

Spring Statement

| 23rd March 2022

On the 23rd March 2022, on the 2nd anniversary of the Covid lockdown, Chancellor Rishi Sunak delivered his spring statement, beginning by paying tribute to soldiers in the Ukrainian army.

The chancellor says the UK has a “moral responsibility” to use its “economic strength” to help Ukraine, including through economic and humanitarian aid, as well as sanctions against Russia. But Sunak warns the actions taken against Russia are not cost-free.

Delivering the statement, the Chancellor made clear that the sanctions against Russia will not be cost-free for people at home, and that Putin’s invasion presents a risk to our economic recovery – as it does to countries all around the world.

A summary follows:

Inflation – prediction of 7.4%

The Chancellor says the most significant impact will be on the cost of living.

Covid already meant goods and energy prices were high, but the OBR now predicts inflation will hit 7.4% by the end of the year.

- UK growth expectation downgraded to **3.8%** this year
- UK to spend **£83bn** on debt interest in the next year

Fuel duty – cut by 5p per litre

A 5 pence per litre cut to fuel duty. The cut will come into force at 18:00 tonight and last until March next year.

Energy saving materials – 0% VAT

For the next five years, homeowners will pay 0% VAT on energy saving materials, such as solar panels or heat pumps.

The Chancellor also announced two new business rates reliefs will be brought forward by a year to come into effect in April 2022. There will be no business rates due on a range of green technology used to decarbonise buildings,

including batteries, whilst eligible heat networks will also receive 100% relief. Together these will save businesses more than £200 million over the next five years.

Household support fund – doubled

The Government’s household support fund – money for councils to support vulnerable households – will be doubled to £1bn from April.

Personal Tax

Moving onto the tax system, Sunak reiterated his overall ambition to reduce taxes.

He says he is publishing a tax plan today, with a principled approach to cutting taxes over this Parliament. This will first help families, then create conditions for higher growth.

This cost of living support comes on top of the measures that the Government has already announced over the recent months to support families.

This includes a £9 billion energy bill rebate package, worth up to £350 each for around 28 million households, an increase to the National Living Wage, worth £1,000 for full time workers, and a cut to the Universal Credit taper, worth £1,000 for two million families.

- **National Insurance threshold – raised to £12,570 (July 2022)**

The Government will raise the threshold people earn before they pay National Insurance, from this July. People will be able to earn £12,570 a year without income tax or National Insurance.

This aligns the Primary Threshold and Lower Profits Limit with the income tax personal allowance. This will help almost 30 million working people, with a typical employee benefitting from a tax cut worth over £330 in the year from July.

The threshold being increased by £3,000, means people must earn

over this amount before paying income tax or NI. It’s a tax cut for 30 million people worth over £330 a year, says Sunak.

- **Income Tax – basic rate to be cut to 19% (2024)**

Before the end of 2024, the basic rate of income tax will be cut from 20% to 19%.

Employment training

The issue of employment training in the private sector, will be reviewed as part of the Government’s new tax plan

This will include assessing whether the apprenticeship levy – a tax on the wage bills of major companies introduced in 2017 to pay for skills training – is doing enough.

Tax credits – private firms

Sunak pledges that the Government will “reform” the generosity of tax credits on the money private firms spend on research and development. The Government will cut tax rates on business investment, with details to be set out at the Budget in the autumn.

Employment Allowance

The Employment Allowance will increase to £5,000 (from £4,000). The new amount will come into place in two weeks’ time.

Hospitality, retail & leisure – further 50% tax rate cut

A cut in tax rates for businesses in the hospitality, leisure and retail sectors by 50% next month. Sunak announced this is the biggest tax cut to business rates – outside of coronavirus – and worth £1.7bn.

The government had already reduced the burden of business rates in England.

The business rates multiplier will be frozen in 2022-23, which is a tax cut for all ratepayers worth £4.6bn over the next five years. 🍊