

AUTUMN BUDGET NEWSLETTER

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Autumn Budget 2024: **Everything announced in today's** **budget, including tax implications for** **businesses and individuals**

Today saw the delivery of one of the most hotly anticipated Budgets in living memory. The positioning ahead of this Budget was all about tough political choices, with the Chancellor doubling-down on the Government's rhetoric regarding the inherited black hole of £22 billion, and public services in need of vital support., paving the way for tax rises totaling £40 billion.

Headline announcements included increases in Employers' National Insurance and Capital Gains tax, whilst it was confirmed that the freeze on income tax thresholds would not be extended beyond 2028/29, and the National Living Wage would increase above inflation in 2025.

In this newsletter we provide the key details of the measures announced in Wednesday's statement.

IN THIS EDITION

Autumn Budget Edition

A break down of the main measures in The Chancellors Autumn budget announced on 30th October 2024

A run down of the main measures affecting individuals, incl. National Insurance, Capital Gains Tax, and Inheritance Tax

Details of the main measures affecting businesses, incl. National Insurance Rates and Business Rates

Key aspects of the OBR forecast

Reaction to The Autumn Statement from the IFS and The TaxPayers' Alliance

Key Announcements

- Office for Budget Responsibility predicts the UK economy will grow by 1.1% this year, 2% next year, and 1.8% in 2026
- Inflation predicted to average 2.5% this year, 2.6% next year, before falling to 2.3% in 2026
- Extra £22.6bn for day-to-day spending on the NHS in England, and a £3.1bn boost to budget for investment
- £6.7bn allocated for education investment next year, with £1.4bn earmarked for rebuilding over 500 schools
- Defence spending to rise by £2.9bn next year
- Legal minimum wage for over-21s to rise from £11.44 to £12.21 per hour from April
- Rate for 18 to 20-year-olds to go up from £8.60 to £10, as part of a long-term plan to move towards a "single adult rate"
- Basic and new state pension payments to go up by 4.1% next year due to the "triple lock", more than working age benefits
- 5p cut in fuel duty on petrol and diesel brought in by the Conservatives, due to end in April 2025, kept for another year
- Companies to pay NI at 15% on salaries above £5,000 from April, up from 13.8% on salaries above £9,100, raising an additional £25bn a year
- Employment allowance - which allows smaller companies to reduce their NI liability - to increase from £5,000 to £10,500
- Main rate of corporation tax, paid by businesses on taxable profits over £250,000, to stay at 25% until next election
- Rates of income tax and National Insurance (NI) paid by employees, and of VAT, to remain unchanged
- Income tax band thresholds to rise in line with inflation after 2028, preventing more people being dragged into higher bands as wages rise
- Basic rate capital gains tax on profits from selling shares to increase from 10% to 18%, with the higher rate rising from 20% to 24%
- Rates on profits from selling additional property unchanged
- Inheritance tax threshold freeze extended by further two years to 2030, with unspent pension pots also subject to the tax from 2027

PERSONAL TAXES

- **Freeze on income tax thresholds will not be extended beyond 2028**

A freeze on income tax thresholds will not be extended beyond 2028, Rachel Reeves has announced. From 2028-29, personal tax thresholds will be uprated in line with inflation once again.

- **No increases to rates of Income Tax, VAT or National Insurance**

Consistent with Labour's pre-election manifesto pledge, The Chancellor confirmed the Government's commitment not to raise taxes on working people by protecting Income Tax, Employees National Insurance and VAT from any tax rises.

- **Stamp duty on second homes to go up**

There will be an increase in the stamp-duty land tax surcharge for second-homes known as the 'Higher Rate for Additional Dwellings' by 2 percentage points, to 5%, which will come into effect from tomorrow (31st October).

- **Inheritance tax thresholds to be frozen until 2030**

The previous government froze inheritance tax thresholds until 2028. The Chancellor committed to extending that freeze for a further two years, until 2030.

Currently the first £325,000 of any estate can be inherited tax-free, rising to £500,000 if the estate includes a residence passed to direct descendants and £1m when a tax free allowance is passed to a surviving spouse or civil partner.

It was also announced however that inherited pensions would be brought within the scope of Inheritance Tax from April 2027.

- **Lower and higher rates of capital gains tax to rise**

Both the lower and higher rates of capital gains tax will be increased, Rachel Reeves announced. She said: "Today, we will increase 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.

- **State pension to rise by 4.1pc next year**

The Chancellor announced that both the basic and new State Pension will be uprated by 4.1% in 2025-26.

