CRAVEN STREET
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Spring Statement 2025

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At Craven Street Wealth, we believe in making sometimes complex, financial information clear, timely, and accessible.

Just five months after her first Budget, the Chancellor faced challenging conditions; slower growth, higher inflation, and rising interest rates - threatening her fiscal targets. While speculation around tax increases proved unfounded, the focus shifted to spending cuts, particularly in welfare, alongside increased investment in defence and innovation. With a Spending Review due in June, further measures may follow.

If not already doing so, now is a good time to assess short-term cash flow needs, explore investment opportunities that outpace inflation, and maximise tax-efficient allowances such as ISAs. Additionally, key measures from last autumn’s Budget take effect from 6 April 2025, warranting a fresh review of your plans.

Our team is here to help individuals and professionals navigate these changes with confidence. We hope this summary provides valuable insights and welcome further discussion.

Craven Street Wealth

Budget highlights

- Cuts to sickness and disability benefits producing projected net savings of £4.8 billion a year by 2029/30.
- Tax administrative reforms aimed at raising over £1 billion a year.
- A £3.25 billion Transformation Fund to improve public sector productivity
- Confirmation that the Treasury is "looking at options for reforms to Individual Savings Accounts", with the emphasis on the balance between cash and equities.
- A projection from the OBR that growth in 2025 would be 1% – half the level projected last October – but that each of the subsequent four years would see higher growth than last autumn's.

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Introduction

In mid-March 2024, the then Shadow Chancellor, Rachel Reeves gave the Mais lecture to the good and the great of the City. In it she set out her broad fiscal framework, including goals to:

·Balance the current budget, i.e. match day-to-day government expenditure with revenues.

·Have a single fiscal event (i.e. Budget) each year, in the autumn.

The speech was designed to give its audience confidence that a Labour government – then looking close to a certainty – would bring financial stability.

Just over a year later Rachel Reeves is both where she hoped she would be – 11 Downing Street – and where she hoped not to be – trying to avoid a parliamentary set piece less than five months after her Autumn Budget morphing into a Spring Budget. As the Institute for Government, pointed out, among others, the objective of one Budget a year does not sit comfortably with two forecasts in the same period from the Office for Budget Responsibility (OBR). Add in the small fiscal headroom that Reeves left herself after her tax-raising Budget last October and discomfort looked a distinct possibility come spring 2025.

Despite various media labels of mini-Budget or even emergency Budget in the run up to 26 March, the Chancellor avoided any fresh tax measures. Instead, her focus was on tightening public spending, an action which means the Treasury's spotlight now turns to 11 June, when the deferred three-year spending review is due to be published. In the interim, underlining the swirl of economic uncertainty surrounding any forecast, 2 April is scheduled as "Liberation Day" in the US, when Donald Trump reveals his "reciprocal" tariffs.

Official portrait of Rachel Reeves MP, by Lauren Hurley, licensed under Open Government Licence v3.0

INCOME TAX			**25/26**	**24/25**
Main personal allowances and reliefs				
Personal allowance*			£12,570	£12,570
Marriage/civil partners' transferable allowance			£1,260	£1,260
Blind person's allowance			£3,130	£3,070
Rent-a-room relief			£7,500	£7,500
Property allowance and trading allowance (each)			£1,000	£1,000
**Personal allowance reduced by £1 for every £2 of adjusted net income over £100,000*				
UK taxpayers excluding Scottish taxpayers' non-dividend, non-savings income				
20% basic rate on taxable income up to			£37,700	£37,700
40% higher rate on next slice of income over			£37,700	£37,700
45% additional rate on income over			£125,140	£125,140
Scottish taxpayers – non-dividend, non-savings income				
19% starter rate on taxable income up to			£2,827	£2,306
20% basic rate on next slice up to			£14,921	£13,991
21% intermediate rate on next slice up to			£31,092	£31,092
42% higher rate on next slice up to			£62,430	£62,430
45% advanced rate on next slice up to			£125,140	£125,140
48% top rate on income over			£125,140	£125,140
All UK taxpayers				
Starting rate at 0% on band of savings income up to**			£5,000	£5,000
Personal savings allowance at 0%:		Basic rate	£1,000	£1,000
		Higher rate	£500	£500
		Additional rate	£0	£0
Dividend allowance at 0%:		All individuals	£500	£500
Tax rates on dividend income:		Basic rate	8.75%	8.75%
		Higher rate	33.75%	33.75%
		Additional rate	39.35%	39.35%
Trusts:	Income exemption generally		£500	£500
	Rate applicable to trusts:	Dividends	39.35%	39.35%
		Other income	45%	45%
***Not available if taxable non-savings income exceeds the starting rate band*				
High Income Child Benefit Charge				
1% of benefit per £200 of adjusted net income between £60,000 and £80,000				

Economic Update

It all looked better in October…

By the time Rachel Reeves presented her premiere Budget on 30 October there was already a sense of economic gloom. Her late July revelation of a £22 billion ‘black hole’ in the public finances had cast a pall across the following three months as speculation mounted over how it would be filled.

