

AUTUMN BUDGET: HOW IT AFFECTS YOU

On 30 October, the Chancellor of the Exchequer, Rachel Reeves MP, gave the first Budget Statement to Parliament by a female Chancellor in British history. She was the first Labour Chancellor to do so in 14½ years - since Alistair Darling back in March 2010.

It was a longer-than-usual speech and, in this article, Brett Amplett (BMF Policy Manager) describes the main points of policy, regulation, tax and public spending - some of which require legislation to be passed.

HOUSING & PLANNING

Affordable Housing Programme 2021-2026:

The Chancellor gave another £500 million to top-up this programme. This new money aims to deliver another 5,000 homes. It boosts the previous Conservative Government's AHP that runs to end-March 2026. Homes England is the route for funds allocated via strategic partnerships to registered social providers, housing associations and local councils.

Ministers have also agreed a new 5-year social housing rent settlement to give these providers more long-term certainty on funding and allow them to invest in many more homes. This deal allows rents to increase annually by CPI inflation plus 1%. Existing social housing will also be protected by reducing the Right to Buy discounts so that thousands more council homes remain with local authorities.

Affordable Housing Programme 2026 and beyond:

HM Government will set out funding arrangements for the next AHP when it unveils the Spending Review in 6 month's time. That announcement is part of the long-awaited Housing Strategy, also due in Spring 2025.

Local Authority Planning Capacity: the £46 million earmarked to boost capacity and capability in local planning authorities was re-announced in the budget.

Home Building Fund: an extra £3 billion for SMEs under this housing guarantee scheme that allows them to obtain lower-cost loans.

Local Nutrient Mitigation Fund: £47 million to help build up to 28,000 homes that would otherwise be stalled due to nutrient neutrality in affected river catchments. This looks to be a re-announcement because this Fund began with £110 million under Conservatives and may not be new money.

Help to Buy: no new scheme to replace the previous offer that ended on 31 March 2023.

INFRASTRUCTURE

Transport: The Chancellor will increase capital spending by £13 billion next year, taking total capital spending to £131 billion in 2025/2026. The majority will go on rail schemes such as:

- Transpennine Route Upgrade for journeys

between York, Leeds, Huddersfield & Manchester

- HS2 between London & Birmingham and increasing capacity on the West Coast Mainline
- Funds for HS2 in London to start the tunnelling work between Old Oak Common and Euston Station
- East West Rail: a project that seeks to connect Oxford, Milton Keynes and Cambridge

Roads: an increase of £500 million to maintain and renew the network - including a pledge to fix an extra 1 million potholes in England. However, the Chancellor decided to delay the start of the 'Road Investment Strategy 3' by 12 months to 2026/2027. She also cancelled several road schemes - namely:

- A5036 Princess Way access road to the Port of Liverpool
- A358 Taunton to Ilminster dual carriageway
- M27 at Junction 8 in Southampton
- A47 Great Yarmouth Vauxhall Roundabout
- A1 dual carriageway between Morpeth and Ellingham

These axed schemes follow others that she cancelled in July this year - notably the A303 Stonehenge tunnel and A27 Arundel bypass.

Hospitals: £1 billion in extra capital spending for the NHS following Prof Lord Darzi's Review to pay for critical repair & maintenance and upgrades to buildings.

Schools: £1.4 billion for school rebuilding - an increase of £550 million this year - to support the current programme including plans for 100 projects to begin in England next year.

Ten-Year Infrastructure Strategy: this much-anticipated strategy outlining HM Government's long-term approach is (like the Housing Strategy above) also due in Spring 2025.

NET ZERO

The Budget reiterated proposals to provide funding for:

- Hundreds of local energy schemes to help decarbonise public buildings - via the Public Sector Decarbonisation Scheme - with over £1 billion over 3 years
- First steps towards Labour's Warm Homes Plan and committing an initial £3.4 billion towards heat decarbonisation & household energy efficiency over the next 3 years. Most of this relates to £1.8 billion for fuel poverty

schemes for 225,000 households to cut bills by over £200



Boiler Upgrade Scheme: extra funds will be provided, this year and next, in England and Wales to encourage further take-up of heat pumps in existing buildings. Whitehall will also provide funds to boost the UK heat pump manufacturing supply chain.

