



IFoA Briefing: The Spring Budget 2024

This briefing summarises the key announcements outlined in the Spring Budget on 6 March 2024 relevant to the work of actuaries.

Ahead of the Budget, the Institute and Faculty of Actuaries (IFoA) called on the Chancellor to introduce measures that meet the test for an increased focus on long-term thinking. The IFoA's recent policy prospectus [Beyond the Next Parliament](#) draws attention to the effects of short-termism and suggests an alternative approach to ensure a longer time horizon is considered in the policymaking process

Kalpana Shah, IFoA President said:

"We hope that this Budget will provide the first step in establishing a platform to address the issues that too often sit in the 'too difficult box'. Actuaries are experts in long-term risk management across several key sectors and take a rigorous, dispassionate and meticulous approach to their work. We look forward to playing our part in developing solutions including new climate modelling, new thinking in the approach to health and social care, addressing the risks and opportunities afforded by AI and other technologies, as well as reshaping the saving capacity of different generations".

Overview

In what is likely to be the final timetabled financial statement of this Parliament, the Chancellor Jeremy Hunt stated that he was delivering a Budget that would ensure long-term growth in the economy and enhanced resilience against future shocks, such as the ones experienced with COVID-19 and the war in Ukraine. The flagship measure of the statement was the widely trailed cut in National Insurance by 2pc, with the Chancellor signalling that a future Conservative-led government might abolish National Insurance entirely. Other significant announcements included the confirmation of the abolition and replacement of the non-UK Domicile tax rules with a residence-based regime; a vaping products levy from October 2026; as well as the introduction of a new "British ISA".

Measures of specific interest to actuaries included a pledge to bring forward requirements for Defined Contribution pension funds to publicly disclose the breakdown of their asset allocations, including UK equities; a £100 million in investment to the UK's new AI Safety Institute; as well continued work on a new Value-For-Money pensions framework.

Main Headlines

The main measures outlined in the statement include:

- The Chancellor announced that the national insurance contribution rate will be cut from 10% to 8% of pay from April 2024.
- The Chancellor confirmed that the non-domiciled tax status will be abolished and replaced by a "modern, simpler and fairer" system from April 2025.
- The Chancellor laid out expected plans for a levy on vaping products to be paid on imports by manufacturers, specifically on the liquid in vapes. It will be introduced in October 2026.
- Alcohol duty was due to rise by 3% from August but the Chancellor announced it will be frozen until February 2025.
- A 5p cut to fuel duty, which was introduced in 2022, has been extended to March 2025.
- The Chancellor announced a new "British Isa", giving investors a £5,000 extra tax-free allowance to "encourage more people to invest in UK assets".
- Military spending will rise to 2.5% of GDP "as soon as economic conditions allow", the Chancellor stated. It is now at 2% of GDP.

Business, Economy and Investment

- Publication of a new prospectus for the Investment Opportunity Fund and plans for a £650 million AstraZeneca investment to build a new vaccine manufacturing hub in Liverpool and expand their footprint in Cambridge's medical research campus.
- Extension to the Long-Term Plans for Towns to 20 new places, over £240 million to build nearly 8,000 homes in Barking Riverside and Canary Wharf alongside a new life sciences hub, and a new £160 million deal to acquire two sites to develop nuclear for energy security.
- Draft legislation to be published to extend full capital expensing – a £10 billion tax cut for business every year to help them invest.



- A £200 million extension of the Growth Guarantee Fund, and an increase in the VAT registration threshold from £85,000 to £90,000.
- The Office for Investment launching a pilot programme to explore the creation of new government asset-backed investment opportunities, where this represents good value for money for the taxpayer.
- Intention to deliver a sale of part of its NatWest shareholding to retail investors in due course.
- Will reduce the higher rate of property capital gains tax from 28% to 24%.
- Announced the abolition of stamp duty relief for those buying more than one dwelling.

Pensions

- The Government intends to bring forward requirements for Defined Contribution pension funds to publicly disclose the breakdown of their asset allocations, including UK equities, working with the Financial Conduct Authority (FCA).
- The Government will introduce equivalent requirements for Local Government Pension Scheme funds in England & Wales as early as April 2024
- The Government is working with the FCA and The Pensions Regulator (TPR) on the upcoming Value for Money (VFM) pensions framework. The framework will highlight where schemes are focusing on short-term cost savings at the expense of long-term investment outcomes, and where schemes' current scale may be preventing them from offering value to savers.
- The Government re-committed to supporting pensioner incomes by maintaining the triple lock.
- The Government announced the launch of a new UK ISA and British Savings Bonds to provide opportunities to save whilst supporting investment in the UK.