The Autumn 2024 Budget arrived with UK growth having already slowed to just 0.2% in the three months to August, after the first quarter of the year had recorded a 0.7% rate. Nevertheless, the OBR projected that in 2025 the economy would grow by 2.0% and only slow marginally to a 1.8% expansion in 2026. The Chancellor’s Budget measures were projected to raise over £40 billion a year in additional tax by 2029/30, with over half coming from the increases to employers’ national insurance contributions.

Reeves used the extra tax revenue, the OBR’s assumed growth recovery and the borrowing relaxation provided by her new fiscal rules to increase spending by over £70 billion a year. In doing so, she left herself only £9.9 billion of headroom against her main 2029/30 target of a balanced current budget. In its Economic and Fiscal Outlook (EFO) at the time, the OBR observed this was “… around one-third of the average headroom Chancellors have set aside against their fiscal targets” since 2010.

Since October, a combination of slower than projected growth and higher than projected interest rates have vindicated the OBR’s subtle warning. The February government borrowing figures, released the week before the Statement, showed that with a month to go before the end of the financial year the deficit was already £4.7 billion above the OBR’s October projection for the whole of 2024/25. Interest paid on government debt to date has exceeded £80 billion.

In its newly published EFO for March, the OBR has increased its projection of the budget deficit for the current year by £9.8 billion. It has also altered its assumptions for the key UK economic factors:

·Growth is now projected to be 1.0% for 2025, half the previous projection. However, thereafter growth is projected to be higher in every future year of the forecast, with each of the three years from 2027 projected to have 0.2% higher growth.

·Average inflation in 2025 is projected to be 3.2% (formerly 2.6%) and 2.1% in 2026 (down from the previous 2.3% projection).

·Market gilt rates are projected to be 4.5% in 2025/26 and 4.7% in 2026/27, 0.4% higher for both years than in the October 2024 EFO.

Without the various spending announcements made in the Spring Statement, the Chancellor's headroom against her main fiscal target would have shrunk by £14 billion, meaning she would have missed it by £4.1 billion. Including the announced changes has allowed the OBR to restore the headroom figure to its October 2024 level of £9.9 billion. As the OBR notes, "This remains a small margin against the risk of further shocks to interest rates, productivity, or global trade."

£9.9 billion of headroom disappeared over the last five months and there are now probably another seven months until what looks to be another important Budget.

Announcements

The net effect of the Chancellor's Spring Statement was to raise a projected £14 billion in 2029/30. However, Rachel Reeves did not only talk about spending reductions in her speech. The Chancellor also revealed fresh investment initiatives. For example:

·The overall capital spending total for the Parliament was increased by £13 billion, with the extra funds to be directed at growth-focused areas such as infrastructure, housing and defence innovation.

·The creation of a new £3.25 billion Transformation Fund to support the reform of public services. Examples of the expenditure include £8 million for new technology for the probation service, £25 million for the fostering system and £150 million for "government employee exit schemes".

The main revenue raising measures, many of which had been trailed in recent days, included:

Government spending

The pace of annual growth in government spending for 2025/26–2029/30 will be reduced by 0.1% in real terms to 1.2%. Government departments will reduce their administrative budgets by 15% by the end of the decade, creating projected savings of £2.2 billion a year.

Welfare Measures

Personal Independence Payment (PIP) reform
From November 2026 for new claimants, and for existing claimants at their next award review following that date, a tougher qualification basis will apply. Claimants will need to score a minimum of four points in at least one activity to qualify for a daily living award. This change, alongside increased capacity for processing award reviews from April 2026, is projected to produce savings of over £4.5 billion by 2029/30.

Abandonment of Work Capability Assessment changes
The descriptor reforms to the Work Capability Assessment (WCA) announced at Autumn Statement 2023 that were due to take effect this year will be cancelled, at a cost of £1,645 million in 2029/30. From April 2026 WCA assessments will restart, generating savings of £355 million by 2029/30.

