MINI BUDGET
THE GROWTH PLAN 2022

The Chancellor's speech may have been billed as a "mini budget" but there was nothing diminutive about the package of changes Kwasi Kwarteng announced on 23 September. The Chancellor's overall aim is to achieve a trend rate of growth in the UK of 2.5% per annum, and in a change from recent fiscal policy, the government is hoping that growth be derived from more money circulating in the economy following an aggressive package of tax cuts.

In short, The Growth Plan 2022 sets out a new approach to the economy built around three central priorities:

- reforming the supply-side of the economy
- maintaining a responsible approach to public finances
- cutting taxes to boost growth.

PERSONAL TAXES

NATIONAL INSURANCE

As widely expected, the planned introduction of the Health and Social Care Levy has been scrapped. The 1.25% rise in National Insurance contributions will be removed from November 2022.

The Health and Social Care Levy was expected to raise around £13 billion a year to fund health and social care and the Chancellor has confirmed that funding will be maintained at the same level as if the Levy was in place, funded from general taxation.

COMMENT
According to the government, not proceeding with the Levy will reduce tax for 920,000 businesses by nearly £10,000 on average next year. For SMEs, the government predicts that the savings will be around £4,200 on average for small businesses and £21,700 for medium sized firms from 2023/24. In addition, it will help almost 28 million people across the UK save £330 on average in 2023/24, with an additional saving of around £135 on average this year.

The changes take effect for payments of earnings made on or after 6 November 2022, so:

- primary Class 1 NICs (employees) will generally reduce from 13.25% to 12% and 3.25% to 2% and
- secondary Class 1 NICs (employers) will reduce from 15.05% to 13.8%.

The effect on Class 1A (payable by employers on taxable benefits in kind) and Class 1B (payable by employers on PAYE Settlement Agreements) NICs will effectively be averaged over the 2022/23 tax year, so that the rate will generally be 14.53%.

COMMENT
The government hopes that employees will receive the reduction directly via the payroll in their November pay but acknowledges that some will have to wait until December or January, depending on their employer's software.

More detail for the self-employed:

Following the principle detailed above, the changes to Class 4 NICs will again be averaged across 2022/23, so that the rates will be 9.73% and 2.73%.

INCOME TAX

The abolition of the top rate of income tax of 45% will grab headlines and may leave the government exposed to accusations of benefitting the wealthy at the expense of those who are less well off. The basic rate of income tax is to be reduced from 20% to 19% from April 2023.

COMMENT
The government states that this reduction is worth over £5 billion for workers, savers and pensioners. Also, that 31 million taxpayers will benefit in 2023/24, with an average gain of £170.

In addition, to 'incentivise enterprise and hard-work and simplify the tax system', the government will abolish the 45% additional rate of income tax from April 2023. Consequently, there will be a single higher rate of income tax of 40%.

COMMENT
These changes will generally apply to taxpayers in England, Wales and Northern Ireland. It remains to be seen what the Scottish government will do in relation to the setting of rates on non-savings income.

There are a number of tax consequences which stem from these changes. One of them is the amount of tax relief given at source on pension contributions and Gift Aid donations. This is currently given at the basic rate of 20%. The government has stated that there will be a four-year transition period for Gift Aid relief to maintain the income tax basic rate relief at 20% until April 2027. This will support almost 70,000 charities and is worth over £300 million. However, there was little comment on pension contributions other than that there will also be a one-year transitional period for Relief at Source pension schemes to permit them to continue to claim tax relief at 20%.

DIVIDENDS

From April 2023:

- the dividend ordinary rate of 8.75% will reduce to 7.5%
- the dividend upper rate of 33.75% will reduce to 32.5% and
- the dividend additional rate will be abolished.

As corporation tax due on directors' overdrawn loan accounts is paid at the dividend upper rate, it will also reduce to a 32.5% charge for loans made on or after 6 April 2023.

