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News in Review

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"The government will support the British people"

Rishi Sunak opened the Spring Statement on 23 March by speaking about his admiration for the Ukrainian people, commending the strength of the UK economy to help fund their army and impose sanctions on Putin's regime. The Chancellor warned that actions against Russia are costly and present a risk – not just to the UK – but to the global recovery.

Due to the invasion, the latest economic projections produced by the Office for Budget Responsibility (OBR) for presentation at the Statement, noted an *'unusually high uncertainty around the outlook'*, with their revised growth figures indicating a slower-moving recovery. The UK economy is predicted to grow by 3.8% this year and by 1.8% in 2023, both downgrades from the previous forecasts of 6.0% and 2.1% respectively.

The latest OBR figures suggest inflation will average 7.4% across the rest of 2022, peaking at 8.7% during the final quarter. This followed on from the latest Office for National Statistics (ONS) release last Wednesday, showing that UK inflation had hit a 30-year high of 6.2% in the 12 months to February.

"I want to help people now"

The Chancellor revealed a three-part Tax Plan to cover the remainder of the Parliament. The Spring Statement formed the first part of the plan – setting out further steps to address the cost-of-living crisis. Mr Sunak outlined, *"The government will support the British people as they deal with the rising costs of energy... people should know that we will stand by them, as we have throughout the last two years... I want to help people now."* These measures include:

- Doubling the Household Support Fund to £1bn from April, allowing local authorities to help vulnerable families cope with rising living costs
- A cut in fuel duty for petrol and diesel by 5p per litre until March 2023
- Although the Chancellor confirmed implementation of the politically contentious 1.25 percentage-point rise in most National Insurance contributions (NICs) for the Health and Social Care Levy, he revealed that this would be mitigated by an increase to the National Insurance Primary Threshold and the Lower Profits Limit from £9,880 to £12,570 from July 2022
- From April 2022, self-employed individuals with profits between the Small Profits Threshold and Lower Profits Limit will continue to build up National Insurance credits but will not pay any Class 2 NICs
- Homeowners installing energy saving measures such as solar panels, heat pumps or insulation will pay no VAT on their purchases for the next five years.

The second part of the plan focuses on creating the right conditions for private sector led prosperity through growth and productivity. The government is investing £600bn over five years and intends to get businesses to invest more. The government will engage with businesses to determine the most effective way to cut and reform taxes on business investment.

In a tax break worth over £5bn a year, the final part of the Tax Plan, 'Sharing Growth', confirms a cut in the basic rate of Income Tax from 20% to 19% in England, Wales and Northern Ireland in 2024. The Scottish government will receive their share of this funding which can be used to cut taxes or increase spending.

Spring Statement reactions

Rachel Reeves, Shadow Chancellor said that the Chancellor, *"Talks about providing security for working families but his choices are making the cost-of-living crisis worse, not better."*

The Resolution Foundation responded, *'The Spring Statement saw the Chancellor prioritise rebuilding his tax-cutting credentials over supporting the low-to-middle income households who will be hardest hit from the surging cost of living, but while also leaving himself fiscal flexibility in the years ahead. The package of measures announced offered some immediate support to households and also laid the ground for a 2024 election. But on both counts – not least with a decision on this winter's energy price cap due in less than six months – it looks likely to be far from the last word.'*

Paul Johnson, Director of the Institute for Fiscal Studies (IFS) commented, *"Perhaps what really stands out today is what was missing. In the face of what the OBR calls the biggest hit to household finances since comparable records began in 1956-57, he has done nothing more for those dependent on benefits, the very poorest, besides a small amount of extra cash for local authorities to dispense at their discretion. Their benefits will rise by just 3.1% for the coming financial year. Their cost of living could well rise by 10%."*

Here to help

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.