State of Play

Manifesto spotlight

20 June 2024

In two weeks' time, the UK public will cast their vote and decide who will control the next government. Both the Conservative Party and the Labour Party have recently released their respective manifestos. This week's State of Play looks at some of the pledges and what this could mean for your money.

No surprises

With Labour so far ahead in the polls, it came as no surprise that there were no major policy changes within their manifesto from what they had previously communicated. Although Rishi Sunak labelled some of the Conservative pledges as 'bold', their manifesto also revealed no unexpected policy changes.

While this State of Play doesn't cover the Reform UK manifesto or 'Contract', it is worth noting that the party is seeing a sharp rise in popularity, with some polls showing them level with the Conservative Party.[1] Nigel Farage and the Reform UK policies are gathering support from traditional conversative voters and could disrupt election day.

The below summary has been sourced from Hargreaves Lansdown, if would like to read the full articles, please click here for the Labour article and here for the Conservative article.

The Labour Party manifesto

1. Labour stuck to key pledges for the economy

Keir Starmer and the Labour Party have pledged to adhere to strict spending guidelines. Their manifesto states that they will ensure debt as a percentage of GDP (Gross Domestic Product), or economic output, declines within the next five years.

A promise to maintain corporation tax at 25% for the duration of the upcoming parliament will provide some certainty for corporate Britain. Smaller companies, especially those found on high streets, will be pleased with the most recent promise to do away with and replace the current business rate's structure.

2. Pensioners should have some certainty

A few weeks ago, Labour made a commitment to maintain the triple lock on state pensions. It was very clear it wouldn't go down the road of turbocharging it as the Conservatives have done with its 'triple lock plus'.

Labour also reiterated plans to encourage pension schemes to invest more in the UK stock market. They will also launch a review of the retirement savings landscape to make sure it's working as well as it should.

3. Some taxes paid by working people won't rise – although they'll still pay more tax

Labour have promised that working people will not face tax increases. Increases in VAT, National Insurance, and income tax have all been ruled out.

However, both Labour and the Conservatives have said they won't tackle the issue of frozen income tax thresholds. It means whoever is elected, you're set to pay more tax.

Increases in pay will inevitably force more people to pay higher taxes. It has resulted in an additional 2.1 million people paying income tax, and by April 2029, this number is expected to reach an 3.7 million. By April 2029, 2.7 million people will be required to pay higher-rate taxes as a result of the policy, up from 1.4 million today.[2]

4. Other taxes will rise for specific groups of people

Other taxes will rise. There have been specific pledges to:

- Raise tax for non-doms
- End the use of offshore trusts to avoid inheritance tax
- Change the capital gains tax (CGT) treatment of private equity pay
- Raise stamp duty for non-UK residents buying residential property by 1%
- Introduce VAT on private school fees

If you would like to read the full Labour manifesto, please click here.

The Conservative Party manifesto

1. Pensioners would be better off

Like Labour, the Conservative Party pledged to maintain the triple lock on pensions early in their campaign, however, they have gone one step further with the 'triple lock plus'.

The pledge means that the personal allowance for pensioners would rise every year, meaning they wouldn't pay tax on their state pension. Under the plans, from April 2025, the personal allowance for pensioners would rise by the same level as the triple lock, which would mean the full new state pension – currently standing at around £11,500 per year – would sit below the tax-free limit.

2. There's some certainty over pension rules

Under their 'pension tax guarantee', the Conservatives have promised not to introduce any new taxes on pensions. That means tax-free cash and tax relief contributions will remain untouched, bringing much-needed certainty for people looking to make the most of their pension contributions.

3. You could pay less National Insurance – but not necessarily less tax

The key tax pledge in the manifesto is cutting National Insurance (NI) by 2p, which could save working taxpayers up to £754 each per year. The more you earn, the more you save, and someone on £35,000 will save £448 per year.[2]

For self-employed people, the Conservatives say they would abolish the main rate of self-employed NI by the end of parliament.

However, this doesn't necessarily mean working people paying less tax. As mentioned earlier, the frozen income tax thresholds will still mean that as people's income rises, they will start to pay more tax and potentially be pushed into a higher tax bracket.

4. It could be easier to buy a first property

The manifesto included a number of pledges to make it easier to buy your first home.

There was a promise to keep the temporary stamp duty holiday on homes costing up to £425,000 for first-time buyers. It also proposed a new Help to Buy equity loan scheme – offering up to 20% towards the cost of a new build, so buyers only need a deposit of 5%.

The Conservatives have also pledged to continue the Mortgage Guarantee Scheme. The manifesto also suggests a temporary two-year capital gains tax holiday for landlords who sell to tenants.

If you would like to read the full Conservative manifesto, please click here.

Market outlook

As neither party presented any major surprises in their manifesto, our short-term outlook hasn't changed. It is important to remember that multiple factors impact stock market returns, with politics being just one of those. Markets tend to look ahead, with Labour so far ahead in the polls, investors have already priced in a Labour government in their current valuations.

The value of seeking guidance and advice

It is important to seek advice and guidance from a professional financial adviser who can help to explain how to build an appropriate financial plan to match your time horizons, financial ambitions and risk comfort. If you already have a plan in place or have already invested, it is important to allocate time to review this to ensure this remains on track and appropriate for your needs.

Learn more!

Investing can feel complex and overwhelming, but our educational insights can help you cut through the noise. Learn more about the Principles of Investing here.

Note: Data as at 20 June 2024

[1] YouGov, 17 June 2024
[2] Hargreaves Lansdown, 13 June 2024