These changes will apply in Scotland as the rules on dividends apply to the whole of the UK.

BUSINESS TAXES

CORPORATION TAX RATES

For businesses, the rate of corporation tax will be maintained at 19%.

COMMENT
The 19% UK corporation tax rate is significantly lower than the rest of the G7 and the lowest in the G20.

In line with this change, the Bank Corporation Tax Surcharge will remain the same, as will the Diverted Profits Tax.

CAPITAL ALLOWANCES

The Annual Investment Allowance (AIA) gives a 100% write-off on certain types of plant and machinery, including cars with zero emissions, up to certain financial limits per 12-month period. Confirmation that the AIA will be set at £1 million rather than reducing to £200,000 in March 2023 will be welcome, especially given that the 130% super deduction currently in place is not expected to be extended.

COMMENT
Businesses incurring expenditure on plant and machinery should carefully consider the timing of their acquisitions to optimise their cashflow.

SEED ENTERPRISE INVESTMENT SCHEME
From April 2023, companies will be able to raise up to £250,000 of Seed Enterprise Investment Scheme (SEIS) investment, a two-thirds increase. To enable more companies to use SEIS, the gross asset limit will be increased to £350,000 and the age limit from two to three years. To support these increases, the annual investor limit will be doubled to £200,000.

COMPANY SHARE OPTION PLAN
From April 2023, qualifying companies will be able to issue up to £60,000 of Company Share Option Plan (CSOP) options to employees, twice the current £30,000 limit. The 'worth having' restriction on share classes within CSOP will be eased, better aligning the scheme rules with the rules in the Enterprise Management Incentive scheme and widening access to CSOP for growth companies.

INVESTMENT ZONES
38 new low-tax investment zones will be created, with the government clearly hoping that these measures will attract investment into the UK and stimulate investment, particularly outside of London.

These zones will benefit from lower taxes and liberalised planning frameworks.

Leicestershire, Nottingham and Derbyshire County Councils are among the 38 local authorities already in discussion with the government and will hope to benefit from 100% business rates relief on newly occupied and expanded premises.

In addition, businesses will receive full Stamp Duty Land Tax relief on land bought for commercial or residential development and a zero rate for employer NICs on new employee earnings up to £50,270 per year.

There will also be a 100% first year enhanced capital allowance relief for plant and machinery used within designated sites and accelerated Enhanced Structures and Buildings Allowance relief of 20% per year.

As well as time-limited tax benefits there will be designated development sites that will release more land for housing and commercial development in the zones. The need for planning applications will be minimised and streamlined.

INDIRECT TAXES

STAMP DUTY LAND TAX

A number of changes are made to the Stamp Duty Land Tax (SDLT) regime. Generally, the changes increase the amount that a purchaser can pay for residential property before they become liable for SDLT.

The residential nil rate tax threshold is increased from £125,000 to £250,000.

The nil rate threshold for First Time Buyers' Relief is increased from £300,000 to £425,000 and the maximum amount that an individual can pay while remaining eligible for First Time Buyers' Relief is increased to £625,000.

The changes apply to transactions with effective dates on and after 23 September 2022 in England and Northern Ireland. These changes do not apply to Scotland or Wales which operate their own land transactions taxes.

There are no changes in relation to purchases of non-residential property.

RESIDENTIAL BAND £	**RATE %**	**NON-RESIDENTIAL BAND £**	**RATE %**
0 - 250,000	0	0 - 150,000	0

250,001 - 925,000	5	150,001 - 250,000	2
925,001 - 1,500,000	10	Over 250,000	5
Over 1,500,000	12		

Residential rates may be increased by 3% where further residential properties are acquired.

