

# CAVENDISH

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Spring Budget 2024

Summary and analysis

# Overview.

“We stick to our plan with a Budget for Long Term Growth. It delivers more investment. More jobs. Better public services. And lower taxes.”

Rt Hon Jeremy Hunt MP – Chancellor of the Exchequer

## Political background

As one BBC presenter commented immediately after the Chancellor sat down, this was clearly a Budget for an election year. Should this Budget have the desired effect, the Prime Minister now has twenty days to decide if he wants to call a General Election to coincide with local and mayoral elections on 2<sup>nd</sup> May and not wait for the Autumn.

The Chancellor covered a broad range of politically charged policy areas to try and persuade those listening that the Conservative Government still has a plan and is not settled into managed decline. Repeated frequently throughout the speech was the refrain that this is “a Budget for long-term growth” but also that there can be “no solid growth without solid finances” and repetition of the line that growth must not be supported by sustained immigration.

The central point of the Budget, which the Chancellor waited till the end to announce, was the hotly anticipated cuts to National Insurance payments of 2p for workers, though he did not go as far as some were anticipating by also making cuts to Income Tax. In doing so he will have appeased, to some degree, the consistent pressure applied from the Conservative backbenches, and some of the frontbench, for lower rates of personal taxation. Also, much like the Autumn Statement, these changes to taxes will take effect relatively quickly, demonstrating their intended political capital for a Government far behind in the polls. While posturing as a ‘tax-cutting Chancellor’ has potential, the effects of fiscal drag may result in voters not seeing the benefit in their pockets.

As the Chancellor announced his decisions, he made customary reference to those who had made representations to him. In particular, the long-awaited changes to High Income Child Benefit Charge were attributed to Miriam Cates, a key member of the New Conservatives faction who have consistently urged the Government to adopt new policies further to the right. Equally, some policies as well can be noted for their absence – the Government’s flagship policy of Net Zero was not given further resource, with the Chancellor instead choosing to restate the importance of oil and gas in the North Sea, even if there were no new spending decisions relating to it.

While appeasing various factions, in particular the right, of the Conservative Party, Jeremy Hunt has delivered a Budget that will largely leave them wanting more, with hopes of further tax cuts in another fiscal event later in the year to launch them rejuvenated into an election. However, GDP per capita has fallen since the Autumn Statement and with the effects of announcements unlikely to take effect for some months, the prospects of this being a ‘turnaround budget’ are limited.

In his formal response, Leader of the Opposition **Sir Keir Starmer** described the Budget as the “last desperate act” of the Conservative Party and that it was more evidence of “party first, country second”. Sir Keir stated that people will face “stealth taxes” that will affect household budgets, including through rises in council tax.

He claimed the Government has finally accepted Labour’s suggestion to scrap the non-domiciled tax status and asked why this had not been implemented earlier. Labour also supports cuts to national insurance and the fuel duty freeze.

He rounded off his remarks by declaring that the UK deserves a better government and that the Prime Minister should call an election on 2<sup>nd</sup> May.

### **Economic and fiscal background**

At the beginning of 2023 the Prime Minister set out five priorities, three of which were economic: to halve inflation, grow the economy and get debt falling. At the Spring Budget the government claims to be delivering on these priorities: inflation has fallen, growth has been more resilient than expected, and debt is forecast to fall.

Inflation has more than halved from its recent peak and the government is continuing to support the Bank of England, with policy decisions at this event directly reducing inflation in 2024-25. The OBR now forecasts inflation to fall to its 2% target in Q2 2024, a year earlier than in their November 2023 forecast.

As a result of falling inflation, real wages are rising. The OBR now expects living standards, as measured by real household disposable income (RHDI) per person, to grow by 0.8% in 2023-24 and continue to grow in each year of the forecast. In the latest data, people’s real incomes were around £1,100 higher than the OBR expected in their March 2023 forecast.

GDP grew by 0.1% in 2023 and the unemployment rate has remained low by historical standards at 3.8% in Q4 2023, below the OBR’s November 2022 forecast of 4.6%. Growth is now forecast to pick up from the first half of 2024 and the IMF is forecasting that the UK will have the third fastest cumulative growth in the G7 over the 2024-2028 period.

The full transcript of the Chancellor’s speech can be found [here](#).

The full Spring Budget Red Book can be found [here](#).

# The essentials.

## The Chancellor's key announcements in his "Autumn Statement for Growth":



**National Insurance** - The Government is cutting the main rate of employee National Insurance by 2p from 10% to 8% from 6 April 2024.



**Alcohol Duty** - The Government has extended the six month freeze on alcohol duty until February 2025.



**British ISA** - The Government has announced an additional £5,000 allowance on top of the existing ISA allowance.



**Stamp Duty Land Tax** - The Government has announced the abolition of Multiple Dwellings Relief as well as exemptions for registered providers of social housing in England and Northern Ireland when purchasing a property with a public subsidy.



