



Autumn Statement



Given recent events, specifically, those involving Government financial statements and subsequent fallout, even the most optimistic of us would've approached this Autumn financial statement with trepidation.

It transpired that the reality met those expectations as gloom followed doom as the chancellor Jeremy Hunt outlined "the state of the nation" in an hour-long address to the House of Commons.

The bottom line is that the UK is now in recession and on average we are all going to be worse off. The extent of the impact hits home when you hear that we will experience an estimated 7% drop in disposable income, likely to last at least 18 months. 2023 will see the average disposable income reduce by £1700 over the year and that's after the contribution of an extra £100m including the continuation of the energy cap (albeit adjusted) throughout next year.

We've moved from the biggest tax cuts in 40 years announced by Kwasi Kwarteng's mini-budget to the new chancellor's Autumn statement and the highest tax rises in 74 years.

Rather than the rose-tinted growth-focused administration of Kwarteng & Truss, we have a data-driven OBR-guided approach from Hunt & Sunak. Despite far greater prudence, the latter has also received criticism for tempering windfall taxes and bringing *8 million more taxpayers into the 40% tax threshold due to the freezing of the threshold levels. *[*Institute of Fiscal Studies IFS*]

The whole World has been impacted by global events that have sent seismic fiscal shocks to almost every economy. The pandemic caused significant disruption and resulted in huge borrowing to ensure UK Plc could continue to function. Energy costs had been an issue prior to the war in Ukraine but Russia's attack has led to exponential cost increases way beyond any previous forecast. This



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energy crisis subsequently lifted the cost of goods, food and travel let alone our heating bills with significant inflationary pressures as a consequence. Add to the mix Brexit and trade being adversely affected, the costs of addressing global warming and the not-so-small matter of a brief but calamitous tenure as PM and chancellor for Truss and Kwarteng and we have a somewhat combustible mix of factors leading to our current position.

There is quite a bit to unpack and it's not ALL bad news but better to strap in because it's a rocky ride.

Economic overview

- The UK economy is in recession and a continuing rise in energy prices impacting growth. UK output will only return to pre-pandemic levels by the end of 2024, the Office for Budget Responsibility (OBR) has said this is three years later than they estimated in March.
- The revised OBR forecasts for the economy are:
 - 2022: GDP growth of 4.2% (3.8% predicted in March 2022)
 - 2023: GDP falls by 1.4% (+1.8% predicted in March 2022)
 - 2024: GDP rises by 1.3% (+2.1% predicted March 2022)
- Unemployment will peak at 4.9 per cent in the third quarter of 2024 which equates to an additional half a million workers.
- The economy fell by 11% in 2020 the largest % fall in 300 years.
- The difference between spending and income is creating a budget deficit of £177bn
- The budget measures announced by Hunt in this statement aim to see Govt borrowing halved

Headlines for Employers

Energy Bill Relief Scheme

Businesses have benefited from a similar deal to the domestic cap on energy pricing, but this will cease from April 2023. Whilst households will see a reduction in support from April 2023, businesses in the UK will not see a continuation of the cap. The double hit of having the relief removed and facing a potential 48% uplift on the already higher rates could prove a significant challenge for many SMEs. There is a suggestion that certain "vulnerable" sectors may be afforded targeted support due to their specific circumstances however the details are not within the full Autumn Statement report. According to the Institute for Fiscal Studies details of what if anything will be available for after April after that date are expected to be announced by the end of this year.

Business Rates

The government is going to freeze the multipliers, increasing relief for retail, hospitality and leisure to 75%, and reforming transitional relief on the revaluation by exchequer funding the scheme and abolishing downward caps. There will be more frequent revaluations to ensure rates reflect market values.

- The business rates multiplier will be frozen at 51.2p (49.9p for small businesses) for another year until April 2024.
- It is also extending and increasing the Retail, Hospitality and Leisure relief scheme for 2023-24. Businesses with a maximum of £15,000 in rateable value in the retail, hospitality and leisure sectors will be given a 75% discount on business rates, up to a maximum of £110,000, up from 50% in 2022-23.
- The "downwards phasing" part of transitional relief will also be scrapped, which limits the reduction in liability following a revaluation.

National Insurance - Secondary Threshold [source Autumn Statement]

- The government will fix the level at which employers start to pay Class 1 Secondary NICs for their employees (the Secondary Threshold) at £9,100 from April 2023 until April 2028.



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- The Employment Allowance means that 40% of businesses do not pay NICs and will be unaffected by this change, and larger employers contribute the most.
- The government will legislate for this measure in affirmative secondary legislation in early 2023.

Online Sales Tax (OST)

- The Government is not progressing with the mooted introduction of an additional tax on online sales. The decision reflects concerns raised about an OST's complexity and the risk of creating unintended distortion or unfair outcomes between different business models. A response to the OST consultation will be published shortly.

Corporate Tax

- The government will implement the OECD Pillar 2 rules for a global minimum corporate tax rate ensuring multinationals pay a minimum corporate tax rate of 15% regardless of the local tax rate or tax base. This will apply for accounting periods beginning on or after 31 December 2023. This measure aims to raise £2.3 billion a year by 2027-28.

Research & Development (R&D) Tax Relief

- For expenditure on or after 1 April 2023, the Research and Development Expenditure Credit (RDEC) rate will increase from 13% to 20%,
- The small and medium-sized enterprises (SME) additional deduction will decrease from 130% to 86%
- SME credit rate will decrease from 14.5% to 10%. These Autumn Statement 2022 55 rate changes will be legislated for in the Autumn Finance Bill 2022.

National Minimum Wage

- From April 2023, the hourly rate will rise by 9.7% to £10.42 an annual pay rise worth over £1,600 to a full-time worker

Additional Points to Note

Tax

- The higher rate tax threshold was reduced so the rate of income tax applies from £150,000 to £125,140, resulting in more of the highest-income taxpayers in the 45% rate of tax.
- All other income tax thresholds are frozen without a change to the tax %
- It's reported by the IFS that freezing the thresholds will see an additional 8 million workers fall into the 40% tax bracket.

Pensions

- The triple lock is to remain in place. The state pension will rise in line with inflation resulting in an increase of £870

Benefits

- Universal Credit and Pension Credit will rise with inflation.
- There will be an introduction of new work coaches to qualify for Universal Credit

Housing

- Social Housing rents to rise by 7%
- Stamp Duty cut to stay in place until March 2025, First-time buyers are exempted from paying the tax on the first £425,000 an increase from the previous £300,000.

Energy Bills



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- Cap to rise from £2500 per annum to £3000 per annum from April 2023

Health

- Increase in the NHS budget of £3.3bn
- Investment in social care “to take the pressure off the NHS” £1bn next year, £1.7bn the year after

Education

- Investing an additional £2.3bn in education

Transport

- HS2 to continue to Manchester although previous indications of links to Leeds or Hull have not been confirmed
- Electric vehicle owners will start paying road tax from April 2025

The full Autumn Statement runs to 70 pages in length and can be found by [clicking here](#):