Carbon Border Adjustment

Mechanism: ministers have published a formal response to their consultation on introducing a UK CBAM. As expected, it starts on 1 January 2027 and applies to imports of aluminium, cement, hydrogen and iron & steel. Glass and ceramics will not be included as was originally proposed. The registration threshold will be £50,000 that covers the majority of imported emissions with SMEs now taken out of scope.

BUSINESS

Corporation Tax: no change to existing arrangements. The Chancellor kept (a) the main rate at 25%; (b) the Small Profits Rate and marginal relief at current rates & thresholds; (c) Full Expensing, the £1 million Annual Investment Allowance, R&D relief rates and Patent Box as now. She has also published a Corporate Tax Roadmap with these commitments in that goes on to outline other areas being looked at to simplify and improve tax administration.

Capital Gains Tax: lower and higher main rates of Capital Gains Tax 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 at the start of the next tax year to 14% - and will increase again to match the lower main rate at 18% from 6 April 2026.

Capital Gains Tax Investors' Relief Lifetime Limit: this limit will be reduced to £1 million for all qualifying disposals made on or after 30 October 2024.

Capital Allowances Green First Year

Allowances: The Chancellor will extend for another year the 100% First Year Allowances for qualifying expenditure on (a) zero-emission cars and (b) plant or machinery for EV charge-points to 31 March 2026 for Corporation Tax purposes - and 5 April 2026 for Income Tax purposes.

Capital Allowances Full Expensing:

ministers will look at extending full expensing to assets for hire or leasing. This is something the BMF and Construction Plant Hire Association previously suggested.

Plastic Packaging Tax: the rate for 2025/2026 will increase next April in line with CPI inflation.

Landfill Tax: rates for next year will be adjusted to reflect actual RPI and ensure the tax continues to incentivise sustainable waste management. The rate will be announced in the 2025 Budget.

Prompt Payment: from 1 October 2025, companies bidding for government contracts over £5 million will be excluded if they do not pay their own suppliers within an average of 45 days.

Value-Added Tax: no change to existing arrangements or company registration thresholds.

PAYROLL

Employers National Insurance

Contributions: as widely trailed in the media, from the start of the next tax year, Secondary Class 1 NICs paid by employers will increase from 13.8% to 15% from 6 April 2025. Ms Reeves also lowered the threshold for when employers start paying this tax.

The Secondary Threshold is the point at which employers are liable to pay NICs on workers' earnings and is currently set at £9,100 a year. She will reduce it from £9,100 to £5,000 p.a. in the 3 years between 6 April 2025 until 6 April 2028 - then increase it by the CPI inflation rate thereafter.

Employer NICs Relief for Veterans: Ms Reeves is extending this tax relief for employers who take on qualifying veterans for a further year from 6 April 2025 until 5 April 2026. This means that you will continue to pay no Employer NICs up to annual earnings of the Veterans Upper Secondary Threshold of £50,270 for the first year of a veteran's employment in a civilian role.

Employment Allowance: current tax rules allow businesses with Employer NICs bills of £100,000 or less in the previous tax year to deduct £5,000 from their tax bill. Ms Reeves will increase the Employment Allowance from £5,000 to £10,500 - and remove the £100,000 threshold for eligibility - expanding this to all eligible employers from 6 April 2025. This is something that the Federation of Small Businesses lobbied hard on because it is a targeted measure to help SMEs.

The Chancellor has accepted the Low Pay Commission's recommendations on higher rates for the National Minimum Wage and National Living Wage from next April as follows:

National Minimum Wage rates increase from 1 April 2025 as follows:

- 16.3% increase in 18-20 year old rate from

£8.60 to £10.00 per hour

- 18.0% increase in 16-17 year old rate from £6.40 to £7.55 per hour
- 18.0% increase in the apprentice rate from £6.40 to £7.55 per hour
- Daily Accommodation Offset: 6.7% increase from £9.99 to £10.66

National Living Wage: 6.7% increase next April from £11.44 to £12:21 for people aged 21 and over.

