



Barking mad, or just what you expected?



Let's start with the serious stuff – Fairman Harris had a baby! We'd like to introduce you to Milo – Tax Champion, Audit Extraordinaire, but most importantly, a dog who can sniff out a tax increase!

Looking back to the summer of 2024, when Labour was trying to win an election, there was a clear manifesto – no tax increases! Fast forward two budgets, and the reality feels very different.

There is no denying that political events around the globe have had a huge impact on our economy, but are the current austerity measures now hurting our economic growth?

Rachel placed great effort on preparing the nation for the pending tax hikes, stating that “each of us must do our bit for the security of our country and the brightness of its future”. But let's not forget her staunch words just before the budget last year “This is not the sort of Budget we would want to repeat, but this is the Budget that is needed to wipe the slate clean”.

In the end, we've ended up somewhere in the middle, here are the key highlights:

Economy

The UK economy has increased by 1.5% per year since mid 2024, however, the GDP per head has only increased by 0.8% in the same period. This modest growth is set against the backdrop of government debt standing at 95% of GDP, a position created by consecutive years of spending exceeding tax revenue. Whilst this is not uncommon, the current position is that the government is having to borrow 10% of its spending. Our borrowing is currently twice as much as it was before the covid pandemic, despite tax revenue being higher than it was back then. A period of stability is very much needed and this budget has started by strengthening the pound and stock markets showing gains.

Business

- Gambling duty for remote gaming increases from 21% to 40% and online betting from 15% to 25%
- Basic and higher income tax on dividends will increase by 2%
- Capital allowance rates for the main pool are reduced to 14% from 18%
- New 40% first-year capital allowance for main pool additions also available for unincorporated businesses
- Increase in corporation tax late filing penalties
- HMRC will have greater powers to tackle fraud in the Construction Industry Scheme

Personal

- National insurance and income tax thresholds will be frozen for another 3 years beyond the current period, which was due to end in 2028, leaving more taxpayers paying higher rate tax

- Annual tax surcharge of £2,500 on properties worth more than £2M, rising to £7,500 on properties worth more than £5M
- Salary sacrifice on pensions capped at £2K, coming into effect in 2029, leaving higher rate taxpayers restricted on contributions
- Basic and higher income tax on property and savings interest to increase by 2%, meaning 22% at the basic rate and 42% at the higher rate

Wages, Benefits and Pensions

- Cap on child benefit (current max 2 children) will be scrapped
- Minimum wage for over 21's will increase from £12.21 to £12.71 and for 18-20's will increase from £10.00 to £10.85
- State pension to increase by 4.8% - higher than the rate of inflation

Inheritance Tax

- Agricultural Property Relief and Business Property Relief will now be transferable between spouses, meaning there would be a £2M allowance on second death
- As previously announced, unused pension funds will now fall into the scope of IHT from April 2027

Other

- Fuel duty frozen for 6 months to September 2026, after which it will follow a staged increase reverting the 5p per litre reduction since covid
- Rail fares to be frozen for the first time in nearly 30 years
- New, mileage based, tax on hybrid and electric cars from 2028 – 3p per mile on electric cars and 1.5p per mile for hybrid cars

Whilst the budget didn't reach the highs of expectation from a tax burden perspective, it certainly wasn't a budget focussed on growth. Businesses have been calling for a reduction in corporation tax to encourage spending, with a view that it should filter down to employees, bridging the gap between earnings and the cost of living. But, in contrast, the rhetoric prior to the budget was very much along the lines of austerity measures, here we go again. In reality, this wasn't a budget that promoted growth, nor was it a budget that increased taxes where it hurts. Perhaps the correct terminology would be a 'stable' budget. Nonetheless, there will be an acceleration in the number of higher-rate taxpayers over the next five years, being driven by the government's freeze to income tax thresholds. By its final year (2027–28), this freeze will represent the single most significant tax increase since Geoffrey Howe increased VAT from 8% to 15% in 1979. And let's not forget the increased costs associated with Companies House filings.

As there were a number of changes announced in the last budget that will come into effect next tax year, it may be worth reviewing my last budget summary, which can be found [here](#).

As always, should you wish to speak to any of the team on how some of the changes will affect you or your business, please reach out! To review the full report, please click on the image below



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