

The Mini Budget 2022

A Summary of the Mini budget on
Friday 23 September

The government's plans for growth

The Growth Plan set 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.

National Insurance contributions

From April 2023 onwards, the NIC rates were intended to increase by 1.25% Health and Social Care Levy applied.

However, the new Chancellor has decided to:

- reverse the temporary increase in NICs from November and
- cancel the Health and Social Care Levy completely.

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

Income Tax Rates

The government had previously announced that there would be a cut in the basic rate of income tax, from 20% to 19%, from April 2024. This is now being accelerated so that it takes effect from April 2023.

In addition, 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%.

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.



Business

Corporation tax rates

It had been previously announced that the rate of corporation tax would increase for many companies from April 2023 to 25%.

This change will now not go ahead, leaving the rate of corporation tax at 19% for the majority of companies.

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.

The government has announced that the temporary £1 million level of the AIA will become permanent and the proposed reduction will not occur.



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.

Investment Zones aim to encourage rapid development

As part of the government's plan to drive economic growth and encourage development the Chancellor confirmed that Investment Zones will be established across the UK.

These zones will benefit from lower taxes and liberalised planning frameworks to encourage business investment.

The government is already in discussions with 38 local authorities to establish investment zones in England. In addition, it says it will work closely with the devolved administrations to offer the same opportunities in Scotland, Wales and Northern Ireland.

Businesses in designated areas in investment zones will 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.



Stamp Duty LandTax

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

The nil rate threshold for First Time Buyers' Reliefs 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.

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.

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.



Government announces plans to help cut energy bills 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. Businesses are not required to take action or apply for the scheme, support will be automatically applied to bills.

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.

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