# InSight

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# Autumn Budget Statement 2024

## What it could mean for your finances

**On 30 October, Chancellor of the Exchequer Rachel Reeves will deliver the Autumn Budget Statement 2024, accompanied by a comprehensive fiscal statement from the Office for Budget Responsibility (OBR). This significant event comes as the new government, elected to boost economic stability and growth, takes its first important step in addressing the nation's financial health.**

The Autumn Budget will outline the government's economic strategy, providing insights into their taxation, public spending and fiscal policy plans. It will be a critical indicator of the government's approach to managing the economy, aiming to foster an environment conducive to sustainable growth.

### BALANCING THE NATION'S BOOKS

The new government has faced the challenge of assessing the state of public spending and has identified a significant spending gap in the nation's finances. This gap underscores the complexities of balancing the nation's books while striving to implement growth-oriented policies. The Autumn Budget will likely address these challenges head-on, proposing measures to stimulate economic activity while ensuring fiscal responsibility.

The outcomes of this Autumn Budget will have far-reaching implications, potentially influencing everything from tax rates and public services to business investment and consumer confidence. As such, it is a pivotal moment that will shape the economic landscape in the months and years ahead.

### ECONOMIC STABILITY AND GROWTH

Following an ambitious King's Speech, the new government's first budget will seek to announce initiatives for growth alongside the activation of plans to balance the books across the spectrum of personal and business taxes and employment policy. But what could the new Labour government mean for your finances?

Prime Minister Starmer's Labour manifesto emphasised wealth creation. The manifesto aimed to grow the economy and 'keep taxes, inflation and mortgages as low as possible'. To fulfil those plans, Labour may have to make changes that could affect taxes, allowances, and various investment schemes and rules. Given the pledges made in the manifesto, doing so may prove challenging.

### PLEDGES AND CHALLENGES

Although the manifesto is not legally binding, it best indicates Labour's government plans. Here, we highlight what the pledges could mean for your finances.

### PENSIONS

Ahead of launching its manifesto, Labour announced that it would drop plans to reintroduce the lifetime allowance, a cap on how much people can save into their pensions before paying tax. Importantly, Labour committed to upholding the pensions 'triple lock', which ensures that the State Pension will continue to increase yearly in line with the highest of three factors: wage growth, inflation or a minimum of 2.5%. This policy is designed to protect the purchasing power of retirees and ensure they can maintain a stable standard of living in retirement.

In the Autumn Budget, there are rumours the Chancellor could look to change pension tax relief, with speculation that this might be one of her targets. One option for Reeves is to cut pension tax relief to 20%. This would be no change for basic rate taxpayers. But it would be a considerable reduction for higher and additional rate taxpayers, who receive 40% and 45% relief on some or all of their pension contributions.

However, further clarity on the scope of this and the challenges they are looking to address has yet to be made available. In the meantime, making the most of all your pension allowances is essential to build your financial resilience in retirement.

### INHERITANCE TAX

Although Inheritance Tax has been widely discussed recently, it was a noticeable absence from the Labour manifesto. It contained no comments on future Inheritance Tax rates or reliefs (such as Business and Agricultural Relief).

### VAT

The Labour manifesto confirmed that it intended to introduce VAT on private school fees and will end business rates relief for the schools, with such measures estimated to raise around £1.5bn for the government. The delay until 2025 gives families additional time to consider their options and improve their planning. Families typically have a finite number of financial planning options that can be used to meet additional expenditures, namely reducing other expenditures, increasing earnings, targeting higher returns (with the additional risk that comes with this), looking to borrow and gifting from relatives.

### INCOME TAX

Whilst Labour had pledged not to increase taxes on working people (including Income Tax at the basic, higher and additional rates), this does not preclude utilising fiscal drag to increase Income Tax revenues. Fiscal drag occurs when inflation and income growth push taxpayers into higher tax brackets, which will remain frozen until at least 2028. This policy results in higher taxes for affected individuals, even though the tax rates themselves have not changed.

One area to watch could be taxes on dividend income. These have not been mentioned and may be outside the scope of the pledge as a non-working source of income with its own Income Tax rates. Moreover, Labour has pledged to reform the taxation of carried interest, which is a share of profits from a private equity, venture capital or hedge fund. The manifesto did not specify exactly how Labour would close the carried interest

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'loophole', but the intent is clear: private equity is the only industry where performance-related pay is treated as capital gains. Labour will look to close this loophole.

## CAPITAL GAINS TAX (CGT)

The Labour manifesto did not specifically mention CGT rates, and the party's senior figures have said that they have no plans to reform these rates – with the exception of their proposed policy on carried interest. That said, future increases have not been ruled out entirely.

## NATIONAL INSURANCE CONTRIBUTIONS

Labour supported the Conservatives' cuts to National Insurance in the 2024 Spring Budget, and its manifesto outlined a commitment not to raise current rates. However, Labour may utilise fiscal drag with frozen tax rates until 2028.

As the 30 October Autumn Budget approaches, individuals and families should take proactive steps to manage their personal finances. Anticipating potential changes and being prepared can significantly affect one's financial wellbeing.

Remember, proactive planning is key to financial stability and peace of mind. Don't wait until the last minute – take action now to secure your financial future. ■

## WANT EXPERT ADVICE ON HOW TO PREPARE FOR THE UPCOMING AUTUMN BUDGET?

To discuss the potential impacts of the upcoming Autumn Budget on your finances, we can provide tailored advice and help you navigate any changes that might affect your tax liabilities, pension contributions or investment strategies. If you need further guidance or personalised advice, please don't hesitate to contact us.