

## Autumn Budget 2024

October 31 saw the Chancellor Rachel Reeves deliver the first Budget of the new government. The Budget included a range of new tax and spending measures that impact business, we have outlined these below and the spending measures in the Department for Environment, Food and Rural Affairs relevant to forestry.

Given the importance of the issue and its complexity we have also provided detailed material regarding the Business Property Relief.

### Overview

The Budget outlined £40 billion in new tax measures to fund increased spending on the NHS and other public services. The Budget also outlined a change in the definition of government debt to include a wider range of financial assets. This means that the UK will increase UK borrowing by £19.6 billion this year and by an average of £32.3 bn over the next 5 years, according to the Office of Budget Responsibility (OBR). This majority of this will be allocated to resource or day-to-day spending with one-third going to infrastructure.

Underpinning the Budget are forecasts by the OBR that predict the economy will grow by 1.1% this year, 2% next year and 1.8% in 2026 and inflation is predicted to average 2.5% this year, 2.6% next year and 2.3% in 2026.

### Business Property Relief (BPR)

- In response to an enquiry, the Treasury has confirmed that after April 2026 commercially managed woodland will be subject to 50% relief on values over £1,000,000 – a reduction from the current 100%.
- Commercially managed woodland will still benefit from zero income tax on the sale of timber, and a capital gains tax (CGT) exemption on the value of growing timber on the property.
- **Confor member Gresham House is organising a webinar and Q&A with its forestry team on Tuesday, 5<sup>th</sup> November at 2pm to provide analysis of the implications for UK forestry of the changes announced to Business Property Relief and Capital Gains Tax.**
- A link to the registration page is [here](#).
- Please note: Gresham advise that this webinar is not to be construed as investment or tax advice. All tax reliefs are subject to individual circumstances and may be subject to change in the future.

## Summary of other tax changes

The Labour manifesto specific claims that they would not increase personal, corporate, VAT or National Insurance rates. While Budget 2024 fulfilled this commitment on the first three there has been much commentary around the changes introduced to National Insurance in the Budget.

### *Income Tax and National Insurance Thresholds*

The freezing of Income Tax and National Insurance thresholds will remain in place until 5 April 2028. After this, they will increase by the rate of inflation.

### *Employers National Insurance*

The rate of employers National Insurance will increase with effect from April 2025. The key changes are:

- The main rate of employers' national insurance will increase from 13.8% to 15%
- The threshold, above which employers' national insurance is payable will be reduced from £9,100 to £5,000
- The employment allowance will increase for qualifying employers from £5,000 per annum to £10,500 per annum

### *Capital Gains Tax*

The rates of Capital Gains Tax have been increased:

- Gains for the basic rate increased from 10% to 18%
- Gains for higher or additional rate taxpayers increased from 20% to 24%
- The current residential property rates (of 18% or 24%) will remain the same

Business Asset Disposal Relief will retain its £1m lifetime allowance. However, from April 2025, the rate applying will increase to 14% (from the current 10%) and from April 2026 it will increase to 18%.

The rate of Capital Gains Tax applying to carried interest gains (for those involved in private equity investment) will increase to 32% from April 2025. Government is to consult with a view to wider reforms being introduced from 2026.

### *Inheritance Tax*

The Inheritance Tax nil rate bands currently in place will be frozen until 2030. From April 2027 inherited pensions will no longer be exempt from Inheritance Tax.

There will be changes to Agricultural and Business Property Relief from April 2026, as follows:

- The first £1m of assets will continue to receive 100% relief (if currently available)
- Beyond £1m, the rate of relief will reduce to 50%
- For AIM-listed assets securities, the relief will be at 50% regardless of the value
- There are separate rules relating to Trusts holding assets qualifying for Agricultural and Business Property Relief, with similar new thresholds and rates applying

## Departmental Spending

The Budget only revealed departmental spending plans for this year and next year. Longer term spending plans will be determined by the outcome of the spending review, scheduled for completion in spring 2025.

It is worth noting that despite speculation prior to the Budget that departments would face significant cuts many departments did not face significant cuts. This was a result of much of the spending commitments being funded by tax rises and increased borrowing and the fact that long term plans will be determined by the current spending review.

What the Budget did outline regarding Department for Environment, Food and Rural Affairs spending was;

Table 4.16: Department for Environment, Food & Rural Affairs

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real term growth 2023-4 to 2025-6
Resource DEL	4.7	4.8	4.8	-1.9%
Capital DEL	2.1	2.3	2.7	12.6%
<b>Total DEL</b>	<b>6.8</b>	<b>7.1</b>	<b>7.5</b>	<b>2.7%</b>

The RDEL average annual real terms growth rate has been adjusted to account for Budget Cover Transfers in 2023-24 that will be processed in-year in 2025-26, and increased pensions contributions (SCAPE) that commenced in 2024-25. 4.103 The Department for Environment

There was specific reference in the Budget regarding tree planting under point 4.105. This stated that;

*“This settlement is prioritising progress on our climate adaptation, food security, net zero and environmental goals by:*

*Pledging at least £400 million in capital across 2024-25 and 2025-26 for tree planting and peatland restoration to protect soils, rivers, and biodiversity, and contribute to climate mitigation and resilience.”*

Confor has welcomed the funding for tree planting in the Autumn Budget for the next two financial years (while noting it’s not clear what the specific allocation will be) and hopes for constructive conversations with the UK Government on forestry and timber use more generally, and budgets for tree planting specifically, in the coming weeks. It is important that the funding supports the aspiration to increase the level of woodland creation in England, with an increased focus on wood production.

## Barnett Allocations

Through the Barnett Formula, UK expenditure announced in the budget is allocated to the devolved administrations. The Chancellor has claimed that this year's is "*the largest real-terms funding settlement since devolution,*" represented by an "*additional £3.4 billion for Scotland, £1.7 billion for Wales and £1.5 billion for Northern Ireland.*"

Following savage cuts to the Scottish planting budget in 2024/25, Confor will lobby hard for an increase in the funding for 2025/26 and 2026/27 and has already met with Cabinet Secretary Mairi Gougeon to press its case.