Spring Statement 2025
Our breakdown

TrinityBridge

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, ie match day-to-day government expenditure with revenues; and
- Have a single fiscal event (ie 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.

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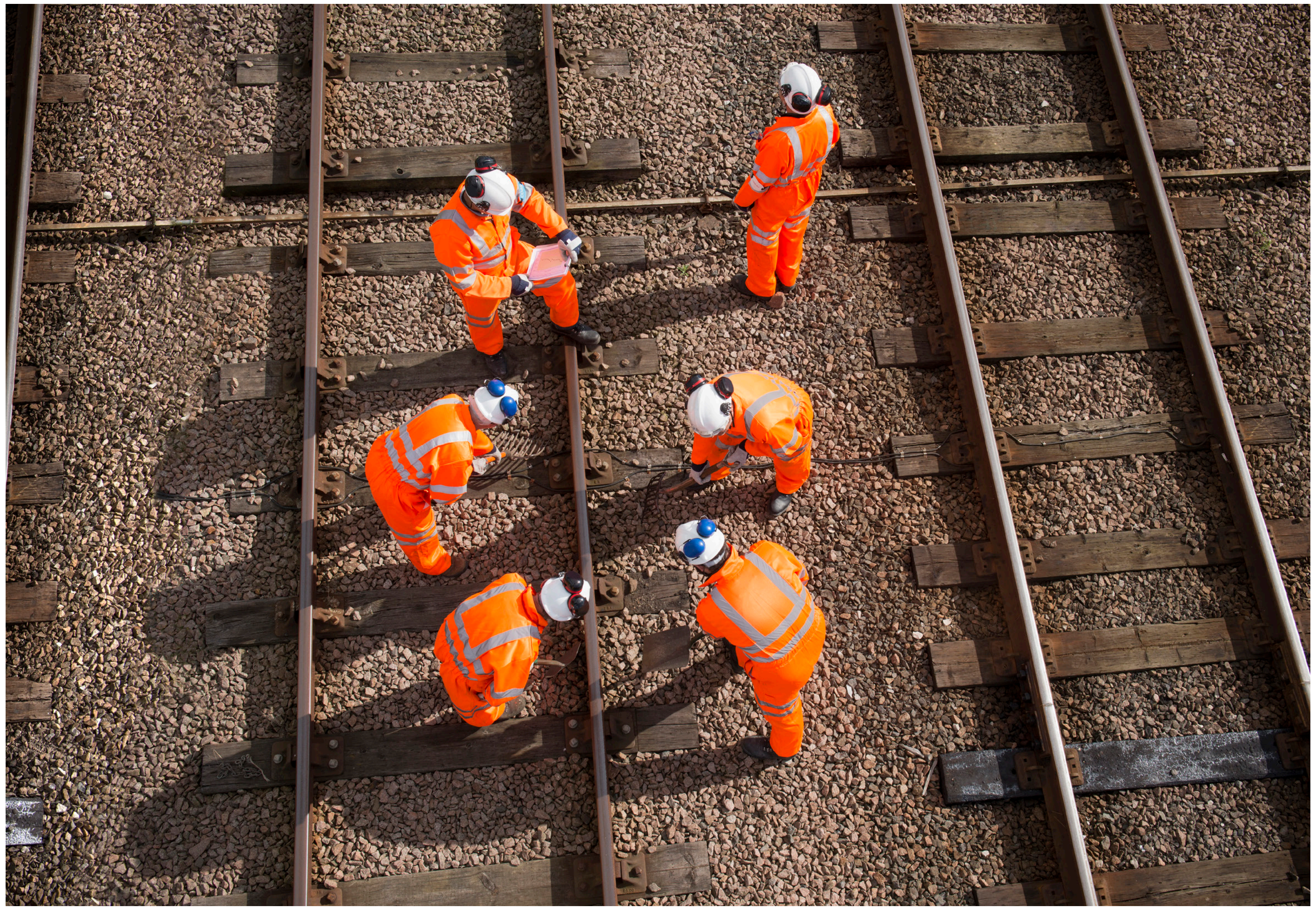
Announcements

The net effect of the Spring Statement was to raise a projected £14bn in 2029/30.

The Chancellor also revealed a number of fresh investment initiatives:

- The overall capital spending total for the Parliament was increased by £13bn, with the extra funds to be directed at growth-focused areas such as infrastructure, housing and defence innovation
- The creation of a new £3.25bn Transformation Fund to support the reform of public services. Examples of the expenditure include £8m for new technology for the probation service, £25m for the fostering system and £150m for 'government employee exit schemes'

The main revenue raising measures are set out on page 5.



Revenue raising initiatives

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 £2.2bn 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 more than £4.5bn 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 £1,645m in 2029/30. From April 2026 WCA assessments will restart, generating savings of £355m 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 £3bn 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 £1.9bn 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 £240m 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 £810m by 2029/30.

Increase in late payment penalties
Late payment penalties for VAT and Making Tax Digital (MTD) for income tax self-assessment 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 £125m 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 £30,000. This is projected to generate £120m 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.

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 £400m of additional income by 2029/30.

For more information about 2025/2026 tax rates and the changes announced in last October's Autumn Budget you can read our breakdown document here.

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