Freezing the Universal Credit Health Element (UCHE)
From 2026/27, the award rate of UCHE will be frozen for existing claimants and new claimants will receive a lower award of £50 a week, also frozen. This freeze will last through to 2029/30 and generate £3 billion of savings in that year.

Universal Credit Standard Allowance:
increase above inflation in parallel with the changes to the Health Element, the Standard Allowance for Universal Credit will be uplifted above inflation for new and existing claimants, reaching CPI + 5% by April 2029. The cost of this will be nearly £1.9 billion by 2029/30.

Welfare fraud and error
Increased checks on potential Universal Credit claimants and the recruitment of 500 more fraud and error staff are together projected to produce £240 million of savings by 2029/30.

Tax Administration Measures

Tax debt collection

Additional funding will be provided to increase HMRC debt management capacity by expanding the use of third-party debt collection agencies. In addition, HMRC will recruit an extra 500 compliance staff, starting in April 2025 and 600 more debt management staff, starting in April 2026. Together these moves are projected to raise an extra £810 million by 2029/30.

Increase in late payment penalties

Late payment penalties for VAT and Making Tax Digital (MTD) for income tax self assessment (ITSA) will increase from April 2025. The new rates will be:

·3% of the tax outstanding where tax is overdue by 15 days; plus

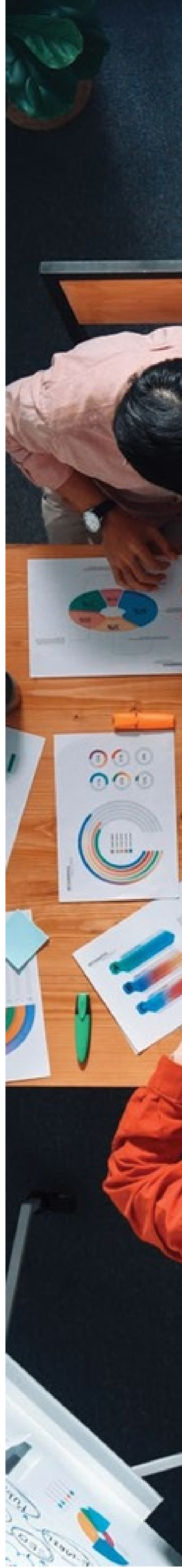
·3% where tax is overdue by 30 days; plus

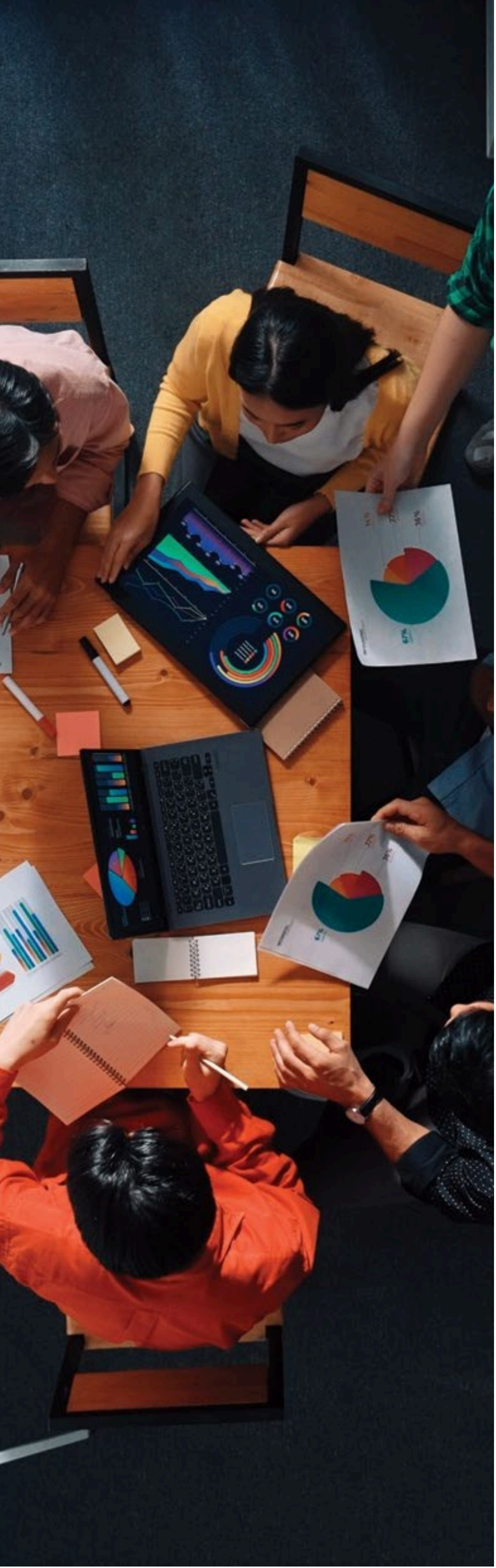
·10% per annum where tax is overdue by 31 days or more.

