Spring Statement

2025

On 26 March, the Chancellor of the Exchequer, Rachel Reeves, unveiled the Government's Spring Statement 2025.

Keep reading for an overview of the key announcements. We hope you find the information useful. If you have any questions or queries, please contact your Attivo Financial Planner.

During the weeks leading up to the Spring Statement, it was widely speculated the Government may update, and potentially backtrack on, some of the announcements that were made in the Autumn Budget. A reminder of the key decisions that were shared in October follows later in our summary.

Now that the Spring Statement has been announced, it is evident that the latest raft of decisions are predominantly centred around further spending cuts. Let's look at them in closer detail:

1. Tax

No Tax increases

No additional tax increases were announced. Going forward, the Chancellor has committed to holding just one Autumn Budget a year and using the Spring Statement to provide an update on the economy.

2. The economy

Inflation

Inflation is forecast to average 3.2% in 2025, peaking at 3.8% in July, before returning to the 2% target in 2027. Inflation is currently sitting at 2.8%.

Economic growth
The UK economy is anticipated to grow by just 1% this year, down from the 2% that was previously predicted. However, the Chancellor did confirm that the growth forecasts have been upgraded by the Government for each subsequent year from 2026 to 2029.

Stability rule
According to the Government's latest forecast, the current budget would have been in deficit by £4.1 billion in 2029/2030 instead of showing a £9.9 billion surplus. As a result, the Chancellor has confirmed that the steps taken in the Spring Statement has addressed this shortfall.

Investment rule
The investment rule is projected to be met two years earlier than planned. The net financial debt will decline in the final year of the forecast, leaving a £15.1 billion buffer by 2029/2030, allowing spending in other areas to be moved forward.

3. Defence and overseas aid
Defence and Foreign Aid
Defence spending will rise to 2.5% of Gross Domestic Products (GDP). The increase will be funded by a cut in Foreign Aid, which will reduce to 0.3% of Gross National Income (GNI) by 2027.

Additional defence spending
An additional £2.2 billion will be allocated to the Ministry of Defence during the course of the next financial year. 10% of the budget has been earmarked for 'novel' equipment, including AI developments and drones.

4. Housing
Planning reforms
Planning reforms, which reintroduce mandatory housing targets and modernise green belt policies, are forecast to increase housebuilding by 30% by 2029/2030, boosting GDP by 0.4% by 2034/2035.

Social and affordable housing
An additional £2 billion will be spent on social and affordable housing in 2026/2027, which is forecast to deliver up to 18,000 new homes.

5. Welfare changes
Universal Credit increase
The Universal Credit standard allowance for new and existing claims above inflation from April 2026 will be increased, reaching inflation +5% from 2029. This means the standard weekly allowance will reach £106 in 2029/2030.

Support for starting and staying in work
The Government will invest in additional employment support from 2026/2027 to help avoid people becoming long-term unemployed. This investment will scale up to £1 billion per year by 2029/2030.

Reform to welfare and benefits
The Government intends to make the welfare system more pro-work and fiscally sustainable by reforming incapacity and disability benefits, which is set to reduce welfare spending by £4.8 billion by 2029/2030.

Autumn Budget 2024: Key takeaways recap

1. Pensions

Unused pension funds to form part of estate - unused pension funds will form part of a person's estate by April 2027. These funds could therefore be liable for Inheritance Tax (IHT) if the additional pension amount combined with the rest of your estate exceeds your personal nil-rate band. As a result, pensions may no longer be the most tax efficient vehicle for accumulating assets that are destined to be passed on to beneficiaries.

If you haven't already done so, it's important you review your personal strategy with your Financial Planner to make sure it aligns with your objectives; whether that be the provision of retirement income, Inheritance Tax planning or a combination of the two.

2. Inheritance Tax (IHT)

Reduction in Agricultural and Business Relief - from 6 April 2026, Business Relief and Agricultural Property relief will be combined, and there will only be 100% relief for the first £1 million. Anything over this amount will receive 50% relief. The announcement has attracted significant media attention, as well as major backlash from UK farmers. Despite this, there has not yet been any sign of the Government wavering on this policy. Ongoing consultation is currently taking place on the application of the £1 million allowance for property settled into trust.

If you currently own a business or agricultural property and are starting to consider the best way to share your assets while reducing IHT, please speak to your Financial Planner to discuss the most suitable way to pass on your assets.

Tax planning is not an activity which is regulated by the Financial Conduct Authority

Reduction in IHT relief for Alternative Investment Market (AIM) Shares - from 6 April 2026, the rate of business relief that is applied to quoted shares, that are not listed on the markets of recognised Stock Exchanges, including AIM shares, will only be eligible for 50% relief for IHT purposes.

There may be ways to retain 100% relief, depending on your individual objectives and circumstances. Please speak to your Financial Planner if you would like to consider this.

Extension to the freeze of Inheritance Tax - the current thresholds for IHT thresholds, which are currently £325,000 nil-rate band and £175,000 residential nil-rate band, will remain in place until 2030.

This will have no direct implications for you, but the announcement is set to result in more people starting to pay IHT due to inflation over the next 5 years.

3. Employer National Insurance (NI) contributions

Employer NI contributions will increase - from 13.8% to 15% from 6 April 2025. This announcement was key during the Budget, as forecasts suggest it will raise the Government revenue of upwards of £23 billion per year from 2025 onwards. In addition to this, the per employee threshold at which employers will need to pay NI has decreased to £5,000 and will stay at this level until 2028.

If you aren't a business owner with employees, this announcement may not directly impact you. However, if you are currently contributing through salary sacrifice and your employer is passing on NI savings to your contributions, there may be a change to how much of the saving they are willing to pass on to you, which will affect the total amount of your contribution. If this is something that impacts you, please contact your Financial Planner to discuss.

4. Stamp Duty

Surcharge on second properties to rise - if you are considering purchasing a second property, you may already be aware there is an additional 2% Stamp Duty to pay, increasing from 3% to 5%. This change was implemented the day after the Budget and applies to any second property purchase, including buy-to-let properties.

If you are currently considering buying a second property and weren't aware of this change, please speak to your Financial Planner for further information.

5. Income Tax

Income Tax threshold freeze – there were no changes announced to Income Tax or National Insurance contributions. The current threshold remains in place until 2028, which was confirmed by the previous government.

Attivo are continuously monitoring updates from the Government and will review any announcements to see how they may affect your financial plan. If you have any questions about the Spring Statement, please contact your Attivo Financial Planner.