

AUTUMN BUDGET 2024

A N E W C H A P T E R



Morris Owen

chartered accountants, business advisers and more...

WWW.MORRISOWEN.COM
MORE@MORRISOWEN.COM

01793 603 900

03

INTRODUCTION

Fixing the foundations to deliver change

05

KEY BUSINESS CHANGES

Budget 2024 balances NIC hikes with business reliefs

09

SUPPORT FOR BUSINESSES

Boosting resilience for UK enterprises

12

KEY PERSONAL CHANGES

Personal tax reliefs freeze, CGT, and IHT reforms announced

17

SUPPORT FOR HOUSEHOLDS

Measures to ease financial pressure



INSIDE THIS STATEMENT

The Autumn Budget 2024 tackles fiscal gaps with selective tax hikes on employers, personal wealth, and capital gains, while supporting low-income households and smaller businesses to balance growth with financial responsibility.

INTRODUCTION

Boxed in by Labour's manifesto pledges not to increase income tax, employee's national insurance and VAT, Chancellor Rachel Reeves instead had to raid other taxes, like capital gains tax (CGT), inheritance tax (IHT), employer's national insurance and to extend the tax threshold freeze to find the £40bn needed to balance the books.

While the tax rises came thick and fast, the Chancellor announced there would no longer be biannual fiscal events. The Budget will now only be in the autumn, while the Spring Statement will have no tax changes.

Reeves said the tax-and-spend Budget was necessary to reverse the dire state of the public finances the Government inherited and to "fix the foundations to deliver change".

"This Government was given a mandate to restore stability to our economy and to begin a decade of national renewal, to fix the foundations and deliver change through responsible leadership in the national interest. That is our task. And I know that we can achieve it," said Reeves at the start of her Budget statement.

This budget will permanently increase the supply capacity of the economy, boosting long-term growth.



Rachel Reeves
Chancellor of the Exchequer

PUBLIC SERVICES 'ON THEIR KNEES'

Starting her speech with the economy, Reeves said the Government had “inherited a black hole in the public finances” and that public services were “on their knees”.

She went on to say that the previous Government did not share some information with the OBR ahead of the Spring Budget, and had they known, their forecast for spending would have been “materially different.”

Furthermore, she said the previous Government had “no detailed plans for departmental spending set out beyond this year, and their plans relied on a baseline for spending this year”, which did not consider the much-discussed £22bn black hole.

Alongside the Budget, the Office for Budget Responsibility (OBR) also published a report on the £22bn fiscal hole handed to the Labour Chancellor.

As for the economic outlook, Reeves predicts real GDP growth 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.

CPI inflation will average 2.5% this year, 2.6% in 2025, 2.3% in 2026, 2.1% in 2027, 2.1% in 2028, and 2.0% in 2029.

Quoting the OBR, she said: “This budget will permanently increase the supply capacity of the economy, boosting long-term growth.”

WILL THE PLAN WORK?

Announced the day before Halloween, the Autumn Budget was expected to spook businesses with the rumours circulating weeks before the big day about tax rises and a hike to employer’s national insurance.

For businesses, it was a Budget full of tricks rather than treats. Rachel Reeves is banking that the substantial Budget will be enough to revive the economy, and the public finances will be in a different state in a year.

While the Halloween Budget may have been scary for some, the saving grace is that there won’t be another Budget with tax changes until next autumn. Reeves hopes this will give businesses a sense of stability so that when she delivers the Budget next year, she can do it on her terms. However, time will tell if the short-term pain will be worth the long-term growth.



KEY BUSINESS CHANGES

The Autumn Budget was somewhat of a mixed bag for businesses. On the one hand, the Chancellor made some significant moves to shore up the Government's finances – the largest hike in employer national insurance contributions in recent memory being a prime example.

At the same time, the Budget also included some targeted support and relief for smaller firms.

This notably included the expansion of the employment allowance, the NI discount available to eligible businesses.

EMPLOYER NATIONAL INSURANCE CONTRIBUTIONS

The most dramatic change for businesses in the Autumn Budget was the increase in employer NICs from 13.8% to 15% from April 2025. The Secondary Threshold will drop from £9,100 to £5,000.