The higher penalties are projected to raise £125 million by 2029/30.

Expanded rollout of MTD for income tax self assessment

From April 2028, MTD for ITSA will apply to taxpayers with trading or property income over £20,000. The threshold from April 2026 is £50,000. This is projected to generate £120 million in 2029/30.





High Income Child Benefit Charge (HICBC)

From summer 2025, Child Benefit claimants (or their partners) who are employed and newly liable for HICBC will be able to pay the tax charge through Pay As You Earn (PAYE) without being required to submit a self assessment tax return.

Consultations

Consultation papers have been issued on:

·Behavioural penalty reform, covering HMRC inaccuracy and failure to notify penalties.

·Enhancing HMRC's ability to tackle tax advisers facilitating non-compliance.

·Closing in on promoters of marketed tax avoidance.

·Advance Tax Certainty for Major Projects.

·R&D reliefs advance clearances.

·Exemption from Stamp Duty and Stamp Duty Reserve Tax for the Private Intermittent Securities and Capital Exchange System (PISCES).

ISAs

Options for reforms of Individual Savings Accounts "that get the balance right between cash and equities to earn better returns for savers" are being examined by the Treasury.

Home Office fees

A range of Home Office fees will rise from 9 April 2025, including fees for Electronic Travel Authorisation (ETA), visas, sponsorship, immigration, nationality and passports. The level of increases ranges from 5% for some visas to 120% for Certificates of Sponsorship. These increases are projected to produce £400 million of additional income by 2029/30.

TAX TABLES 2025/26

STATE PENSIONS	Annual	Weekly
New state pension	£11,973.00	£230.25
Basic state pension – single person*	£9,175.40	£176.45
Basic state pension – spouse/civil partner*	£5,496.40	£105.70

**State pension age reached before 6/4/16*

REGISTERED PENSIONS	25/26	24/25
Lump sum and death benefit allowance	£1,073,100	£1,073,100
Lump sum allowance	£268,275	£268,275
Money purchase annual allowance	£10,000	£10,000
Annual allowance*	£60,000	£60,000

Annual allowance charge on excess is at applicable tax rate(s) on earnings

**Reduced by £1 for every £2 of adjusted income over £260,000 to a minimum of £10,000, subject to threshold income being over £200,000*

TAX INCENTIVISED INVESTMENTS	25/26	24/25
Total Individual Savings Account (ISA) limit, excluding Junior ISAs (JISAs)	£20,000	£20,000
Lifetime ISA	£4,000	£4,000
JISA/Child Trust Fund	£9,000	£9,000
Venture Capital Trust (VCT) at 30%	£200,000	£200,000
Enterprise Investment Scheme (EIS) at 30%*	£2,000,000	£2,000,000
EIS eligible for CGT deferral relief	No limit	No limit
Seed EIS (SEIS) at 50%	£200,000	£200,000
SEIS CGT reinvestment relief	50%	50%

**Above £1,000,000 investment must be in knowledge-intensive companies*

CAPITAL GAINS TAX	25/26	24/25
Annual exemption: Individuals, estates, etc	£3,000	£3,000
Trusts generally	£1,500	£1,500
	From 30/10/24	**To 29/10/24**
Below UK higher rate band Tax rate	18%	10%
Surcharge for residential property/carried interest*	0%/0%	8%/8%
Within UK higher and additional rate bands Tax rate	24%	20%
Surcharge for residential property/carried interest*	0%/4%	4%/8%
Trusts and estates Tax rate	24%	20%

Business Asset Disposal Relief

14% (10% 24/25) on lifetime limit of £1,000,000 for trading businesses and companies (minimum 5% participation) held for at least 2 years

**For 25/26, rate for carried interest for all tax bands is 32%*

INHERITANCE TAX	**25/26**	**24/25**
Nil-rate band*	£325,000	£325,000
Residence nil-rate band*†	£175,000	£175,000
Rate of tax on excess	40%	40%
Rate if at least 10% of net estate left to charity	36%	36%
Lifetime transfers to and from certain trusts	20%	20%
Non-long-term-resident spouse/civil partner exemption	£325,000	£325,000

**Up to 100% of the unused proportion of a deceased spouse's/civil partner's nil-rate band and/or residence nil-rate band can be claimed on the survivor's death*

†Estates over £2,000,000: the value of the residence nil-rate band is reduced by 50% of the excess over £2,000,000

100% relief: businesses, unlisted/AIM companies, some farmland/buildings

50% relief: certain other business assets

Annual exempt gifts of:	£3,000 per donor	£250 per donee

Tapered tax charge on lifetime gifts between 3 and 7 years of death

Years 0–3 full 40% rate, then 8% less for each year until 0% at 7 or more years.

