Pagefield

2024 Budget

A PAGEFIELD REVIEW

An early election budget... or a fiscal ‘warm-up act’?

> **“Conservatives know lower tax means higher growth and higher growth means more opportunity and prosperity.”**
>
> **Jeremy Hunt MP, Chancellor of the Exchequer**

By the time Jeremy Hunt stood up in the Commons on Wednesday lunchtime, the traditional pre-briefing from the Treasury had left little doubt that the priority was expectation management. With stretched public finances and a record high UK tax burden, the Chancellor was forced to operate with limited fiscal headroom.

It was only a few short months ago that the Treasury were eyeing up a long list of potential economic Easter eggs to include in the budget – from abolishing Inheritance Tax to help for first-time house buyers. But the Chancellor has been besieged by warnings that shoring up public finances should take priority over short-term personal tax cuts, with the International Monetary Fund warning that Hunt should “focus on both addressing the spending needs and the path towards a fiscal consolidation”.

Despite the challenging economic climate, the Chancellor was committed to offering some positive messages in what may prove to be the last major fiscal event before the next General Election. A 2p cut to National Insurance gave Jeremy Hunt his top line, expected to save 27m UK workers an average of £450 per year.

The cut to NI has received a lukewarm response from across the political spectrum, with Labour’s Shadow Chancellor Rachel Reeves claiming that “nothing the Chancellor says or does can undo the economic vandalism of the Conservatives over the past decade”. Former Tory Cabinet Minister Lord Frost went further in his criticism, describing the announcement as “fiddling while Rome burns”. Senior Conservatives have privately voiced their disappointment that the Chancellor refused to include a reduction in Income Tax as a direct appeal to voters’ pockets.

Balancing the books, the Chancellor unveiled a series of new taxes to help fund the estimated £10bn a year National Insurance cut. These included:

- New tax on vape liquids – with higher rates for products with more nicotine – and a one-off rise in Tobacco Duty to ensure vaping remains a more cost-effective alternative to traditional smoking. It is expected to raise £500m a year by 2029.
- Reduction in the time that ‘non-dom’ residents can avoid paying tax on overseas earnings, expected to bring around £2bn a year into the Treasury.
- End to tax breaks on residential holiday lets, expected to raise £300m.
- Increase in Air Passenger Duty for those flying business class. The current rate brings in £3.8bn a year, with the hike expected to inflate the figure by hundreds of millions.
- Extension of the Energy Profits Levy on oil and gas companies – the 35% levy on energy companies often referred to as the ‘Windfall Tax’ – for a further 12 months.

The question that has dominated Westminster remains unanswered – was this Spring Budget the government's last fiscal flourish before a May election, or will Rishi Sunak hold out until the autumn to give his Chancellor another chance to set out the Conservative stall to voters before heading to the polls?

Sources in the Labour Party remain convinced that the Prime Minister could still be tempted to go early, pointing to the millions of pounds already being spent by the Conservatives on social media advertising and targeted mailings. Senior figures in No.10 are being tight-lipped, but the Chancellor has told colleagues privately that he hopes to offer further economic incentives – including a cut to income tax – at the Autumn Statement.

For now, the Chancellor will be content that today's statement offered enough 'red meat' to the Conservative base to avoid any political backlash, while presenting a major challenge to the Labour Party about their own future spending plans. By lifting policies like non-dom reform directly from the Opposition's draft manifesto, Hunt has thrown down the gauntlet to Rachel Reeves and posed the question of how his opposite number would balance the books after the election.

