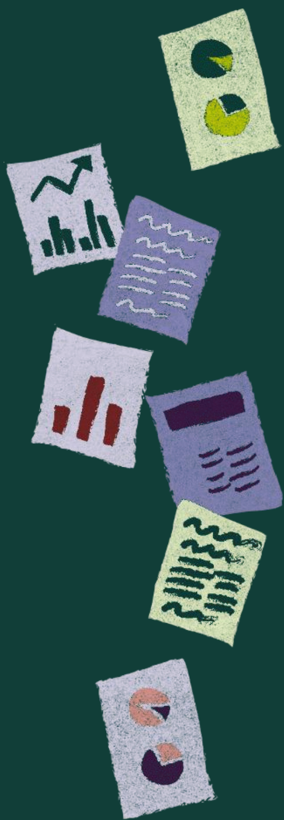
Spring Statement 2025

An overview of changes that could affect you



Introduction

In mid-March 2024, Rachel Reeves (then Shadow Chancellor) set out her vision for fiscal policy, promising to balance the current budget and hold just one fiscal event per year, in autumn. Fast forward to March 2025, and what was initially planned as a simple economic update has evolved into an announcement of various spending measures and reforms.

The Spring Statement has focused primarily on public spending reductions and welfare reforms rather than tax measures. While many of these changes may not directly impact financial planning for most of our clients, we've highlighted the tax administration changes that could be relevant to consider.

What's particularly striking is how quickly economic forecasts can change. The Office for Budget Responsibility (OBR) has revised its growth projections for 2025 down to 1.0% from the 2.0% it predicted just five months ago. Inflation forecasts have also risen from 2.6% to 3.2% for 2025.

These significant revisions highlight the challenges of economic prediction and why we focus on long-term planning based on what you can control, rather than trying to predict unpredictable markets or government policies. Patience and discipline remain key to successful financial planning.

Jo Little

TAX ADMINISTRATION MEASURES

TAX DEBT COLLECTION

HMRC will expand its debt management capacity through third-party debt collection agencies and recruit an extra 500 compliance staff from April 2025, plus 600 more debt management staff from April 2026. This suggests a more aggressive approach to tax collection in coming years.

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
- 3% where tax is overdue by 30 days
- 10% per annum where tax is overdue by 31 days or more.

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.

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 needing to submit a self-assessment tax return.

CONSULTATIONS

Consultation papers have been issued on several tax matters including:

- Behavioural penalty reform
- 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

The Treasury is examining options for ISA reforms "that get the balance right between cash and equities to earn better returns for savers." This suggests potential changes to how ISAs work in the future, which we'll be monitoring closely.

HOME OFFICE FEES

A range of Home Office fees will rise from 9 April 2025, including fees for Electronic Travel Authorisation, visas, sponsorship, immigration, nationality and passports. The increases range from 5% for some visas to 120% for Certificates of Sponsorship.