TheCityUK

The Autumn Budget 2024

The Autumn Budget was positioned as focusing on public-sector investment in UK growth in the context of a challenging fiscal position, and the Chancellor has clearly set out the government's priorities for the next four years.

Over the summer we sent a submission to HM Treasury proposing recommendations to enable our industry to drive further growth across the UK economy. We highlighted the importance of the UK being internationally competitive, to ensure we maintain our position as a world-leading international financial centre, and that the benefits of growth must be felt across every region and nation of the UK.

The summary below, gives an assessment of the relevant announcements for our industry and how these align with our positions and engagement strategy.

Taxation

- Employer National Insurance Contributions will be increased to 15% from April 2025. The secondary threshold at which employers start paying NI will be reduced from £9,000 to £5,000.
- A Corporate Tax Roadmap was published in the Budget, with confirmation that corporation tax will stay at 25% for the remainder of this Parliament, along with full expensing and RDI reliefs.
    - We had called for a business tax roadmap to give businesses and investors greater clarity on the tax implications of their investments in the UK. We therefore welcome the roadmap, including the Corporation Tax commitment and will review the full details in collaboration with our Tax Group.
- The 'non-doms' regime will be abolished and replaced with a new residence based scheme in April 2025.
    - We have been very clear that the government should ensure the UK's tax regime remains internationally competitive. The government will need to consult closely with industry to carefully consider the details of the new regime if this is to be implemented by April 2025.
- Capital Gains Tax (CGT): The lower rate will increase from 10% to 18%, the higher rate from 20% to 24%, effective today. The CGT rates for Business Asset Disposal Relief and Investors' Relief will rise to 14% on 6 April 2025, and 18% on 6 April 2026, to allow business owners time to adjust to the changes.
- Inheritance Tax (IHT): The threshold freeze is extended for a further two years to April 2030. The government will also reduce the rate of business property relief to 50% in all circumstances for shares designated as "not listed" on the markets of a recognised stock

exchange. This will affect around 0.3% of estates each year. Unused pension funds and death benefits payable from a pension we will become subject to IHT.

- Taxation of carried interest: The government announced a two-stage plan to increase the rate of tax on carried interest to 32% from April 2025, and then transition carried interest to the income tax regime from April 2026, with an effective rate of around 34%.
    - We have engaged with HMT on its pre-Budget consultation on the carried interest regime We will work with government to consult on the details of transition to the income tax regime.

English devolution

- The Chancellor confirmed integrated single funding settlements for the West Midlands and Greater Manchester Combined Authorities, and indicated that other Combined Authorities will benefit from a single settlement later in the parliament.
    - This aligns with calls in our recent 'Enabling growth across the UK' report for clearer and deeper devolution, with a mayor for any area that wants one, and a stable single funding model rather than a bidding system that makes mayors compete for funds.
    - We welcome the news and will engage with new Combined Authorities, especially in light of the requirement for them to publish Local Growth Plans and contribute to the Industrial Strategy. We will continue to engage with the government on the wider English devolution agenda and will contribute to the expected White Paper.

Investment, infrastructure and planning

- The Chancellor announced investment in several rail projects to link key centres of economic activity, including confirmation that HS2 will extend to London Euston.
    - We called for investment in the rail network, including funding for HS2, in our recent 'Enabling growth across the UK' report, and highlighted the importance of both transport and digital infrastructure to thriving businesses.
- The Chancellor announced action the government is taking to ensure the planning system supports public and private investment, including £46m additional funding to support recruitment and training of 300 graduates and apprentices into local planning, accelerate large sites that are stuck in the system, and upskill local authority capacity to deliver the government's wider reform agenda.
    - We called for government to modernise Britain's planning regime and address critical resource constraints to ensure that investments can be realised and delivered on the ground. The steps announced are therefore welcome.

Public private finance

- The Chancellor plans to catalyse £70bn of investment through the National Wealth Fund (NWF). At the government's Investment Summit earlier this month, the Chancellor announced that the UK Infrastructure Bank will become the NWF. It will deploy up to £27.8bn investment in industries of the future including gigafactories, ports and green hydrogen, and support delivery of the Industrial Strategy.
- She also announced that the NWF will be delivered in line with the government's 'strong fiscal framework' to ensure investments are high-quality and represent value for money. 'Guardrails' will govern the approach to public spending on financial assets.
    - We have called for the government to work with our industry to address barriers to attracting private investment into the UK, and to co-create blended finance solutions that will mobilise private capital. We will continue to urge the government to engage with our industry on delivering the NWF and the mechanisms to catalyse private investment, to ensure it effectively crowds-in private capital.