2024 Budget at a glance

> **"Today, we put this country back on the path to lower taxes."**
>
> **Jeremy Hunt MP, Chancellor of the Exchequer**

Here are Pagefield's key takeaways from today's Spring Budget:

1. **National Insurance cut for 27m workers** – Estimated to cost around £10bn, the top line coming out of the Spring Budget is a 2p cut to national insurance rates, saving the average UK worker around £450 a year.
2. **Extended Windfall Tax on energy companies** – Estimated to raise an additional £1.5bn, the windfall tax on gas and oil companies originally announced in May 2022 will be extended for a further year until March 2029.
3. **Restrictions on 'non-dom' status** – Impacting around 37,000 individuals with non-domiciled status, research from the London School of Economics found that restricting the special exception would raise the government an additional £3.2bn a year. Forecasts predict that just 0.3 per cent of those with 'non-dom' status would leave the country in this scenario.
4. **Vape tax and tobacco duty increase** – Introduction of excise duty on vaping product and publishing a consultation on their design; one-off increase in Tobacco Duty at the same time to maintain the financial incentive to choose vaping over traditional smoking.
5. **Public spending growth held at 1%** – Despite heavy briefing that public spending may be in line for further cuts, the Chancellor confirmed that budgets would be retained with a new productivity plan to deliver taxpayer value.
6. **UK ISAs and pension fund reforms** – As part of the Government's plan to boost British business and increase returns for savers, reforms will include the introduction of a new UK ISA to encourage domestic investment up to £5,000 per year; restrictions on poorly performing pension schemes and incentivise UK investment for the £116bn currently held in funds.
7. **Extended freeze on fuel and alcohol duty** – Continuation of the freeze on Fuel Duty for a further 12 months, saving the average motorist £50 next year; extension of Alcohol Duty freeze until February 2025.
8. **Property relief reforms** – Including the removal of the Furnished Dwellings Tax Relief system and an end to Stamp Duty relief for multiple properties.

9. **£270m R&D investment in manufacturing** – As part of the Government's £2bn investment in the automotive industry and £975m for the aerospace sector, this further investment will support cutting edge R&D projects to anchor manufacturing in the UK.

10. **£800m to reduce public sector waste** – Signalling a "fundamental change" in approach from the Treasury, the new Public Sector Productivity Programme will deliver new efficiencies across public services, including investment in NHS IT systems.

Office for Budget Responsibility (OBR)

> **"The fiscal position remains very challenging due to high debt, subdued economic growth, and the highest interest rates for over a decade."**
>
> **Office for Budget Responsibility**

0.8% – expected growth this year

94.3% – forecast debt as a percentage of GDP by 2028-29

1.2% – estimated borrowing by 2028-29

Opposition Response

> **"The Conservatives promised to fix the nation's roof – but instead they have smashed the windows, kicked the door in and are now burning the house down."**
>
> **Rachel Reeves, Shadow Chancellor**

Responding to the Chancellor's statement, Labour Leader Keir Starmer was keen to focus on the sluggish growth and historically high tax burdens – but remained tight-lipped on what a future Labour government would do differently.

1. **National Insurance cut benefits the wealthiest** – Keir Starmer pointed out that high earners will benefit disproportionately from the move, with analysis from the New Economics Foundation (NEF) shows that the richest households stand to gain 12 times more from the National Insurance cut than the poorest.

2. **A 'devastating economic inheritance'** – Fiscal responsibility has been at the heart of Labour policy making over the last 24 hours, and Starmer used his response to reiterate the dire economic situation that the next Government will inherit. The Labour Party is keen to manage expectations when it comes to increases in public spending and the possibility of future tax cuts should they win the next election.

3. **Spotting the political bear traps** – In his response to the Chancellor's statement, Starmer was laser-focused on his critique of the Conservative's handling of the economy but refused to set out a detailed alternative fiscal vision. Labour is acutely aware that Jeremy Hunt has set a series of political traps by introducing tax cuts and stealing the Opposition's policy on 'non-dom' status reform.

By Sector

Tax and Public Spending

Widely trailed in advance of the Chancellor's announcement, personal tax cuts dominated the headlines ahead of today's Spring Budget.

