



Carl Emmerson

Presentation to MPs,
Parliament

28 October 2024

@TheIFS

The 30 October Budget



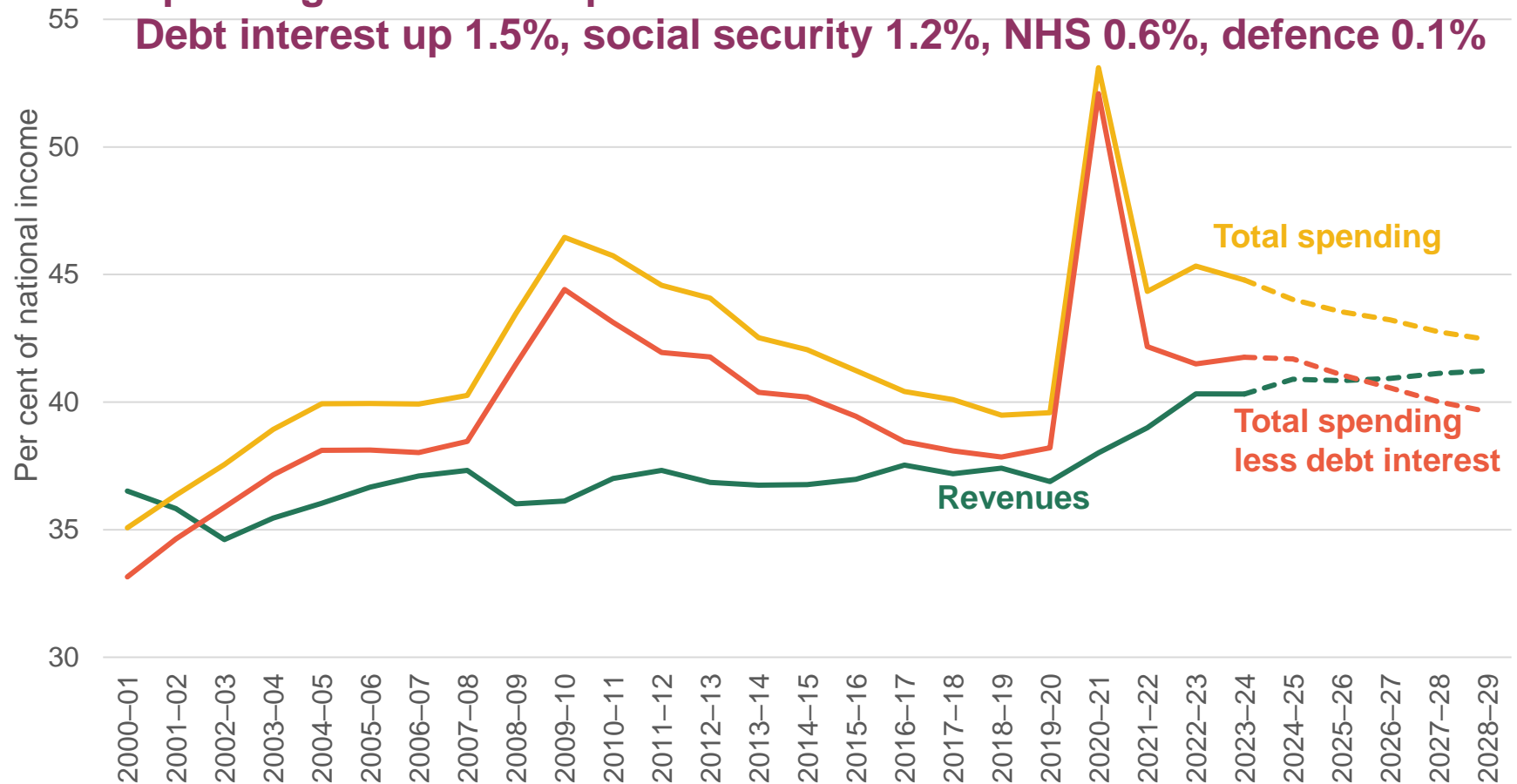
Economic
and Social
Research Council

A bigger state here to stay



Spending in 2024–25 up 4.5% of GDP since 2019–20.