**Fuel Duty** - The Government has announced that they will extend the temporary 5p cut and cancel the planned increase in line with inflation for 2024-25, saving the average car driver £50 in 2024-25.



**Air Passenger Duty** - The Government has increased air passenger duty for economy class passengers on long haul and ultra-long haul flights by £2 and the rates for those flying premium economy, business and first class will rise by between 7.7% - 11.4%.



**Vape Duty** - The Government will implement a new duty on vaping, introduced from October 2026, which is intended to discourage non-smokers from taking up vaping and raise revenue to help fund public services, like the NHS.



**Child Benefit** - The Government will extend the High Income Child Benefit Charge (HICBC) threshold to £60,000 from April 2024. The rate at which HICBC is charged will also be halved so that Child Benefit is not fully withdrawn until individuals earn £80,000 or higher.



**Energy Profits Levy** - The Government is extending the Energy Profits Levy (EPL) by an additional year until March 2029, raising £1.5 billion.

# Taxation.

## The Chancellor announced:

### National Insurance

- The government is cutting the main rate of employee National Insurance by 2p from 10% to 8% from 6 April 2024.
- Combined with the 2p cut announced in the Autumn Statement 2023, this will save the average worker on £35,400 over £900 a year.
- The removal of the requirement to pay Class 2 NICs from 6 April 2024 and a commitment to abolishing Class 2 entirely following consultation later this year.

### Replacing Non-UK Domicile tax rules with a residence-based regime

- The Government will abolish the remittance basis of taxation for non-UK domiciled individuals and replace it with a simpler residence-based regime.
- Individuals who opt into the new regime will not pay UK tax on any foreign income and gains arising in their first four years of tax residence, provided they have been non-tax resident for the last 10 years.
- This new regime will commence on 6 April 2025 and applies UK-wide.

### Alcohol Duty

- The government will freeze alcohol duty from 1 August 2024 until 1 February 2025. This extends the six-month freeze announced at Autumn Statement 2023.

### VAT

- The increase of the VAT registration threshold to £90,000 and the deregistration threshold to £88,000 from 1 April 2024.

### Creative Industries

- The introduction of a 40% relief from business rates for eligible film studios in England for the next 10 years.
- The introduction of a new UK Independent Film Tax Credit at a rate of 53% for films with budgets under £15 million.
- An increase to the rate of tax credit by 5%.



# Business and Investment.

## The Chancellor announced:

### Savings and investments

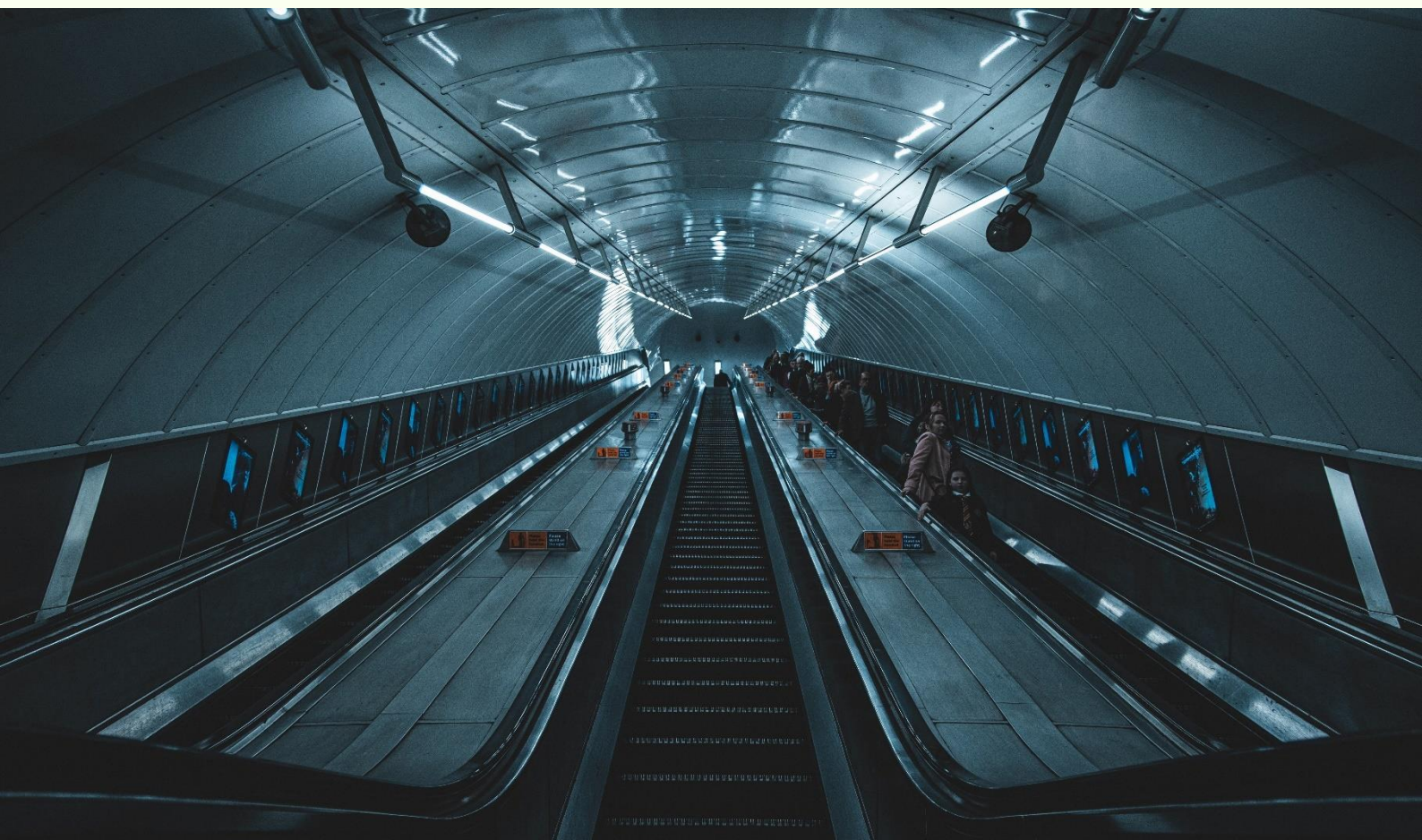
- Extensions to investment allowances in a new UK ISA which will have an additional allowance of £5,000. This would be in addition to the £20,000 that can be subscribed into an ISA. The government will consult on the details.
- A pilot programme in collaboration with the Office for Investment to explore new government investment opportunities.
- Extending the Recovery Loan Scheme to provide further support to SMEs. It has been renamed the 'Growth Guarantee Scheme'. The scheme offers a 70% government guarantee on loans to SMEs of up to £2 million in Great Britain, and £1 million in Northern Ireland.

