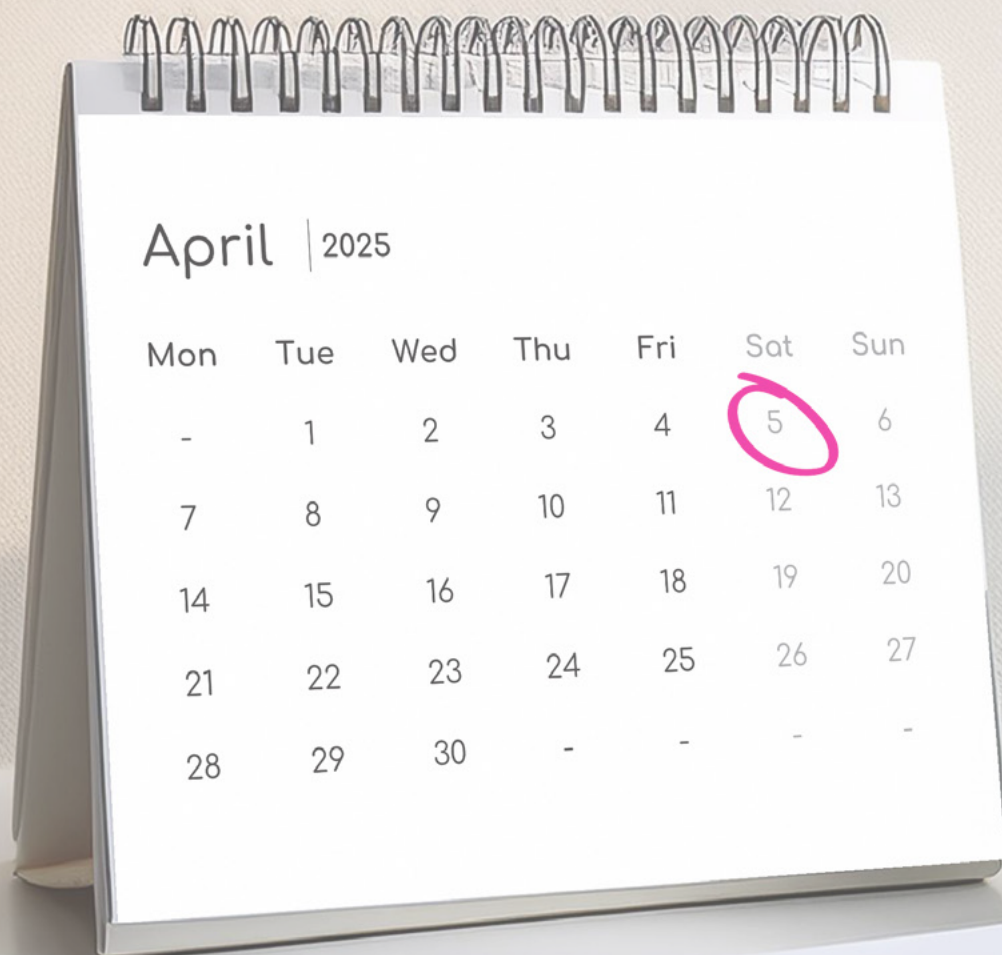
### Closing comments

Rachel Reeves signed off her Budget saying, *“I have made my choices, the responsible choices, to restore stability to our country, to protect working people... Fixing the foundations of our economy. Investing in our future. Delivering change. Rebuilding Britain.”*

# A date for your diary...

With the end of the 2024/25 tax year fast approaching, now is a good time to get to grips with any tax changes, so you can maximise your tax efficiency for the outgoing tax year and prepare for the new one.

We're here to help.



It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK. Tax treatment varies according to individual circumstances and is subject to change. Advice on Cash on Deposit, National Savings Products, Inheritance Tax Planning and Tax Planning are not regulated by the Financial Conduct Authority.

All details are believed to be correct at the time of writing (30 October 2024)

Approver Quilter Wealth Limited, Quilter Financial Limited, Quilter Financial Services Limited & Quilter Mortgage Planning Limited 31/10/2024