Debt interest up 1.5%, social security 1.2%, NHS 0.6%, defence 0.1%



The Spending Review timeline



- Budget on Wednesday 30 October
 - confirm departmental spending totals for 2024–25 and set for 2025–26
 - set the overall path for spending for 2026–27 onwards
- Spending Review next spring
 - allocate the overall pot between departments from 2026–27 onwards (to at least 2028–29)
- Will need to find significant “top-ups” relative to inherited plans

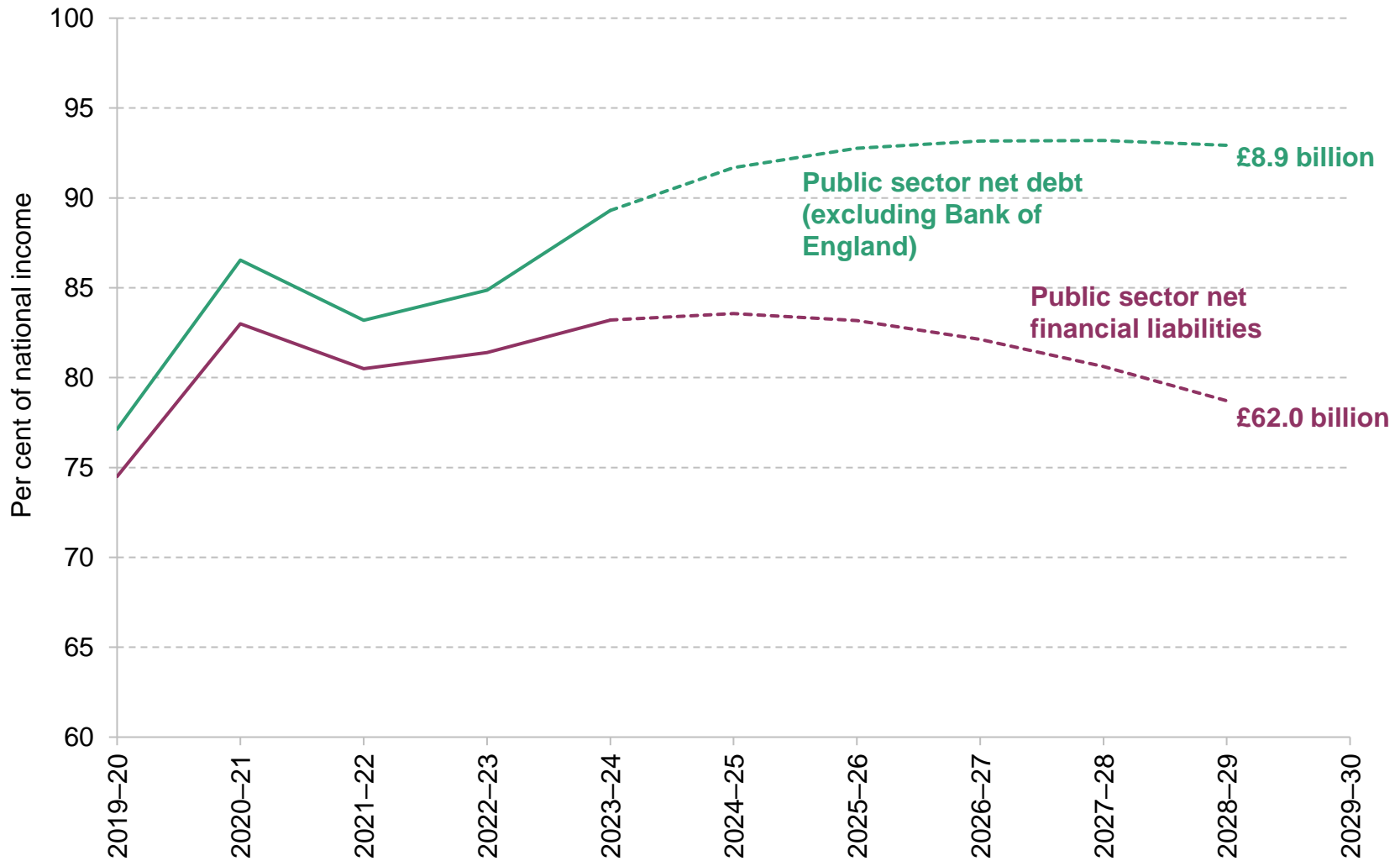
The public spending challenge



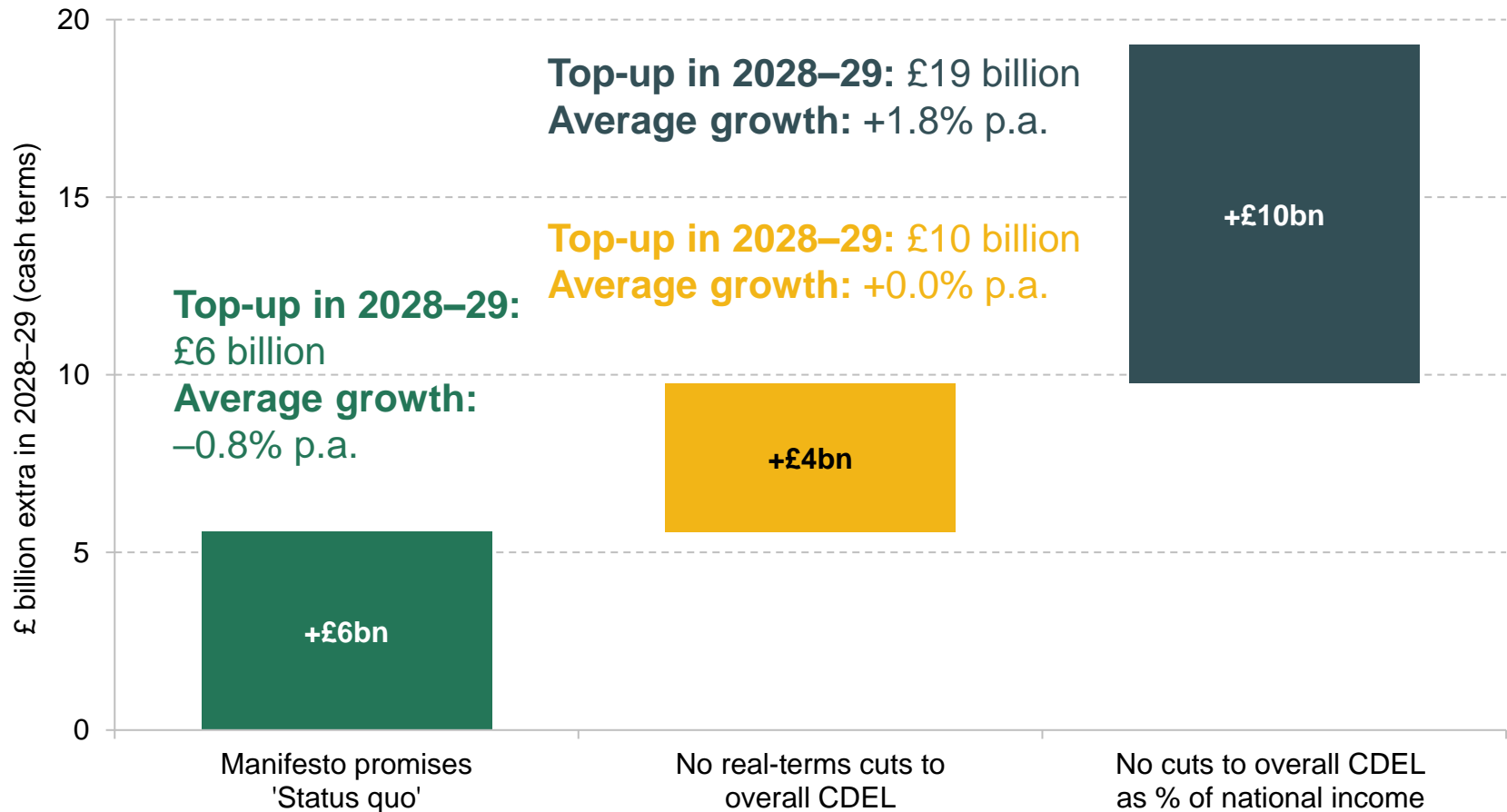
1. Inherited spending plans are tight
 - last SR eroded by higher inflation and faster population growth
 - future plans imply real-terms cuts to ‘unprotected’ public services and to government investment