BUSINESS TAXES

- **Employer's National Insurance to increase to 15%**

The rate of Employers' National Insurance is set to increase by 1.2 percentage points, to 15%, from April 2025. In addition, the level at which employers start paying national insurance on each employee's salary will be reduced from £9,100 per year to £5,000.

The Chancellor estimates that this measure will raise £25 billion per year.

However, some small businesses will be protected from the raid on employer National Insurance contributions, as she also announced an increase in the Employment Allowance from £5,000 to £10,500.

- **Overhaul of business rates**

Reeves today confirmed that the 75% discount to business rates which is due to expire in April 2025 will be replaced by a discount of 40% – which applies up to a maximum £110,000 per business. Many business owners have expressed concern that Reducing business rate relief to 40% from 75% whilst simultaneously increasing national insurance rates will hit businesses hard.

OTHER MEASURES

- The National Living Wage and National Minimum Wage will increase from April 2025. The National Living Wage will increase from £11.44 to £12.21 an hour. The 6.7 per cent increase is set to affect over 3 million workers in 2025, with a boost worth £1,400 annually.
- The maximum amount allowed in an ISA (individual savings account) will be frozen at £20,000 until 2030.
- The day-to-day NHS budget will increase by £22.6bn. There will also be a further £3.1bn investment in its capital budget for facilities and equipment.
- Fuel duty will be frozen this year and next, with the existing 5p cut maintained.
- VAT will be introduced on private school fees from January 2025 and schools' business rates relief will be removed from April 2025.
- A cut to draught alcohol duty of 1.7%, making draught beer cheaper by 1p.

INITIAL EXPERT REACTIONS

Reacting to the Chancellor's Autumn Budget, Shevaun Haviland, Director General of **The British Chamber of Commerce**, said:

"This is a tough budget for business to swallow but the Chancellor has looked to ease the pain by holding out a promise of better days ahead.

"While some protection for smaller firms is welcome, the increase in employer National Insurance Contributions will place a further cost burden on business. This, coupled with a 6.7% increase in the National Living Wage, means many firms will find it more challenging to invest and recruit in the short-term.

The Institute for Fiscal Studies Director Paul Johnson said:

"In broad brush strokes, that was the Budget we had been led to expect: big tax rises, more cash for public services, more borrowing and more investment. Tax is now on a path to 38.2% of GDP, its highest level ever in the UK, as the Chancellor seeks to shore up public services."

"Was this a Budget for growth? The OBR pointed to a short-term sugar rush, as a result of the debt-financed spending splurge, but that turns into a modestly negative impact by the end of the parliament."

John O'Connell, chief executive of **The TaxPayers' Alliance**, said:


"We were consistently told that there was no need for big tax hikes because of a focus on growth, so taxpayers will be disgusted by the whoops and cheers of Labour MPs celebrating the fact that Rachel Reeves has just condemned the country to a record high tax burden."

"This astonishing hike in national insurance contributions for employers will decimate businesses up and down the country. And despite what the chancellor may claim, the grim reality is that the cost of this will ultimately be borne by working people through lower salaries."

Office for Budget Responsibility Reaction

The latest update of the OBRs forecasts was published on 30 October 2024 in the October 2024 Economic and fiscal outlook. Within their latest outlook, the following key metrics were presented, in line with the Chancellor's Autumn budget.

- This Budget delivers a large, sustained increase in spending, taxation, and borrowing. Budget policies increase spending by almost £70 billion (a little over 2 per cent of GDP) a year over the next five years.
- Consumer price index (CPI) inflation will hit 2.5% this year, according to OBR forecasts. Next year it will rise to 2.6% before falling to 2.3% in 2026, 2.1% in 2027, 2.1% in 2028 and 2% in 2029.
- The economy is expected to grow by just over 1 per cent this year, rising to 2 per cent in 2025, before falling to around 1½ per cent, slightly below its estimated potential growth rate of 1¾ per cent, over the remainder of the forecast.
- This Budget slows the pace of deficit reduction relative to the previous Government's plans. Borrowing is projected to rise marginally from £122 billion (4.5 per cent of GDP) last year to £127 billion this year, before falling back to £71 billion (2.1 per cent of GDP) in 2029-30.
- Net debt falls as a share of GDP from 98.4 per cent this year to 97.1 per cent by the end of the decade. But underlying debt, excluding the Bank of England, rises as a share of GDP in every year of the forecast.
- The Budget sets two new fiscal rules: to deliver a current balance and for net financial liabilities to be falling, both initially in five years. On the central forecast they are on course to be met by margins of £9.9 billion and £15.7 billion.



For further detail on any of the updates contained in this newsletter, or to find out more about any of the services we offer, please contact us any time.

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