

News in Review

6 November 2024

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

Rachel Reeves delivered the first Labour Budget in 14 years on 30 October, during which she announced £40bn of tax rises. She outlined a series of new tax and spending measures, some of which had been widely trailed prior to Budget day, saying, "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... that is our task."

She continued, *"The only way to drive economic growth is to invest, invest, invest. There are no shortcuts, and to deliver that investment we must restore economic stability."*

During her speech, the Chancellor referenced the previous government's *"unfunded measures"* that she claimed has left a £22bn black hole in this year's spending plans, before revealing the Office for Budget Responsibility's (OBR's) latest economic projections. The UK economy is expected to grow 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% this year and 2.0% in 2025, before tempering to 1.6% by the end of the Parliament. Inflation is predicted to average 2.5% this year and 2.6% next year.

The Chancellor stressed that every Budget she delivers *"will be focused on our mission to grow the economy"* and outlined seven pillars which 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.

Key announcements

Some of the main pledges from the Budget included:

Cost-of-living

- Increasing the National Living Wage (NLW) from £11.44 to £12.21 per hour from April 2025 – a 6.7% increase and 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.

Personal taxation

- Basic and new State Pensions will increase by 4.1% in 2025-26, in line with earnings growth (£230.30 a week for the full, new flat-rate State Pension and £176.45 a week for the full, old basic State Pension)
- 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
- Inheritance Tax (IHT) nil-rate bands will stay at current levels until 5 April 2030 (previously 2028). 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
- Domicile status is to be removed from the tax system and replaced with

a residence-based regime from 6 April 2025

- 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.

Business measures

- An increase in employers' National Insurance Contributions (NICs) by 1.2 percentage points to 15% from April 2025 and 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 headline rate of Corporation Tax will be capped at 25%.

US Election

With polls suggesting the race for the White House is neck and neck, voters took to the polls on 5 November to cast their votes; 83 million people voted ahead of election day. Final days of campaigning saw the two candidates traverse key states. Election night centred around seven critical battleground states of Arizona, Georgia, Michigan, Nevada, North Carolina, Pennsylvania and Wisconsin. At the time of going to press on Wednesday morning, Donald Trump declared a *"magnificent victory"* in a speech to his jubilant supporters. We will reflect on the full results in next week's News in Review.

Here to help

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.