

Autumn Budget

2024 ROUND UP

Key changes



15%

Employers' National Insurance Contributions will rise by 1.2 percentage points to 15% from April 2025



2028-29

Personal tax thresholds on income tax and national insurance will increase in line with inflation from 2028-29



18%/24%

The lower rate of Capital Gains Tax will rise from 10% to 18%, and the higher rate from 20% to 24%



20%

Agricultural Property Relief and Business Property relief capped, with all assets valued at more than £1 million now attracting inheritance tax at 20%



£12.21

The minimum wage, rebranded by the Chancellor as the 'National Living Wage', will increase by 6.7% to £12.21



Fuel Duty

The fuel duty freeze has been extended for another year



£22.6b

The day-to-day health budget was increased by £22.6 billion



19%

The Department for Education has been awarded an extra £6.7bn of capital investment, a 19% real-terms budget increase



IMOGEN SHAW
Account Director

Labour's first Budget goes big on tax

After months of anxious speculation and a Labour Party Conference that was defined by what the Prime Minister and Chancellor didn't say about their tax and spending agenda, we finally know what the new government's first budget looks like.

Rachel Reeves took a moment to mark the significance of the first Budget delivered by a female Chancellor of the Exchequer - and it is indeed a significant Budget. The Chancellor unveiled a substantial number of **tax increases totalling £40 billion**, including an increase in employer National Insurance (NI) contributions that will raise £25 billion by the end of this Parliament. This came alongside increases to Capital Gains Tax and pre-announced changes such as reforms to the non-dom tax regime and the removal of private schools' VAT exemption. Reeves placed the blame for the tax hikes squarely at the door of the Conservatives, repeating the now well-rehearsed claim of a **£22 billion hole** left in the public finances by her predecessor.

Nevertheless, the move to raise employer NI contributions has been met with criticism, with some arguing that this represents a betrayal of Labour's promise not to raise taxes on working people. The government's line here, as delivered by Chief Secretary to the Treasury Darren Jones in his post-Budget media round, is that workers will see no changes to the taxes on their payslips as a result of this Budget. The Institute for Fiscal Studies, however, said that despite this the cost of the NI increase will fall largely on working people, citing analysis from the independent Office for Budget Responsibility.

Some of the concessions Reeves made reflect Labour's new electoral coalition; despite expectations, she committed to maintaining the fuel duty freeze for another year. Given that the government's landslide majority includes more rural seats than Labour has held in the party's history, it is perhaps unsurprising that the Chancellor felt the need to placate motorists.

Some of the more challenging policies announced today include new restrictions to Business Property Relief and Agricultural Property Relief. Under the government's new plans, **if a business or agricultural asset is valued at more than £1 million, inheritance tax will be charged at 20%**, slashing the previous exemption. Family-run businesses and farmers have reacted strongly to the news, and this is likely to be an area where the government will face concerted campaigns to persuade them to row back on the changes.

The other story of the Budget is investment. The Chancellor announced a new £22.6 billion pot for day-to-day healthcare spending and over £3 billion in capital spending to invest in upgraded hospital sites and the NHS's beleaguered IT systems. £6.7 billion has been allocated for investment in the school system, while the government has committed to funding the HS2 tunnels from Old Oak Common to London Euston.

The Prime Minister may famously have said "things will get worse before they get better", shortly after entering office, but the message of today's Budget is that the government is determined to deliver improvements to public services that the electorate will be able to feel, and is hoping they will accept the taxes rises the Chancellor has brought in to pay for them.

Reeves clears first hurdle, but faces backlash from farming sector



JOE COOPER
Senior Account
Manager

With months of speculation in the build up to the Budget setting expectations around the challenging economic environment for the government, the key was always going to be sticking the landing and avoiding a Liz Truss and Kwasi Kwarteng style meltdown in the markets.

Though a low bar, the Chancellor will be relieved that the early signs were that she has cleared it, even with gilt yields hitting a 12 month high at 4.43%. This was helped in no small part by the Prime Minister rolling the pitch earlier in the week, clearly setting expectations for the £40 billion of tax increases and ensuring that there were no huge surprises to spook the markets on the day.

Ahead of the Budget, business groups had warned of the 'perfect storm' of tax increases and higher wage bills alongside the existing proposals for strengthening workers' rights in the new Employment Bill, and the potential cumulative impact that this would have on Britain's businesses.

To this end, the Chancellor will not be too displeased with the reactions from the likes of the Federation of Small Businesses (FSB) and the Confederation of British Industry (CBI). Though the increase to Employer National Insurance Contributions (NICs) will provide headaches for businesses, the FSB in particular were positive about the increase to the Employment Allowance in place to support smaller firms.

Where the Chancellor is set for significant pushback however is from the farming community, with the new changes to Agricultural Property Relief (APR) and Business Property Relief (BPR) from Inheritance Tax now leaving businesses valued over £1 million liable for a new 20% tax rate. The National Farmers' Union (NFU) described the Budget as "disastrous for family farmers" with the changes to APR risking Britain's food security and the long-term future of the family farming sector.

The political dynamics at play here are worth noting too. While historically the rural voter base has not been a Labour one, with the party now representing dozens of rural seats across the country, expect some tensions on the backbenches in the coming days and weeks as the reality of these proposals start to dawn on MPs in newly-won seats.

The real long term test for Reeves will be whether her message of invest, invest, invest resonates with business, and whether investors really buy into the government's message of growth above all else. The jury remains out on this one.