PROPERTY

Business Rates: for 2025/2026, the small business multiplier in England will be frozen for another year at 49.9p. But, the standard multiplier will be updated by CPI inflation to 55.5p.

Business Rates' Reform: yet another discussion paper has been published to set the direction of travel for transforming the system of business rating and what reforms are required.

Business Rates Retention: ministers will extend 100% business rates retention arrangements for the West of England and Liverpool City Region Combined Authorities and Cornwall for 2025/2026. For the Greater London Authority, there will be a 67% business rate retention scheme for 2025/2026.

Stamp Duty Land Tax Higher Rates on Additional Dwellings: from 31 October, this surcharge on Stamp Duty will increase by 2% from 3% to 5%. The aim is to favour anyone looking to move home, or buy their first property, rather than second-home buyers, landlords and businesses buying residential property. The single rate charged on the purchase of dwellings costing more than £500,000 by corporate bodies will also increase by 2% from 15% to 17%.

TRANSPORT

Electric Vehicles: ministers are pressing ahead to ban sales of new petrol & diesel cars by 2030 - and from 2035, all new cars & vans sold in the UK will be zero emission. To support this, Whitehall will:

- Spend over £200 million in 2025/2026 to accelerate the roll-out of EV charge-points - inc. money for local authorities to install on-street charge-points in England
- Provide £120 million in 2025/2026 to boost sales of electric vans via the Plug-In Vehicle Grant
- Maintain tax incentives to buy electric cars - via the Vehicle Excise Duty First Year Rates and the Company Car Taxes - as well as extending 100% First Year Allowances for electric cars and charge-points for a further year

Road Fuel Duty: no change to existing rates or arrangements. Ms Reeves surprised MPs by freezing fuel duty for another year and extending the temporary 5p cut to 22 March 2026.

Company Car Tax: current rates are set until 2029/2030 to provide long-term certainty and

incentivise the take-up of electric vehicles.

Rates for hybrids will be increased to align with petrol & diesel engines.

- Appropriate Percentages for zero-emission and electric vehicles will increase by 2% per year - rising to 9% in 2029/2030
- Appropriate Percentages for cars with emissions of 1-50g of CO2 per kilometre (inc. hybrids) will rise to 18% in 2028/2029 and 19% in 2029/2030
- Appropriate Percentages for all other vehicle bands will increase by 1% per year in 2028/2029 and 2029/2030. The maximum will also increase by 1% per year to 38% for 2028/2029 and 39% for 2029/2030. For vehicles with emissions of 51g/km and over, Appropriate Percentages will increase to 19%-38% in 2028/2029 and 20%-39% in 2029/2030

Vehicle Excise Duty Standard Rates: from April 2025, rates for cars, vans & motorcycles will go up in line with RPI inflation.

Vehicle Excise Duty First Year Rates: The Chancellor will change the rates for new cars registered on or after 1 April 2025 to encourage sales of zero-emission and electric cars:

- Zero emission cars will pay the lowest first year rate at £10 until 2029/2030
- Rates for cars emitting 1-50g/km (inc. hybrids) will increase to £110 next year
- Rates for cars emitting 51-75g/km (inc. hybrids) will increase to £130 next year
- All other rates for cars emitting 76g/km and above will double from their current level next year

HGV Vehicle Excise Duty and HGV Levy rates: from 1 April 2025, these rates will increase in line with RPI inflation.

Van Benefit Charge and Car & Van Fuel Benefit Charges: from 6 April 2025, these rates will increase in line with CPI inflation.

DEVOLVED ADMINISTRATIONS

An extra £6.6 billion is going to the Devolved Administrations through the Barnett formula as follows:

- £3.4 billion for the Scottish Government
- £1.7 billion for the Welsh Government
- £1.5 billion for the Northern Ireland Executive

This is a generous settlement and relates to day-to-day spending and infrastructure investment. After the Chancellor finished speaking, officials confirmed this involves extra funding this year and next.

CONCLUSION

The repercussions of Rachel Reeves' Budget were discussed the following week at the BMF Finance Forum. As merchants began to digest the details, the immediate reaction was not favourable - especially on increased costs to retain existing staff or recruit new faces - and implications for opening hours and shift patterns. Please share with us your views on how The Budget will affect your business.