Under the current system, employers pay 13.8% NICs on employee earnings above £9,100. From April 2025, they will pay a higher rate of 15% and start paying this on earnings above just £5,000 – meaning more of each employee’s salary will be subject to employer NICs.

To protect smaller businesses from these increases, the Government is reforming the employment allowance – a relief that essentially discounts their national insurance contributions.



The employment allowance increases from £5,000 to £10,500, and the previous £100,000 eligibility threshold for employment allowance has been removed.

According to Government predictions, the net effect of these changes means:

- 865,000 employers will pay no NICs at all next year.
- More than 1 million employers will see no change or save money overall.
- Larger employers will bear the brunt of NICs hikes, with projected revenues of £25bn a year.

BUSINESS RATES SUPPORT

The Autumn Budget made it clear that the Government is focused on providing relief and stability regarding business rates, especially for those in the retail, hospitality, and leisure sectors.

RETAIL, HOSPITALITY, AND LEISURE RELIEF

Business rates relief currently offers a 75% discount, capped at £110,000 until 1 April 2025. This has been extended but also cut to 40% for the 2025/26 tax year.

Dating back to 2020, the policy was introduced for the hospitality industry on the back of the temporary closures enforced during the Covid-19 pandemic.

THE SMALL BUSINESS MULTIPLIER FREEZE

The small business multiplier in England will be frozen at 49.9p for 2025/26, protecting over a million small properties from inflationary increases when combined with small business rates relief.

FUTURE MULTIPLIER CHANGES

Looking ahead, the Government plans to introduce permanently lower business rates multipliers for retail, hospitality and leisure properties from 2026/27, which will be funded by a higher multiplier for properties with rateable values above £500,000.

INVESTING IN GROWTH-DRIVING SECTORS

The Autumn Budget confirmed the Spring Budget's long-term support for growth-driving sectors:

- £975m over five years for the aerospace sector.
- Over £2bn over five years for the automotive sector, focusing on zero-emission vehicle manufacturing.
- Up to £520m for a new Life Sciences Innovative Manufacturing Fund.
- Tax reliefs providing £15bn of support over the next five years for the creative industries.

ENCOURAGING BUSINESS INVESTMENT

The previous Government's £1m annual investment allowance has been maintained, providing certainty for businesses looking to invest in their future growth.

The Government is also extending the 100% first-year allowances for zero-emission cars and electric vehicle charge points for another year, supporting the transition to cleaner transportation.

The Government plans to introduce permanently lower business rates multipliers for retail, hospitality and leisure properties from 2026/27.

SUPPORTING SMALL BUSINESSES

The Autumn Budget confirmed several measures from the previous Spring Budget aimed at supporting small businesses, including:

- Over £1bn across 2024/25 and 2025/26 for the British Business Bank to enhance access to finance for small businesses, including over £250m each year for small business loans programmes, such as Start Up Loans and the Growth Guarantee Scheme.
- Over £200m for wider small business support, including continued funding for Growth Hubs and the Help to Grow Management scheme.
- The Made Smarter Adoption programme, which helps small manufacturing businesses adopt advanced digital technologies, will see its funding double to £16m in 2025/26.

PROMPT PAYMENT PRACTICES

From 1 October 2025, the Government will exclude companies bidding for contracts worth over £5m a year from the procurement process if they don't pay their suppliers within an average of 45 days.



RESEARCH AND DEVELOPMENT INVESTMENT

The Autumn Budget emphasised the importance of research and development (R&D) in driving innovation and economic growth:

- £20.4bn allocated for R&D investment in 2025/26, including at least £6.1bn for core research.
- £25m in 2025/26 for a new multi-year R&D Missions Programme.
- Real-terms increase in funding for the National Institute for Health and Care Research.
- At least £40m over five years to support the commercialisation of university research through spin-out proof-of-concept funding.

In Labour's first Budget in 14 years, Chancellor Rachel Reeves presented a series of measures designed to offer targeted support to struggling sectors, promote sustainable investment, and maintain fiscal security, especially for small and mid-sized businesses. However, the reliefs are balanced by increased contributions from large companies.

