



## New Labour government – what is in store for the UK?

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**We have a new Labour Party government for the first time in 14 years. The new government has already made various announcements, with more set to follow in the coming days, and then we have the King's Speech on 17 July, when the Labour Party will set out its opening legislative agenda – but what can we expect from the new government impacting services regulated by the Financial Conduct Authority, pensions and accountants?**

### **Growth agenda**

One of the Labour Party's key missions is economic growth, and one facet of that agenda is reform to the planning system. Changes to the planning system are intended to bolster growth more broadly – but how does the Labour Party intend to do that?

The manifesto makes a clear commitment regarding pension funds investing in UK markets to stimulate the economy, and we can expect more when it comes to encouraging (and perhaps requiring) pension funds to investment in UK markets and infrastructure.

This is part of the Labour Party's broader manifesto commitment to adopt reforms so that workplace pension schemes can deliver better returns to UK savers and greater productive investment for UK PLC – in fact, we have already heard Rachel Reeves, the new Chancellor, reiterating these intentions.

### **Green investment**

One of the Labour Party's missions is to "[make Britain a clean energy superpower](#)" with the intention to deliver cheaper, zero-carbon electricity by 2030. This is going to require investment. The Labour Party manifesto provides that Financial Conduct Authority-regulated entities - banks, asset managers, pension funds and insurers - will all be expected to develop and implement credible plans to align with the goal to limit global warming to 1.5°C, ema from the legally binding international [Paris Agreement treaty on climate change](#).

Affected FCA regulated entities will need to be ready for such changes – it is not clear what penalties may apply for failure to comply but given it is a clear direction of travel for the new government, it is better to be prepared.

It is also expected that investment funds will be encouraged to invest in the green agenda. However, considering the FCA focus on greenwashing, it will be interesting to see if investment fund managers and asset managers are discouraged from making green investments in fear of falling foul of FCA rules when

it comes to disclosure requirements. The Labour Party may need to consider its stance here if it wants to encourage further 'green' investment.

## **Tax avoidance**

The Labour Party is banking on increasing receipts from tax to fund some of its proposals. That includes clamping down further on tax avoidance, where the Labour Party manifesto proposes to increase registration and reporting requirements, strengthen HM Revenue & Customs' powers, invest in new technology and build capacity within HMRC. There is a promise of a renewed focus on tax avoidance by large businesses and the wealthy as well. So, we may see some early movement in this area to increase HMRC's powers – but what that means in practice we do not yet know.

The Labour Party has also pledged to abolish the so-called non-dom status, where individuals whose permanent home, or domicile, is considered to be outside the UK, end the use of offshore trusts to avoid inheritance tax and close the loophole in the private equity industry where performance-related pay is taxed as a capital gain, and not income. This will affect areas of tax planning and may see accountants speaking to clients about how to address any structures already in place.

## **Audit**

Following the high-profile collapses of businesses such as Thomas Cook, Carillion and Patisserie Valerie, there has been a long-standing desire for reform of the audit industry. Indeed, significant reforms, including the introduction of a new watchdog with enhanced powers, the [Audit, Reporting and Governance Authority](#), or ARGA, have been anticipated for a number of years now.

There is a clear desire from the Labour Party to improve transparency and accountability in the audit industry, and we anticipate that they will take forward significant reform measures. The Labour Party's plans, as set out in its manifesto, include reforming *"auditing and accounting standards to address conflicts of interest"* and to ensure that *"audits provide a true and fair view of the company's financial health"*. ARGA requires primary legislation and may be an early contender for the Labour Party's forthcoming first King's Speech.

## **More to come?**

Although it is clear that the Labour Party intends to focus on growth – the devil will be in the detail, which we are yet to see.

When it comes to pensions, the Labour Party has promised to undertake a *"review of the pension landscape to consider what further steps are needed to improve pension outcomes and increase investment in UK markets"*. We know what the Labour Party intends to do on the state pension — keep the so-called triple lock – where state pensions increase annually by the higher of prices, average earnings or 2.5% - and where it wants pension funds to invest – in the UK and largely infrastructure – but what more does it intend to do?

We understand it has no immediate plans to reintroduce the lifetime allowance for pension, but it may look at higher rate tax relief on pensions to generate further tax revenue – what else it might do is yet unclear. However, if it wants to provide further stability for individuals in retirement more will need to be done to encourage higher pension contributions.

When it comes to FCA-regulated entities such as advisers and investment funds, again, we know that the Labour Party is not against the FCA's so-called name and shame proposals, unlike the City and former government, whereby the FCA intends to publicise those subject to FCA investigations and so we may see the FCA press on with that. But what the Labour Party might do if there is a misselling scandal such as payment protection insurance that occurred largely between 1990 and 2010, we do not know. It may have to set out its position sooner rather than later as it faces the issue of [missold car financing and commission payments](#).

For accountants we can expect tax changes – the Labour Party has already set these out and needs further revenue from tax to fund some of its proposals – but what might further affect the profession and how soon such changes may come about is not yet clear, albeit it is likely that the Labour Party will press ahead with ARGA over the next five years.

The Labour Party has begun with a lot of energy over its first few days in office – and so we wait to see what happens next.