### Public sector investment and ownership

- Up to £100 million for future satellite communications.
- The government intends to sell part of its NatWest shareholding to retail investors. At the earliest, this would happen this summer.
- £4.5 billion funding package for the Aerospace Technology Institute, which includes R&D support for small businesses through the ATI SME competition.
- New £7.4 million upskilling fund pilot aimed at helping SMEs to develop AI skills for the future.
- Investments of up to £100 million in the Alan Turing Institute over the next five years.

### Regional Investment

- £400 million will be provided to extend the 10-year Long-Term Plan for Towns to 20 more places, including Darlington, Rhyl, Carlton (in Gedling), Peterhead, Colerain, and Eastbourne
- £14 million investment into public sector research and innovation infrastructure.
- Tax reliefs available in Freeport tax sites are being extended from five to ten years, until September 2031 in England, and September 2034 in Scotland and Wales.
- The Government will establish an Enhanced Investment Zone offer in Northern Ireland with £150 million in funding. It will also extend the Investment Zones programme from five to ten years in Scotland and Wales.



# Housing and Planning.

The Chancellor announced:

## Housing delivery

- £124 million investment at Barking Riverside to unlock 7,200 homes.
- £118 million investment to deliver a new life sciences hub with 750 homes.
- £20 million for the social finance fund for community-led housing schemes.
- £4 million to support the 10,000 new homes at Euston.
- An additional £7.2 million for housebuilding around Cambridge.
- Add increased cap to 50% on the percentage cost of a replacement home funded through a Right to Buy receipt.

## Barriers to planning

- Match funding of £3 million for increased planning resource.
- Opening of round two for expressions of interest in the Local Nutrient Mitigation Fund.

## Stamp Duty Land Tax (SDLT)

- Abolition of Multiple Dwellings Relief.
- Exemptions for registered providers of social housing in England and Northern Ireland when purchasing a property with a public subsidy.
- Public bodies buying properties will be exempted from the 15% anti-avoidance rate.
- Relief for First Time Buyers of leasehold properties through a nominee or bare trustee.

## Holiday lets

- Abolition of the Furnished Holiday Lettings tax regime.



# Energy, Environment and Infrastructure.

## The Chancellor announced:

### Energy Profits Levy

- The government is extending the Energy Profits Levy (EPL) by an additional year until March 2029, raising £1.5 billion.
- To put beyond doubt that the EPL is temporary, the government will include legislation in the Spring Finance Bill to disapply the levy when prices return to normal.

### Connectivity

- A taskforce beginning today (chaired by the Rt Hon Julian Smith CBE MP) which will explore Alternative Dispute Resolution mechanisms for disputes over-compensation between landowners and electricity network operators.
- The government will establish a new National Energy System Operator in 2024 which will be critical for the delivery of grid reforms.