Skills

- The Chancellor re-stated the commitment to creating Skills England, which we welcomed as part of wider reform of the Apprenticeship Levy, for which we have long advocated.
    - We will continue to work with the Financial Services Skills Commission to engage with Skills England and secure the flexibility our members seek.

UK capital markets

- The Chancellor made clear the government's commitment to small businesses and entrepreneurship in the UK.
- This included reconfirmation of the commitment to extend the Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) scheme to 2035. The schemes aim to attract funding for early-stage companies by offering generous tax relief to individual investors.
    - We have called for the government to extend the schemes and to better support the growth journey of companies from start-up to scale-up to maturity and will be continuing to focus on priority strategic enablers to revitalise UK growth markets into next year.
- The government plan to publish a 'Small Business Strategy Command Paper' setting out their vision to support small businesses.
    - We have called for the government to address the barriers facing smaller UK companies with growth potential. We will engage with government on their strategy to ensure that UK companies with growth potential are able to access growth funding through the UK's capital markets with ease.
- Private Intermittent Securities and Capital Exchange System: exemption from Stamp Duty on shares.

- We called for government to design targeted incentives for institutional investors and pension funds to put money to work at each stage of the company growth funding journey. Exemption of Stamp Duty and Stamp Duty Reserve Tax from PISCES transactions is a welcome commitment. We will work with government to explore how to further incentivise investment and increase liquidity in UK markets.

Retail investment (ISAs)

- ISA annual subscription limits will remain at £20,000, £4,000 for Lifetime ISAs, and £9,000 for Junior ISAs and Child Trust Funds until 5 April 2030.
- The government confirmed they will not proceed with the British ISA due to mixed responses to the consultation in March 2024.
- The government committed to the digitalisation of ISAs, and implementing digital ISA managers as a first step. Draft legislation will be published for consultation in 2025.
    - We urged government to simplify and consolidate the ISA regime and welcome steps to digitise the reporting system.
    - We will continue to engage with industry and HMT on the future of the ISA regime and policy to encourage greater retail investment.

Net-zero transition and sustainability

- The Chancellor announced £125m funding for GB Energy in 2025-26, and confirmed funding for 11 green hydrogen projects. £3.4bn of funding was announced for the Warm Homes Plan, including £1.8bn for fuel poverty schemes.
- The Chancellor re-stated the £3.9bn funding allocated to the Carbon Capture, Utilisation and Storage (CCUS) Track-1 project that was announced earlier this month, and steps already taken by the government to deliver clean energy by 2030.
- Building on the manifesto commitment to phase out new petrol and diesel cars by 2030, the government announced £2bn to be invested in the automotive industry to support the UK's EV manufacturing sector. £200m will be invested to accelerate EV charge point rollout, and £120m in 2025-26 to support purchase of new electric vans via the plug-in vehicle grant and the manufacture of wheelchair-accessible EVs.
    - We welcome announcements on government funding and incentives to support delivery of the government's clean energy mission and UK's net zero transition. We urge government to build on these announcements, working with our industry to create clear, quantifiable and actionable sector-specific strategies to attract and incentivise investment and provide clear signals to the market.

Technology and innovation

- The government will task the Government Chief Scientific Adviser (GCSA) and National Technology Adviser (NTA) to lead a review of barriers to the adoption of transformative technologies that could enhance innovation and productivity.
    - This aligns with our continued advocacy for a policy and regulatory environment that supports adoption of technology adoption as a key factor in the UK's long-term competitiveness as an international financial centre.
- The government committed significant support in 2025-26 for UK fusion energy research, to build on the UK's position as a global leader in sustainable nuclear energy.
    - This is a welcome step to secure clean energy sources at the scale needed to deliver the industry's deployment of technologies such as AI, and to ensure a sustainable digital transformation.
- The government also confirmed they will shortly publish the 'AI Opportunities Action Plan', setting out a roadmap to capture the opportunities of AI.
    - We have written to the government to advocate for industry priorities on AI, and will consult industry further following publication of the plan.
- The Chancellor committed to an innovation accelerators programme to bolster high-potential innovation clusters in the Glasgow City Region, Greater Manchester and the West Midlands.
    - We previously called for the government to encourage innovation by developing clusters for technologies across the UK.

Financial assistance to Ukraine

- The Chancellor re-stated that the government will continue to support Ukraine to counter Russia for as long as it takes, committing £3bn a year in military assistance and a further £2.3bn ($3bn) as part of the G7 Extraordinary Revenue Acceleration (ERA) Loans for Ukraine scheme.