2. £22 billion of in-year spending pressures only add to this
 - July public sector pay awards will add £9 billion to spending in future years

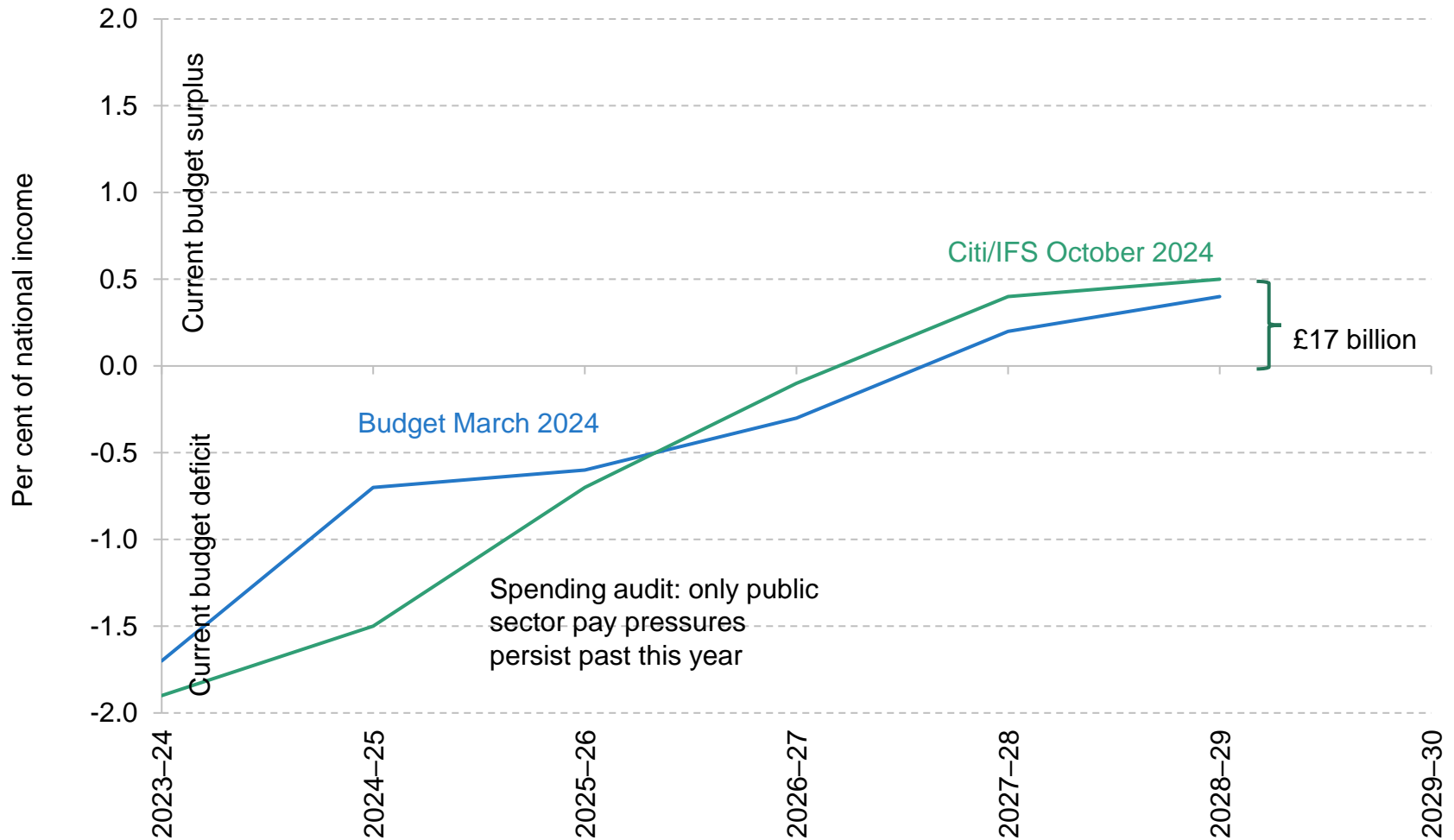
Change the debt definitions



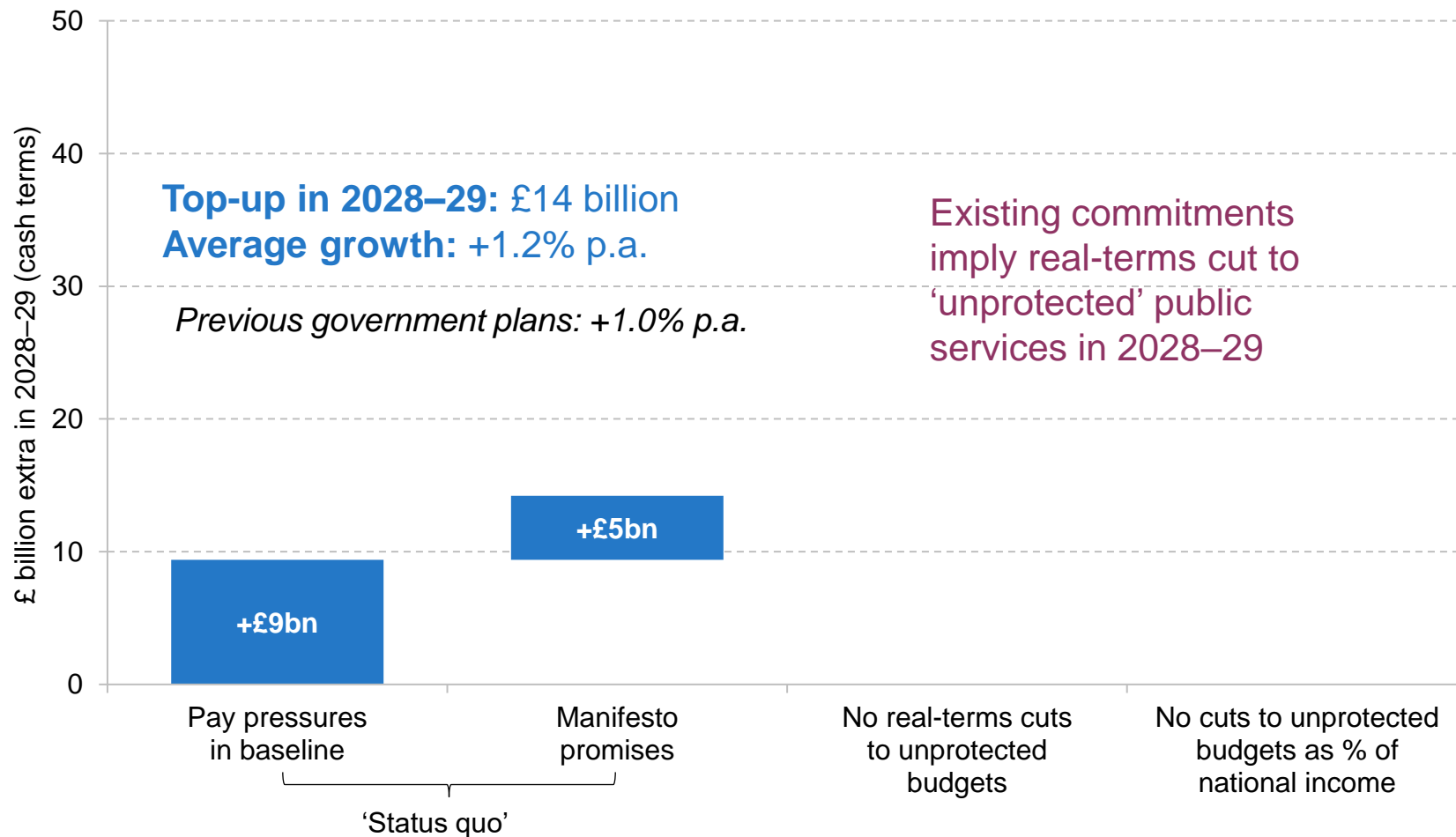
Scenarios for capital top ups



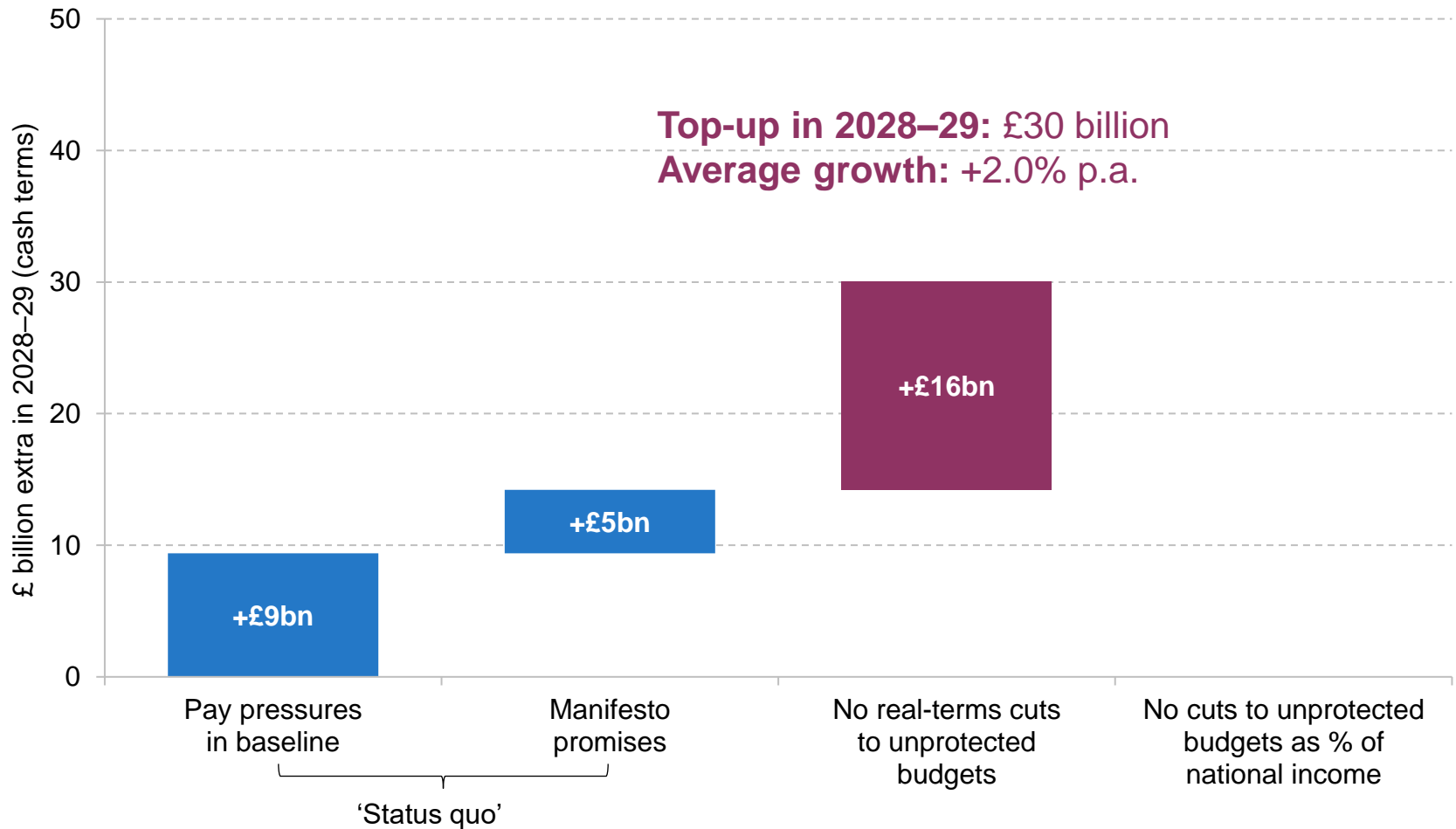
The current budget forecast