MAIN CAPITAL AND OTHER ALLOWANCES

Plant & machinery (P&M) 100% annual investment allowance (1st year)	£1,000,000
P&M allowance for companies (1st year)*	100%
Special rate P&M allowance for companies (1st year)*	50%
P&M**	18%
Patent rights and know-how**	25%
Special rate P&M e.g. long-life assets and integral features of buildings**	6%
Structures and buildings (straight line)†	3%

Motor cars

CO_2 emissions of g/km	0*	1–50	Over 50
Capital allowance	100% first year	18% pa**	6% pa**

**New and unused only **Annual reducing balance †10% for freeports and investment zones in Great Britain*

Research and development (R&D) – capital expenditure	100%
R&D merged scheme	20%
R&D intensive SME payable credit	14.5%
R&D intensive SME intensity ratio	30%

VALUE ADDED TAX

Standard rate	20%	Domestic fuel	5%
Installation of energy saving materials (except Northern Ireland)			0%
Registration level	£90,000	Deregistration	£88,000
Flat rate scheme turnover limit			£150,000
Cash and annual accounting schemes turnover limit			£1,350,000

MAIN DUE DATES FOR TAX PAYMENT

Income tax, NICs and capital gains tax – Self assessment

31 January in tax year Following 31 July	Normally 50% of previous year's income tax (less tax deducted at source) and class 4 NICs
Following 31 January	Balance of income tax, class 4 NICs and CGT, plus class 2 NICs paid voluntarily
Inheritance tax on death:	Normally 6 months after end of month of death
Lifetime transfer 6 April–30 September:	30 April in following year
Lifetime transfer 1 October–5 April:	6 months after end of month of transfer

Capital gains tax – residential UK property

Report and pay within 60 days of completion of conveyance of the property

Corporation tax – Self assessment

- Profits under £1,500,000: 9 months + 1 day after end of accounting period
- Profits £1,500,000–£20,000,000: normally payable in 7th, 10th, 13th and 16th months after start of the accounting period
- Profits over £20,000,000: normally payable in 3rd, 6th, 9th and 12th months after start of the accounting period
- Growing companies: no instalments where profits are £10,000,000 or less and the company was not a large company for the previous year

SOCIAL SECURITY BENEFITS

Weekly rates for 2025/26

Statutory Pay Rates Based on minimum average earnings of at least £125 pw:

Statutory Sick Pay	£118.75 standard rate
Statutory Maternity Pay and Statutory Adoption Pay	First 6 weeks: 90% of average weekly pay Next 33 weeks: 90% of average weekly pay up to £187.18
Statutory Paternity Pay	90% of average weekly pay up to £187.18
Shared Parental Pay	Up to 37 weeks: 90% of average weekly pay up to £187.18

Child Benefit (see 'Income Tax – High Income Child Benefit Charge')

First or only child	£26.05	Each subsequent child	£17.25

Scottish Child Payment

For certain benefit claimants, per child under 16 £27.15

National Living Wage (NLW) and National Minimum Wage (NMW)

Year to 31/3/26	**NLW**	**NMW**	**NMW**
Aged	21 and over	18–20	Under 18/apprentice
£/hour	£12.21	£10.00	£7.55

Notes

Since establishment Craven Street Wealth has steadily advanced our growth strategy, expanding across regional offices and integrating teams and systems, all while maintaining our commitment to delivering high-quality advice.

As part of the Quanta Group, we remain independently operated, but now benefit from shared expertise, resources, and technology. This collaboration opens up new opportunities for enhancing client propositions and achieving greater efficiencies. Importantly, our dedication to independent, advice-led financial planning remains unchanged.

Recognised as leading Financial Advisers

We are proud to be listed in the Financial Times' FT Adviser Top 100 for 2024, ranking among the top two firms in the UK. This recognition is a testament to the trust and confidence placed in us by our clients and the strength of our team.

We look forward to continuing to provide exceptional service and exploring new opportunities to support financial goals.

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Contact us:

Contact us for a discussion on
how we may be able to assist you.

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