



# Spring Statement 2025: What does it mean for you?

March 2025

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## **Taxes and pensions were left unchanged. but there was still plenty to think about in the Chancellor's latest update**

Rachel Reeves was adamant ahead of Wednesday's Spring Statement it wasn't a Budget, just an economic update. True to her word, she left taxes alone. But the statement still featured plenty of cuts in public spending to balance the books – notably welfare savings of nearly £5 billion. There's economic investment too, with the main target defence spending, which is increasing to 2.5% of GDP.

So what were the key points? Let's take a look.

### **Is stability back?**

Rachel Reeves says the Government has given the Bank of England a foundation to start cutting interest rates and points out rates have already been come down three times since the election. Inflation is also on its way back down. The Office for Budget Responsibility (OBR) forecasts that Consumer Price Index inflation will average 3.2% this year and will drop to 2.1% in 2026, and down to the Bank of England's target rate of 2% by 2027.

In the face of increased borrowing (something the Chancellor is keen to point out is a global problem, not just the UK's), these latest savings have helped restore the Government's 'fiscal headroom,' which will rise to £9.9 billion by 2029/30. That said, as the Financial Times [highlights](#), Reeves' headroom is among the lowest of recent chancellors.

### **No rolling back on the Autumn Budget**

There were no new tax announcements, and the Chancellor was also quite clear she wouldn't reverse any decisions either – despite pressure over decisions including putting up National Insurance contributions for employers (starting this April) and bringing farm buildings and business properties into the scope of inheritance tax (from 2026). Shadow Chancellor Melvyn Stride said Reeves has "taxed jobs and wealth creation, destroyed livelihoods, businesses clobbered big and small."

One area of tax that was featured in the statement was a promise to improve tax compliance measures. Cracking down on tax avoidance using “cutting-edge technology” will raise a further £1bn.

## **Autumn Budget – a recap**

- National insurance – from this April, employer National Insurance contributions (NICs) rise to 15%, with the threshold for when payments start also reducing
- Income tax – a freeze on the tax thresholds put in place by the previous Government stays until 2028. This means your income tax liability is likely to rise in real terms.
- Inheritance tax (IHT) – from April 2026, agricultural property relief and business property relief for IHT will reduce. Unused pension benefits also come into IHT scope from April 2027. The IHT nil-rate bands also remain fixed until 2030.
- Other taxes – capital gains and dividend tax are unchanged, but rates for non-property capital gains go up; VAT became chargeable on private school fees from January this year; the ‘non-dom’ tax regime is abolished from this April and corporation tax is capped at 25% for the life of this parliament.
- For property owners in England, the Stamp Duty Land Tax surcharge rises to 5%. Separately, Scotland’s equivalent, the land and buildings transaction tax is rising to 8%.

## **Households are (very slightly) better off**

Real household income is growing at twice the rate expected in the Autumn. According to the OBR, compared with the final Budget of the last Government, people will be more than £500 a year better off, even factoring in inflation.

However, the UK’s tax take is also heading for a record high. The OBR’s Economic and Fiscal Outlook shows that tax as a share of the economy is forecast to rise from 35.3% of GDP this year to a historic high of 37.7% in 2027-28.

## **ISAs to be reformed?**

There was speculation ahead of the statement that the subscription limit could be cut for cash ISAs (reducing it from £20,000 to just £4,000). This didn’t feature but treasury documents released after the Spring Statement show the Government is investigating.

It says: “The Government is looking at options for reforms to Individual Savings Accounts that get the balance right between cash and equities to earn better returns for savers, boost the culture of retail investment, and support the growth mission.”

The current ISA subscription limit stays at £20,000 for the 2025/26 tax year and is frozen until 2030. The Junior ISA (JISA) allowance is £9,000 in 2025/26.

So after Rachel Reeves’ impactful first Budget last Autumn, there are few announcements that are likely to impact you directly. However, if there’s anything you’d like to discuss, please let us know.

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