FINANCIAL SUPPORT FOR BUSINESS INVESTMENT AND RATES RELIEF

A critical component of the Budget was the maintenance of corporation tax rates, with the main rate capped at 25% for the duration of the Parliament. Smaller companies with profits under £50,000 will still benefit from the reduced rate of 19%. This consistency is to foster long-term planning for businesses.

The lifetime limit for business asset disposal relief (BADR), which offers a reduced rate for qualifying business disposals, was maintained at £1m to encourage entrepreneurship and business investment. The BADR rate will remain at 10% this year but will rise to 14% in April 2025 and 18% from April 2026, aligning with the main CGT rates.



**SUPPORT FOR
BUSINESSES**

INVESTMENT IN GREEN AND DIGITAL INFRASTRUCTURE

The Energy Profits Levy on oil and gas companies was increased by three percentage points to 38% and extended until 31 March 2030, with the 29% investment allowance also removed.

The money raised will be diverted toward environmental projects. In line with sustainability goals, the Budget introduced green grants and subsidies for energy-intensive sectors, such as logistics and manufacturing, to help businesses reduce carbon emissions.

The Chancellor also announced a heavy investment in HMRC modernisation to improve tax compliance and close the tax gap. This includes funding for 5,000 additional compliance officers and updates to tax processing systems, which aim to make filing more efficient and lessen the administrative load on

SMEs. The enhanced digital capabilities may reduce compliance costs for smaller businesses.

SECTOR-SPECIFIC SUPPORT AND INCENTIVES FOR GROWTH

The Chancellor unveiled a £20.4bn R&D allocation for 2025/26 to assist with industry-specific recovery and encourage innovation, especially within the high-tech, pharmaceutical, and manufacturing sectors.

The annual investment allowance remained at £1m, allowing companies to deduct investments in machinery and other qualifying assets. This provision, combined with the full expensing scheme for capital expenditures, incentivises technology-driven growth and may aid businesses in scaling up by making infrastructure upgrades more feasible.



Additionally, fuel duty remains frozen for another year at a flat rate of 52.95p per litre, which helps to contain costs for logistics and transport-heavy industries.

In an unexpected move, draught alcohol duty will be cut by 1.7% from February 2025, equivalent to a penny off each pint, a relief aimed at supporting the hospitality sector. While largely symbolic, it demonstrated some Government support for an industry significantly impacted by changing consumer behaviours and economic pressures post-pandemic.

REFORMS AND LONG-TERM RATE ADJUSTMENTS

The Budget also confirmed that the small business rates multiplier will remain frozen at 49.9p for another year, extending relief to small enterprises across the UK. Looking ahead, the Government has pledged to reform business rates permanently for retail, hospitality, and leisure sectors starting in 2026/27, introducing a lower multiplier intended to reduce long-term costs for high-street businesses. These upcoming reforms are expected to stabilise property tax expenses for smaller operations, potentially incentivising further investment in physical storefronts and revitalising local economies.

This relief provides a buffer as businesses adapt to other fiscal changes introduced in the Budget, offering consistency amidst broader economic shifts.

NEW COMPLIANCE RULES TARGET UMBRELLA COMPANIES

The Chancellor also introduced measures to address non-compliance and fraud within umbrella companies.

One key measure is the establishment of mandatory due diligence requirements. Businesses engaging with umbrella companies will need to ensure these entities comply with tax obligations or face penalties. The initiative, effective from April 2026, is expected to enforce stricter adherence to PAYE (Pay As You Earn) tax and NIC regulations within the supply chain.

Additionally, HMRC will now be able to reclaim unpaid taxes directly from other entities in the labour supply chain if an umbrella company defaults. This approach mirrors existing rules for agencies and places responsibility on larger recruitment

firms and end clients to ensure compliance throughout their labour networks. These changes could foster greater transparency and protect workers from underpayments while ensuring consistent tax revenues for HMRC.

LOOKING AHEAD

Despite the headline announcement of increases in employer national insurance contributions, this Budget provided immediate and extended support for smaller businesses and promised sustainability and compliance enhancements. Still, the eventual scaling back of reliefs, like business rates, may present challenges for specific sectors.