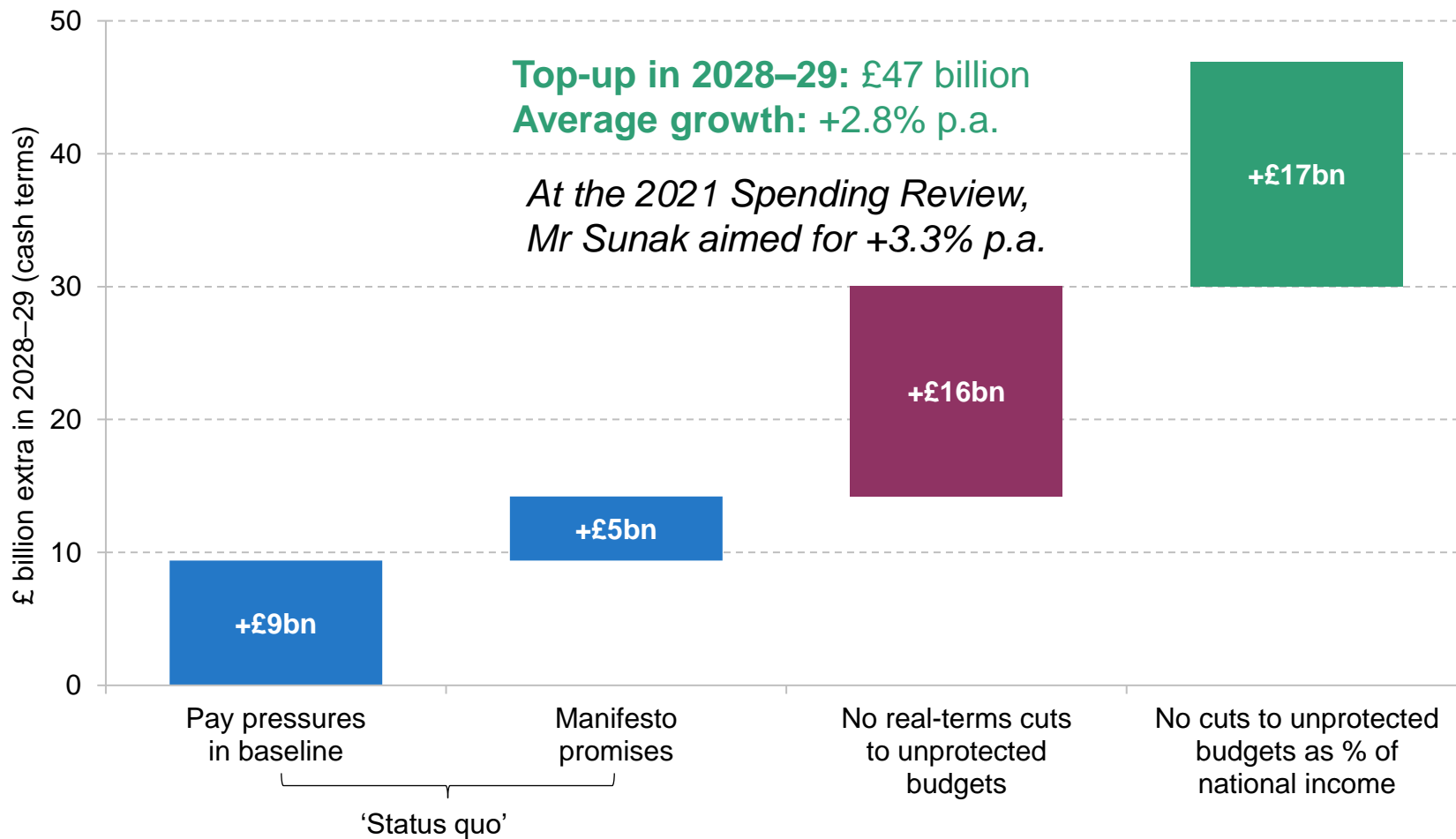
Scenarios for day-to-day top ups



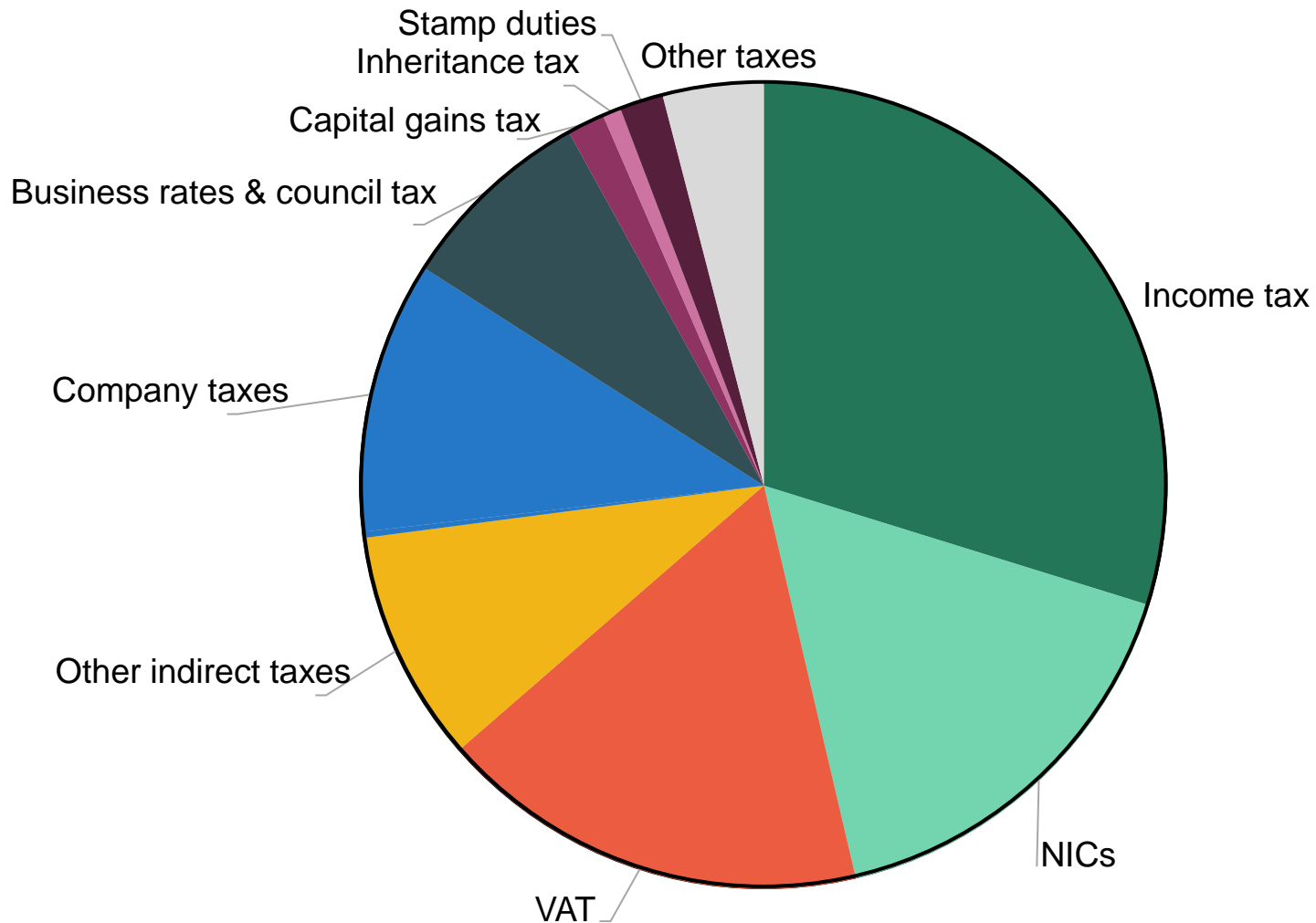
Scenarios for day-to-day top ups



Scenarios for day-to-day top ups



What's been locked?



Forecast composition of UK tax revenue, 2024–25 (£1,016 billion)

Illustrative tax changes



- Employer NICs
 - 1ppt increase in rate **£5 billion**, cut threshold by £10pw **£1 billion**
 - extend to employer pension contributions at full 13.8% and compensate public-sector employers maybe around **£10 billion**
- Income tax
 - extend allowance and threshold freezes for 2 more years **£7 billion**
- Capital taxes
 - CGT: end BAD relief and forgiveness at death **£2–4 billion**
 - IHT: end or cap reliefs for pension wealth, business assets and agricultural land **£1–3 billion**
- Fuel duties
 - allow temporary 5p cut to expire and increase rates in line with RPI **would avoid a £6 billion tax cut** by 2029–30

Lots of uncertainty

but things don't look easier in longer term



- **Lots of uncertainty**
 - Economic environment: growth, interest rates, ...
 - Support for those with health-related conditions £21 billion – or 31% – higher than Spring 2021 forecast, further £13 billion rise forecast
 - still incompletely understood → could under- or overshoot
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- **Trade-offs don't look easier if looking further ahead**
 - Pressures on health and social care and declining tax bases (e.g., fuel duties)

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