### Green growth

- Further investment of up to £120 million for the Green Industries Growth Accelerator (GIGA). Of the over £1 billion of total funding available, up to £390 million is expected to support supply chains of offshore wind & electricity networks and the same amount for supply chains of Carbon Capture Utilisation and Storage (CCUS) and hydrogen.
- Targeted funding for consultations and calls for evidence to accelerate schemes in energy and transport.
- An agreement worth £160 million (excluding taxes) deal with Hitachi to purchase the Wylfa site in Ynys Môn and the Oldbury-on-Severn site in South Gloucestershire.
- Great British Nuclear will move to the next stage of the Small Modular Reactor competitive process, with six companies now invited to submit their initial tender responses by June.

### Agriculture:

- That in 2024, the farming sector will benefit from the largest-ever round of grants on offer to support investment in agricultural productivity and innovation, with £427 million of government funding crowding in additional private sector investment.
- £75 million for Internal Drainage Boards to bolster investment in water and flood management assets which are vital to protect agricultural land from the impact of floods and storms.
- The Government will set aside funding to support an agri-food launchpad in Mid Wales.
- Extend the existing scope of agricultural property relief from 6 April 2025 to land managed under an environmental agreement with, or on behalf of, the UK government, Devolved Administrations, public bodies, local authorities, or approved responsible bodies.





# Transport.

## The Chancellor announced:

### Fuel Duty

- That the Government are maintaining the rates of fuel duty at the current levels for a further 12 months.
- They will extend the temporary 5p cut and cancel the planned increase in line with inflation for 2024-25, saving the average car driver £50 in 2024-25.
- That following review, the government will maintain the difference between road fuel gas and diesel duty rates until 2032.

### Air Passenger Duty

- A one-off adjustment to rates of Air Passenger Duty (APD) on non-economy passengers to account for high inflation in recent years and help to maintain the value of APD in real terms.
- For those in economy on domestic or short-haul flights, rates will remain frozen, benefitting more than 70% of passengers and keeping the cost of flying down.
- For other economy class passengers on long haul/ultra-long-haul flights, rates will rise by only £2.
- APD rates for those flying premium economy, business and first class will rise by between 7.7%-11.4%.

# Health and Welfare.

## The Chancellor announced:

### Healthcare Funding

- £45 million in additional funding for medical charities. This includes £3 million in funding for Cancer Research UK.
- Additional £2.5 billion for the NHS in England for 2024-25.
- Ending the use of expensive “off-framework” agency staffing from July 2024.
- NHS England will also introduce measures to review agency price caps, tighten controls and rules around agency staffing, and improve support and transparency.

### NHS Digital

- The next steps in the Public Sector Productivity Programme, including a comprehensive NHS productivity plan backed by £3.4 billion of funding. This will double investment in NHS technological and digital transformation, including the roll out universal electronic patient records and reduce the time frontline workers spend on administrative tasks.
- Two new data pilots to drive high quality AI in education and improve access to data in adult social care for a total of £3.5 million.

### Benefits and entitlements

- The High Income Child Benefit Charge (HICBC) threshold will increase to £60,000 from April 2024. The rate at which HICBC is charged will also be halved so that Child Benefit is not fully withdrawn until individuals earn £80,000 or higher. The government plans to administer the HICBC on a household rather than an individual basis by April 2026, and will consult in due course.
- Additional funding to support the processing of increased volumes of disability benefit claims.
- An increase to the maximum repayment period on new budgeting advance loans from 12 months to 24 months for universal credit.

# Workforce.

## The Chancellor announced:

### Getting people into work

- A £2.5 billion Back to Work Plan to expand employment support for the those who are long-term unemployed, long-term sick and disabled.
- An extension to the duration of the current Additional Jobcentre Support pilot, currently live in 90 Jobcentres in England and Scotland, for a further 12 months. As part of the pilot extension, claimants will also be required to accept a new claimant commitment at 6, 13 and 26 weeks, agreeing to more work requirements, or have their claim closed.

### Apprenticeships

- Confirmed plans for the £50 million Apprenticeship Growth Sector pilot, which will boost funding for eligible providers who deliver high-value apprenticeship standards in advanced manufacturing, green and life sciences sectors.

# Education.

## The Chancellor announced:

### SEN Schools

- The commitment of an initial £105 million towards a wave of 15 new special free schools to create over 2,000 additional places for children with special educational needs and disabilities (SEND) across England.

### Alternative Placement Schools

- Confirmation of the location of 20 Alternative Provision (AP) free schools, creating over 1,600 additional AP places across England, as part of the Spending Review 2021 commitment to invest £2.6 billion capital in high needs provision.