The focus on digital compliance improvements may lead to greater efficiency within the tax system, reduce the burden on businesses, and crack down on fraud and malpractice.

A man with glasses and a beard is sitting on a green armchair in a bright room with large windows. He is wearing a light blue shirt and dark trousers, and is looking at a tablet computer. The room has wooden flooring and white walls.

KEY PERSONAL CHANGES

Speaking of a Budget that blended optimism with tough choices, Chancellor Rachel Reeves said: “This is a changed Labour party, and we will restore stability to our country again. The scale and seriousness of the situation that we have inherited cannot be underestimated.”

Here’s a glance through the key measures that will affect individuals across the country:

- National living wage rising by 6.7% to £12.21 per hour.
- Working-age benefits increasing by 1.7% in line with inflation.
- State pension rising by 4.1% under Triple Lock.
- CGT rates increasing to 18% and 24%.
- IHT thresholds frozen until 2030.
- Fuel duty freeze and 5p cut extended for 12 months.
- £1bn extension to Household Support Fund.
- Carer’s allowance earnings limit increased significantly.
- Universal Credit debt repayments capped at 15%.

NATIONAL LIVING WAGE AND MINIMUM WAGE

The Government is boosting wages for the low-paid by accepting the Low Pay Commission's recommendations in full.

The national living wage will increase by 6.7% to £12.21 per hour from April 2025, representing an increase of over £1,400 to the annual earnings of a full-time worker and benefiting over 3 million low-paid workers across the UK.

The national minimum wage for 18 to 20-year-olds will rise by 16.3% to £10.00 per hour from April 2025, marking the greatest increase ever in cash and percentage terms. The Government is also increasing the minimum wage for under-18s and apprentices to £7.55 per hour.

Some 200,000 young people around the UK are forecast to see their wages increase by £2,500 annually.



STATE PENSION

The Government has committed to maintaining the State Pension Triple Lock for the duration of this Parliament. This means the basic and new state pension will continue to be updated annually by the highest of earnings growth, price inflation, or 2.5%.

In line with recent earnings growth figures, the basic and new state pension will increase by 4.1% from April 2025. As a result, over 12 million pensioners will receive up to an extra £470 per year in their state pension payments.

WORKING AGE BENEFITS

The Autumn Budget has confirmed that working-age benefits, including Universal Credit, will be increased to match the September 2024 Consumer Price Index (CPI) inflation rate of 1.7%.

This means the 5.7 million families receiving Universal Credit will experience an average annual increase of £150 to their benefit payments in 2025/26 due to this uprating.

CAPITAL GAINS TAX RATES

Effective from 30 October 2024, CGT rates will be increased as follows:

- The lower rate will rise from 10% to 18%.
- The higher rate will increase from 20% to 24%.

Reeves was quick to remind everyone that CGT rates remain lower than those in comparable EU countries.

INHERITANCE TAX MEASURES

Firstly, IHT thresholds, including the nil-rate band and the residence nil-rate band, have been frozen at their current levels until April 2030.

This means the nil-rate band will remain at £325,000, and the residence nil-rate band will stay at £175,000 for an additional two years.

UNUSED PENSION FUNDS

From April 2027, unused pension funds will be subject to IHT. This aims to prevent individuals from using pensions to accumulate wealth and pass it on to their beneficiaries without incurring IHT.



AGRICULTURAL AND BUSINESS PROPERTY RELIEF

Both agricultural property relief and business property relief will be reformed from April 2026. While the existing nil-rate bands and exemptions will continue to apply, the current 100% relief rate will only be available for the first £1m of combined agricultural and business assets.

Any value above this threshold will be subject to a reduced relief rate of 50%, resulting in an effective rate of 20%. This change ensures that family farms and businesses are protected while ensuring that the wealthiest estates pay their fair share of tax.

The Government estimates these measures will affect a small proportion of estates each year, with the pension fund change impacting around 8% of estates and the agricultural and business property relief reform affecting approximately 0.3% of estates.