VAT-FREE SHOPPING AREAS

The government will introduce a modern, digital, VAT-free shopping scheme with the aim of providing a boost to the high street and creating jobs in the retail and tourism sectors. The delivery will include modernising the scheme that currently operates in Northern Ireland and introducing a new digital scheme in Great Britain. The new VAT-free shopping scheme for non-UK visitors to Great Britain will enable them to obtain a VAT refund on goods bought in the high street, airports and other departure points and exported from the UK in their personal baggage.

ALCOHOL DUTIES

Reforms to modernise alcohol duties will also be taken forward and the government has published a consultation response on these plans. The reforms will be implemented from 1 August 2023. The government is also freezing the alcohol duty rates from 1 February 2023 to provide additional support to the sector.

OTHER

There were a number of other interesting comments made by the Chancellor which suggest future policies and changes, although lacking detail at the moment.

- £60 billion package to help with the rising costs of energy
- Building of new homes to be encouraged on unused government land
- Increased support for unemployed people aged over 50
- Introduction of minimum service levels to limit the impact of strike action
- Reforms to pension rules to encourage UK investment, particularly in science and technology companies

IR35 AND OFF-PAYROLLING

Over the last 20 years, there have been numerous changes to the tax system to try and address 'disguised employment' and to generate additional tax and NICs accordingly. In a surprise announcement, the government has stated that it will repeal the off-payroll working rules from 6 April 2023. From this date, workers providing their services via an intermediary will once again be responsible for determining their employment status and paying the appropriate amount of tax and NICs.

COMMENT
According to the government, this will free up time and money for businesses that engage contractors, that could be put towards other priorities. The change will also reduce the risk that genuinely self-employed workers are impacted by the off-payrolling rules.

PLANS TO HELP CUT ENERGY PLANS FOR BUSINESSES

On 21 September 2022 the government announced a new scheme, the Energy Bill Relief Scheme, which is designed to cut energy prices for non-domestic energy customers, such as businesses, charities and public sector organisations. The new scheme is in addition to the recently announced Energy Price Guarantee for households.

The scheme will apply to fixed contracts agreed on or after 1 April 2022 in addition to deemed, variable and flexible tariffs and contracts. Running for an initial six-month period, the scheme will apply to energy usage from 1 October 2022 to 31 March 2023. According to the government, savings will first be seen in businesses' October bills.

Businesses are not required to take action or apply for the scheme; support will be automatically applied to bills.

The government intends to conduct a review of the scheme in three months to assess:

- how effective it has been in giving support to vulnerable, non-domestic customers
- which groups of non-domestic customers remain vulnerable to energy price rises
- the extent to which the scheme could either be extended or further targeted.

Support after 31 March 2023 will be determined following the review.

ENERGY PRICE GUARANTEE PLAN CAPS HOUSEHOLD BILLS

Prime Minister Liz Truss announced the Energy Price Guarantee (EPG) for households on 8 September 2022 which will apply from the start of October 2022. The EPG means that an average household will pay no more than £2,500 per year for each of the next two years. It comes in addition to the £400 Energy Bill Support Scheme and will save the average household at least £1,000.

The EPG limits the price suppliers can charge customers for energy supplies. This takes account of temporarily removing green levies, worth around £150, from household bills. The guarantee will supersede the existing energy price cap.

Under the plan, those households who do not pay directly for mains gas and electricity, such as those living in park homes or on heat networks, will be no worse off and will receive support through a new fund.

The government estimates that the EPG will deliver substantial benefits to the economy, boosting growth and curbing inflation by four to five percentage points, which will in turn reduce the cost of servicing the national debt.

The government will provide energy suppliers with the difference between this new lower price and what energy retailers would charge their customers if this were not in place. Schemes previously funded by green levies will also continue to be funded by the government during this two-year period to ensure the UK's investment in homegrown, secure renewable technologies continues.

FOR MORE INFORMATION

PLEASE CONTACT:

LEICESTER / 0116 254 9262 / INFO@NEWBYC.CO.UK

LOUGHBOROUGH / 01509 263500 / LOUGH@NEWBYC.CO.UK

....