Mini-budget September 23rd, 2022

Highlights: A Summary of the Key Points

Here is our summary of the key contents of Kwasi Kwarteng's fiscal statement this morning, on the government's economic plan to drive down inflation and cut taxes to bolster growth.

Tax

- The 45 per cent **top rate of income tax** for those earning more than £150,000 is being scrapped. They will pay the higher rate of 40 per cent. A 1p-in-the-pound cut to the **basic rate of income tax** promised by Rishi Sunak for 2024 will be brought forward to 2023. The cut would cost the government £5 billion a year.

- The threshold for **stamp duty on house purchases** has been raised from £125,000 to £250,000. For first-time buyers it will rise from a £300,000 threshold to £425,000. The value of the property on which first-time buyers can claim relief has been raised from £500,000 to £625,000.

- The cap on **bankers' bonuses** has been scrapped. It was introduced under EU law in 2014 but the government believes that it limits London's competitiveness against financial rivals such as New York and Hong Kong.

- The planned rise in **corporation tax** from 19 per cent to 25 per cent from next April has been scrapped to support business investment. Reversing the increase will put £19 billion a year back into the economy and make the UK's corporation tax the lowest in the G20. It is an attempt to help to stop Britain from appearing unattractive to businesses that might otherwise set up operations in the European Union or the United States.

- A 1.25 percentage-point increase in **national insurance contributions** introduced in April to fund the health and social care will be cut from November. The health and social care levy has been scrapped.

- **Alcohol duty** will be frozen from February 2023. This is a tax cut worth £600 million and will save the consumer 7p on a pint of beer, 4p on a pint of cider, 38p on a bottle of wine and £1.35 on a bottle of spirits.

- A **digital VAT-free shopping scheme** will be introduced for international tourists to support the retail and tourism sectors.

Energy bills

- Energy bills for **households** have been capped at an average of £2,500 a year for two years, a £1,000 saving at present energy prices. Bills have also been capped for six months for **businesses, charities and public sector organisations** such as schools and hospitals from October.

- An **energy markets financing scheme** will allow banks to be funded to provide emergency liquidity to energy traders. The cost of the energy measures will be £60 billion for the six months from October.

Growth

The government is aiming to achieve a trend growth rate of 2.5 per cent for the UK economy. Legislation is to be introduced to accelerate the delivery of **about a hundred big infrastructure projects**, including transport, energy and digital schemes, to reduce unnecessary bureaucracy in the system and help to drive growth.

The government is in talks with 38 local and mayoral combined authority areas in England to set up new **investment zones**. The zones will offer targeted and time-limited tax cuts for businesses in an attempt to increase productivity and create jobs. Work will also begin with Scotland, Wales and Northern Ireland to agree zones in these locations.

To limit the disruption caused by strike action the government plans to introduce **minimum service levels** and a law to require unions to put pay offers to a member vote to ensure that strikes can be called only once negotiations have genuinely broken down.

The **annual investment allowance** for businesses will be permanently set at its highest level of £1 million from April 1 next year. This will give 100 per cent tax relief to businesses on their plant and machinery investments up to the level of £1 million.

The **company share option plan** limit that allows businesses to offer employees share options is being raised from £30,000 to £60,000.

The **seed enterprise investment scheme** has been widened, including allowing firms to now raise £250,000 under the scheme: 66 per cent more funding than previously.

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