STAMP DUTY

The Budget increased the Higher Rates for Additional Dwellings (HRAD) from 3% to 5%, effective 31 October 2024. So, for example, if the normal SDLT rate on a property purchase is 5%, someone buying a second home or buy-to-let investment would now pay 10% in total (the normal 5% rate plus the 5% HRAD surcharge). In addition, the single SDLT rate charged on purchases of dwellings over £500,000 by corporate bodies will rise from 15% to 17%.

The clear intent is to lessen the appeal for investors and businesses to acquire residential properties, compared to owner-occupiers and first-time buyers.

NON-DOMICILE TAX STATUS REFORM

In keeping with this Labour Government's intention to close tax loopholes, the 2024 Autumn Budget announced a major overhaul to the tax treatment of non-domiciled individuals (non-doms) in the UK.

From 6 April 2025, the Government will abolish the concept of non-domicile tax status and replace it with a new, modernised tax system based on residence.

The new residence-based regime will remove the concept of domicile from the tax system, aiming to ensure that all individuals who make their home in the UK pay their taxes here.

From 1 January 2025, all education services and vocational training provided by private schools in the UK for a fee will be subject to Value Added Tax (VAT) at the standard rate of 20%.

AIR PASSENGER DUTY (APD) CHANGES

For 2026/27, the Government will adjust all APD rates to ensure they keep pace with inflation:

- £1 more for those taking domestic flights in economy class, £2 more for those flying to short-haul destinations in economy class.
- Long-haul economy class passengers will see a £12 increase in APD.
- APD for those travelling in premium economy and business class will rise relatively more.

Moreover, the higher rate of APD, which currently applies to larger private jets, will increase by an additional 50% in 2026/27.

VAT ON PRIVATE SCHOOL FEES

The Government announced that from 1 January 2025, all education services and vocational training provided by private schools in the UK for a fee will be subject to Value Added Tax (VAT) at the standard rate of 20%.

Under the current rules, most education services provided by private schools are exempt from VAT. Business rates relief for private schools has also been removed from April 2025.

The new rules are expected to raise an additional £1.8bn per year by 2029/30.

As anticipated, the Government has implemented several tax changes in its bid to repair public finances and raise additional revenue for funding public services.

Chancellor Rachel Reeves stated her intention to fund public services with tax revenue, saying: "Because of the difficult decisions that I have taken on tax, welfare and spending, I can announce that I am providing a £22.6bn increase in the day-to-day health budget."

She was also quick to reassure that Labour's pledge to protect working people from tax hikes would be upheld.

Two years after inflation peaked at 11.1%, resulting in ongoing pressure on UK household budgets, Rachel Reeves's Autumn Budget introduced a range of measures to support households, balancing immediate relief with longer-term initiatives. The Budget addressed essential expenses such as housing, fuel, energy, and wages as the major cost-of-living pressures, aiming to create greater financial stability for millions.



**SUPPORT FOR
HOUSEHOLDS**

HOUSEHOLD SUPPORT FUND EXPANSION

To protect vulnerable people, the Government will provide £1bn to extend the Household Support Fund and Discretionary Housing Payments in 2025/26, which will be used by local authorities to address immediate hardship and crisis. The fund is distributed via local councils and provides crucial financial support for essentials such as food, utilities, and other household expenses. Councils can manage these funds to tailor support to community needs, including cash grants, food vouchers, and energy assistance. The fund also covers critical needs like energy-efficient appliances to reduce future bills, preventive support like warm spaces, and targeted help for low-income families, pensioners, and individuals with specific needs.