Work and National Insurance

- Following a 2% cut in the Autumn Statement, the main rate of Employee National Insurance will be cut again by a further 2 percentage points from 10% to 8% in April – a one third reduction in the main rate of NI which means the average worker on £35,400 will receive a tax cut of over £900 compared to last year.
- Following a 1% cut in the Autumn Statement, the main rate of Class 4 NICs for the self-employed will be cut by a further 2% from 8% to 6% from April - saving the average self-employed person on £28,000 over £650 compared to last year when combined with scrapping the requirement to pay Class 2 NICs.
- The Government will launch a consultation later to deliver its commitment to fully abolish Class 2 NI.

Technology, Skills and Infrastructure

- The Government plans to deliver over £600 billion of planned public sector investment in infrastructure over the next five years, and is consulting on a new accelerated planning service for major commercial applications
- A new Public Sector Productivity Plan that will include a £4.2 billion investment in technology to improve productivity of public service delivery.
- A £360 million package will support innovative R&D and manufacturing projects across the life sciences, automotive and aerospace sectors.
- The Government announced a £7.4 million AI Upskilling Fund pilot that will help SMEs develop new AI skills of the future. The Alan Turing Institute - the UK's national institute for AI and data science – will also receive up to £100 million of investment over the next five years.

Climate and Sustainability

- The Government announced the launch of the next phase of the Small Nuclear Reactor selection process, with nuclear expected to provide up to quarter of electricity by 2050.
- The Green Industries Growth Accelerator (GIGA) will receive up to £120m to support expansion of low carbon manufacturing supply chains, from offshore wind to CCUS and hydrogen.



- Over £1 billion has been allocated for round 6 of the Contracts for Difference Allocation, providing clarity and certainty for investment into the UK's renewables sector.
- The Energy Profits Levy (EPL) will be extended to the end of March 2029. The Government will include legislation in the Spring Finance Bill to disapply the levy when prices return to normal.
- Air Passenger Duty is frozen on economy domestic and short-haul flights and the 5p cut in the rates of fuel duty extended for 12 months.
- A Carbon Border Adjustment Mechanism will be introduced from 1 January 2027 on goods imported in the aluminium, cement, ceramics, fertiliser, glass, hydrogen and iron & steel sectors.

Health and Social Care

- The NHS in England will receive a £2.5 billion funding boost for 2024/25 and £3.4 billion in capital investment over the forecast period to help unlock £35 billion in productivity savings over the next Parliament.
- £3.4 billion is to be invested in NHS IT systems to improve productivity and deliver improvements for patients and staff.
- £10.2 million will be invested to support the development of the Cambridge Biomedical Campus, and a further £520 million for Life Sciences manufacturing.
- £45 million was announced for research by medical charities, including £3m for Cancer Research UK.
- There will be a one-off increase in tobacco duty from October 2026 to maintain the current financial incentive to choose vaping over smoking, with a new duty on vaping products introduced from October 2026.
- The Government confirmed the announcement on 24 January of an additional £500 million of new funding for councils to support the provision of adult and children's social care.

Public Finances

Financial statements require the Chancellor to outline accompanying forecasts made by the **Office for Budget Responsibility (OBR)** regarding outcomes for the economy and public finances. The full forecast from the OBR, published on 6 March 2024, can be found [here](#).

The key takeaways from the OBR's forecasts are:

- **CPI inflation was 4.2 per cent in the final quarter of last year, 0.6 percentage points lower than we forecast in November.** The OBR now expect it to fall further to an average of 2.2 per cent this year and 1.5 per cent in 2025 before gradually returning to target at the end of the forecast period.
- **GDP grew by only 0.1 per cent in 2023, undershooting the OBR November forecast by 0.4 percentage points.** The OBR expect output growth to pick up to 0.8 per cent in 2024 as interest rates fall and real household incomes recover. GDP growth picks up to around 2 per cent in the middle of the decade as slack in the economy is taken up, before falling back towards its assumed trend rate of around 1½ per cent by 2028.
- **The Government has announced a frontloaded package of measures, including significant net tax cuts, estimated to increase borrowing on average by £8.0 billion a year.** Overall, the direct and indirect effects of the measures raise borrowing by £12.7 billion in 2024-25, tapering down to £5.2 billion in 2028-29. This results in slightly higher post-measures borrowing in every year of the five-year forecast period than in November, peaking at £4.4 billion more in 2028-29.

Steps / Further Information

The Policy and Public Affairs Team will continue to update members on any relevant developments regarding the measures within the Spring Budget 2024.

Treasury publications on the Spring Budget are available via the [HM Treasury Website](#). For more information on the IFoA's policy work, or should you wish to discuss any of the points raised in the briefing, please contact Charlie Wynne via Charlie.Wynne@actuaries.org.uk