- 2p cut to National Insurance contributions, saving the average worker £450 a year and costing the Treasury an estimated £10bn. It repeats an identical cut by the Chancellor in last year's Autumn Statement.
- A new 'British ISA' to allow an additional £5,000 annual investment into UK equity, on top of existing ISA allowances.
- Public spending growth will be retained at 1% a year, but a new Public Sector Productivity Plan will reform how public body spending is assessed and deliver better value for taxpayers.
- Higher rate of property capital gains tax will be reduced from 28% to 24%.
- £100m of levelling up funding to culture, heritage and community investment projects across the country.
- Increased threshold at which parents start paying the High-Income Child Benefit Charge from £50,000 to £60,000, an estimated saving for half a million families of almost £1,300 per household.
- A new British Savings Bond will be introduced to encourage saving, with a guaranteed rate fixed for three years.
- Duty will be introduced on vaping liquids for the first time from October 2026, while a one-off increase in Tobacco Duty will ensure reduced risk products remain a cheaper alternative to traditional smoking.
- Eligible film studios in England will secure 40% relief on their gross business rates until 2034. Tax reliefs made permanent at 45% for touring and orchestral productions and 40% for non-touring productions.
- Air Passenger Duty will be raised for non-economy class plane passengers.

> **"Whilst we remain supportive of initiatives that will increase investment by pension schemes in the UK economy, we are concerned at the implied suggestion that this would involve some form of coercion."**
>
> **Tim Middleton, Director of Policy and External Affairs, at the PMI**

Transport and Infrastructure

A budget light on major transport and infrastructure announcements, the Chancellor instead focused on tackling some longstanding structural challenges including:

- Reforms to speed up the consenting process for Nationally Significant Infrastructure Projects (NSIPs).
- New stringent connections process from January 2025 and a commitment to working with the Electricity System Operator to outline further interim reforms to the grid queue process by summer 2024.
- An accelerated planning service to speed up major infrastructure delivery, and new measures to restrict the blocking powers of local planning authorities.
- Delivery of Network North's vision for the Euston Quarter, with a new Ministerial Taskforce to oversee the next phase of the privately funded HS2 Euston station.

> **"The only way you get real growth that benefits working people is by investment in publicly owned public services, transport infrastructure and a general wage rise to increase spending power in the economy."**
>
> **Mick Lynch, RMT General Secretary**

Housing and Development

The Chancellor announced a continuation of the temporary Household Support Fund to help assist families against inflation for 6 months. There was also support outlined for building new houses and levelling-up being expanded across generations to young people. On housing, new developments in Cambridge and Canary Wharf benefited from the Levelling-Up Fund. Local renters have also been allocated support with the furnished holiday lettings regime to be abolished.

- Continuation of the Household Support Fund, due to end at the end of March 2024.
- Outlines the level-up agenda across all generations, with housing for young people on the agenda as the government is on track to deliver over a million homes this parliament.
- £242 million in Levelling-Up funding for new housing developments including Barking Riverside and Canary Wharf.
- A new £20 million community-led housing scheme to support local communities in developing the housing they want and need.
- The furnished holiday lettings regime will be abolished, due to concern for not enough properties available for long-term rent by local people.
- Abolition of Stamp Duty relief for people buying more than one property at a time.
- Decreased rate of Property Capital Gains Tax, from 28% to 24%.

> **"With an average of 11 tenants chasing every home for private rent, social housing waiting lists at 1.3 million, almost 110,000 households in temporary accommodation and the number of first-time buyers slumping, the Budget needed to tackle the housing crisis once and for all. What we got was a deafening silence."**
>
> **Ben Beadle, Chief Executive, National Residential Landlords Association**

Health and Social Care

With the Chancellor labelling the NHS Britain's biggest and most important public sector, he announced multiple new investments into the Health and Social Care sector with a commitment to fully fund the NHS Productivity Plan, as well as an additional £2.5 billion funding focused on the digital transformation of the NHS. AstraZeneca also announced a £650 investment, aiming to expand their footprint in the UK. Further announcements include:

- £45 million will be invested into supporting research into cancer, dementia and epilepsy, including a £3 million investment into Cancer Research.
- There will be full funding into the NHS Productivity Plan, aiming to slash 13 million hours lost by doctors operating old tech systems, speed up results for 130,000 patients, and improve the NHS app.
- An additional £2.5 billion funding will allow the NHS to continue its focus on reducing waiting times, bringing the total increase in NHS funding since the start of Parliament to 13%.
- £3.4 billion will also be invested to reform the way the NHS works.
- A £650 million investment from AstraZeneca in the UK will expand their footprint on the Cambridge Biomedical Campus and will help fund the Vaccine Manufacturing Hub.
- The Government confirmed that the hourly rate for childcare providers will increase. This represents an estimated additional £500 million of investment over two years.

> **"Today's announcement shows the government continues to back the NHS and the £2.45bn of extra funding for next year ensures we have the support we need to make continued progress on our key priorities for patients."**
>
> **Amanda Pritchard, NHS Chief Executive**

Science and Technology

The Chancellor was keen to outline the UK as a key destination for scientific and technology investment, with measures to support this such as unlocking more pension fund capital to keep entrepreneurs and workers in the UK. There was key support for life sciences with funding announced to support medical research, as well as further measures to digitalise the NHS and policing to ensure efficiency.

- A new settlement in Cambridge to complement its scientific powerhouse potential, with over £10 million invested in the coming year.
- Aspiration for the UK is on track to become the world's next Silicon Valley with Microsoft and Google announcing data centres worth £3 billion.
- Unlocking more pension fund capital to ensure tech entrepreneurs stay in the UK and do not go overseas.
- Edinburgh & Mansion House reforms to unlock more pension capital, to make it easier for pension funds to invest in the UK.
- Support for research in the life sciences sector, with an additional £45 million for research into cancer, dementia, and epilepsy.
- AstraZeneca has announced plans to invest £650 million into the UK economy to expand their footprint on the Cambridge Biomedical Campus.

- New IT system for the NHS, introducing AI to support form filling and a new NHS staff app to make it easier to roster electronically and use electronic patient records.
- £230m investment in technology to speed up police response time, such as reporting crime by video call and drones as first responders.

> **"The UK has a stark choice of futures. One route sees our economy and society transformed by a new, research driven, industrial revolution based on green energy and advances in quantum, semiconductors, fusion and AI. The second choice leaves us on the sidelines of this technological transformation, with our economy contracting, our role in the world diminished."**
>
> **Tom Grinyer, CEO, Institute of Physics**

Energy and Environment

Eager for the UK to lead the global race in developing cutting-edge nuclear technologies, the Chancellor announced the next stage of the Great British Nuclear initiative, as well as a commitment to allocate up to £120 million more to the green industries growth accelerator. The Chancellor also reconfirmed that by January 2025 we will have a faster connections process to get the grid up and running, as promised in the Autumn statement. Further announcements include:

- The Finance Bill will be put through to abolish the energy profits levy should market prices fall.
- Due to the expectation that the increase in energy prices cause by the Ukraine war will last longer, as well as the sector's windfall profits, the sunset on the energy profits levy will be extended for an additional year to 2029, raising £1.5 billion.
- Great British Nuclear will begin the next phase of the small modular reactor selection process, with companies now having until June to submit their initial tender responses.
- The Energy Security and Net Zero Secretary will allocate up to £120 million more to the green industries growth accelerator to build supply chains.
- A further £270 million investment was announced into new automotive and aerospace R&D projects, building the UK's capabilities in zero-emission vehicle and clean aviation technologies.
- Nissan has announced it will build two new electric car models in the UK.

> **"This is a political budget above all that does not reflect the urgency of net zero and while we welcome the CfD budget announced alongside the Spring Statement today and extension of the windfall tax on oil and gas excess profits, this is disappointing overall."**
>
> **Frank Gordon, Director of Policy at The Association for Renewable Energy and Clean Technology**