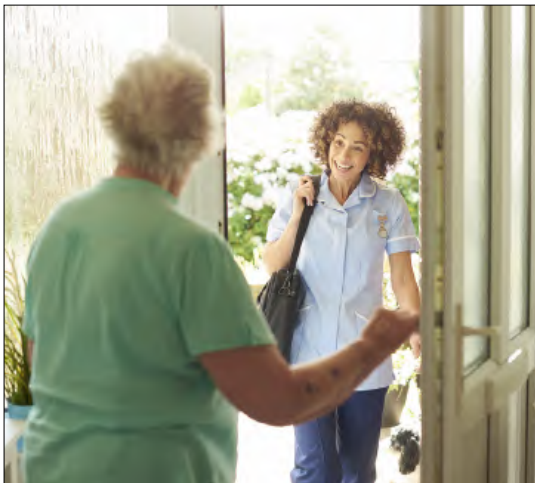
ENHANCED HOUSING SUPPORT AND NEW SOCIAL HOMES

The Chancellor addressed housing needs with a £500m investment dedicated to constructing 5,000 new affordable homes, increasing the Affordable Homes Programme annual budget to £3.1bn. This measure targets the housing crisis by increasing affordable housing availability, especially for lower-income households. Additionally, the Government has announced plans to consult on a new five-year rent settlement for social housing in England, with the rent cap set to rise with the Consumer Prices Index plus 1% annually. These initiatives aim to stabilise rent levels and alleviate housing insecurity, supporting vulnerable families in accessing safe and affordable accommodation.

SUPPORT FOR CARERS

The Autumn Budget has enhanced support for unpaid carers by increasing the carer's allowance weekly earnings limit to the equivalent of 16 hours of work per week at the national living wage.

This represents a £45 per week increase in the amount carers can earn while still qualifying for the allowance. An estimated 60,000 additional carers can now access this important financial support.



FUEL AND CONSUMER DUTIES

Fuel duty has been frozen, and the 5p cut extended for another year, providing a £3bn tax cut that will save the average car driver £59 in 2025/26.

Alcohol duties will see, with effect from 1 February 2025:

- Non-draught products increasing with RPI inflation.
- Draught products duty cut by 1.7%, reducing average pint price by 1p.
- New duty regime supporting British pubs and smaller brewers.

BUS FARE CAP EXTENDED

The Budget also extended the single bus fare cap for another year, capping fares at £3 per journey from January 2025 (up from £2 currently). This measure helps make public transport more affordable for regular commuters and those reliant on buses for daily travel. While England sees the extended cap, other parts of the UK have varying fare policies: Northern Ireland recently increased fares, while Scotland provides free bus travel to residents aged 60 and over, under 22, and those with disabilities. Wales, meanwhile, sets fares locally.

REDUCTION IN UNIVERSAL CREDIT DEBT DEDUCTIONS

For individuals on Universal Credit, the Budget brought welcome news with a reduced cap on monthly debt deductions, lowering it from 25% to 15% of payments starting in April 2025. This change is intended to ease financial strain for those managing debt repayments on essential costs like rent, council tax, and utility bills, ultimately increasing disposable income.

The Government estimates that this will benefit around 1.2 million households, allowing them to keep an additional £420 per year on average of their Universal Credit payment.

ENERGY PROFITS LEVY

The Government raised the Energy Profits Levy on oil and gas companies from 35% to 38% in response to volatile global energy markets. Revenue from this levy is expected to fund energy support initiatives, helping to keep household energy costs manageable. By targeting a sector benefitting from current energy prices, the Government is seeking to balance household energy affordability with fiscal responsibility.

ADJUSTMENTS TO CAPITAL GAINS TAX

CGT rates will increase, with the lower rate rising from 10% to 18% and the higher rate from 20% to 24%.

The increased tax revenue will help fund essential public services, indirectly supporting households across the UK by reinforcing fiscal stability and funding social support schemes.


CGT rates will increase, with the lower rate rising from 10% to 18% and the higher rate from 20% to 24%. The increased tax revenue will help fund essential public services, indirectly supporting households across the UK.

IMPORTANT INFORMATION

The way in which tax charges (or tax relief, as appropriate) are applied depends upon individual circumstances and may be subject to change in the future. The information in this report is based upon our understanding of the Chancellor's 2024 Autumn Budget, in respect of which specific implementation details may change when the final legislation and supporting documentation are published.

This document is solely for information purposes and nothing in this document is intended to constitute advice or a recommendation. You should not make any investment decisions based upon its content. Pension eligibility depends on individual circumstances.

Whilst considerable care has been taken to ensure that the information contained within this document is accurate and up-to-date, no warranty is given as to the accuracy or completeness of any information.

 ***Talk to us about your finances.***

Morris Owen

chartered accountants, business advisers and more...

43-45 Devizes Road, Swindon, Wiltshire, SN1 4BG
Dyer House, Dyer Street, Cirencester, GL7 2PP

