

Mini Budget 'U-Turn Update'

17th October 2022

Welcome to our brief summary of the latest from Number 10's Fiscal Team following the large overturn of the mini budget from last month – executed by recently instated Chancellor of the Exchequer, Jeremy Hunt

A fiscal U-turn without precedent!



Over the last few days, we have seen a gradual dismantling of the mini-budget of Friday 23 September 2022, along with the economic policies that Prime Minister Liz Truss based her leadership campaign on. On Friday 14th October, Ms Truss announced a change of Chancellor, from Kwasi Kwarteng to Jeremy Hunt. This was swiftly followed by a series of U-turns culminating in Mr Hunt delivering an 'emergency statement' on Monday 17th October. This emergency statement effectively replaces and re-writes the mini-budget.

Designed to ensure the UK's economic stability and provide confidence in the Government's commitment to fiscal discipline, the emergency statement confirmed:

Income tax – the basic rate of income tax will remain at 20% until economic conditions allow for it to be cut. This had been due to drop to 19% from 6 April 2023.

It had already been confirmed that the 'additional rates' of income tax for those earning more than £150,000 a year, including the 45% rate on non-savings income, would remain in 2023/24.

Income tax on dividends – will remain at the current rates of 8.75% in the basic rate band, 33.75% in the higher rate band and 39.35% in the additional rate band. They had been due to each drop by 1.25 percentage points from 6 April 2023.

Corporation tax - the increased corporation tax rates, already legislated to come in from 1 April 2023, will go ahead. These will take some companies from a 19% rate of corporation tax to 25% or 26.5%. It had been proposed that corporation tax would remain at a single 19% rate.

IR35 – the off-payrolling rules, as introduced in 2017 and 2021, will remain into 2023/24 and beyond. This keeps the IR35 compliance burden with medium and large sized employers.

Energy Price Guarantee – the support for households to cap average annual electricity and gas costs at £2,500 will be reviewed in April 2023. We had been told that households would receive this support until September 2024.

VAT – a VAT-free shopping scheme for non-UK visitors to Great Britain will no longer be pursued.

Alcohol duties – will not be now frozen from 1 February 2023 and increased duties will apply.

The following mini-budget announcements remain:

NIC - The 1.25% rise in NICs will still be reversed from 6 November and the government will not go ahead with the planned 1.25% levy to fund health and social care next year.

AIA - The annual investment allowance will remain at £1 million from 1 April 2023, rather than reverting to £200,000.

Investment Zones - There are to be more than 40 new "investment zones" in England.

Stamp Duty - The increased thresholds for Stamp Duty Land Tax in England and Northern Ireland, as implemented from 23 September, will remain in place. No stamp duty for property up to £250k and £425k if you are a first time buyer.

Energy - The Energy Bill Relief Scheme for Business will continue to be subject to a governmental review after 31 March 2023. The Chancellor has now said that any support for businesses will be targeted to those most affected, and that the new approach will better incentivise energy efficiency.

On 31 October, Mr Hunt will present an update on the government's medium term fiscal plan, complete with Office for Budget Responsibility forecasts. Further changes to fiscal policy are expected to be announced at this time.

We are clearly in turbulent political and economic times and faced with such uncertainty you may ask yourself "What actions can I take as a business owner?".

It is a good time to look at your business's strengths, weaknesses, opportunities and threats and get a clear understanding of its position in the marketplace, the competition, the systems and the way things are done and the improvements that could be made. Focus on what the business is to look like when it is "complete" or running profitably and successfully. Then you can determine priorities – the big issues that need to be focussed on – then you can make a plan.

It is also a good idea to plan for a range of scenarios "good and bad" so that you can be flexible about the direction your business should take.

Please talk to us about your plans, we can assist with cash flow planning and "what if" scenarios.



Energy Bill Relief Scheme for non-domestic customers

The Energy Bill Relief Scheme (EBRS) will provide energy bill relief for non-domestic customers in Great Britain (Scotland, England and Wales). Discounts will be applied to energy usage initially between 1 October 2022 and 31 March 2023.

This support will be applied automatically to all eligible bills by suppliers. You do not need to take action or apply to the scheme.

The level of support for each organisation will vary depending on the type and date of the contract. You will find details of how you will get the reduction based on the type of contract you are on and several examples of how the scheme will work in the UK Government Energy Bill Relief Scheme guidance.

The scheme will be available to everyone on a non-domestic contract, including:

- Businesses.
- Voluntary sector organisations, such as charities.
- Public sector organisations such as schools, hospitals and care homes.

Who are:

- On existing fixed price contracts that were agreed on or after 1 April 2022.
- Signing new fixed price contracts.
- On deemed / out of contract or variable tariffs.
- On flexible purchase or similar contracts.
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The scheme is intended to be for a wide range of businesses and other non-domestic customers, but there may be very limited exclusions. For example, businesses that use gas or electricity for the purpose of generating power they are selling back into the grid, such as power stations, pumped hydro or grid-level battery storage.

Non-domestic suppliers and consumers must not profit from the scheme other than for its intended purpose of providing relief on necessary energy bills.

See: Energy Bill Relief Scheme: help for businesses and other non-domestic customers - GOV.UK (www.gov.uk)