



Gibson Lamb

GOOD FOR YOUR WEALTH



SPRING STATEMENT MARCH 2022 HIGHLIGHTS & ANALYSIS

Regus Admirals Park, Crossways,
Victory Way, Dartford DA2 6QD

gibsonlamb.co.uk
enquiries@gibsonlamb.co.uk
020 7839 3582

SPRING STATEMENT 2022

Against the backdrop of a cost of living crisis and the economic impact of Russia's invasion of Ukraine, today's Spring Statement came with the heavy weight of expectation.

Chancellor Rishi Sunak faced calls from all sides to provide additional support to households, especially those facing fuel poverty as the wholesale cost of gas and oil prices continue to rise.

Immediate support for hard-pressed motorists came from an immediate and year-long cut to fuel duty, but further crude oil rises could quickly negate this saving.

Rather than delay or call off the planned National Insurance hike next month, Sunak eased the burden for some with an increase to NI tax thresholds, aligning these with thresholds for income tax.

And in a surprise announcement, described as 'jam tomorrow' by the opposition Labour party, was a cut to income tax, but not until 2024 - shortly ahead of an anticipated General Election date.

Within this briefing note, we have described the main Spring Statement announcements related to Financial Planning.

As with every Spring Statement and Budget, further details often come to light in the days and weeks after the event.

Call us on 020 7839 3582 or email enquiries@gibsonlamb.co.uk to discuss your investment, pension or Financial Planning questions.

STATE OF THE ECONOMY

Published to coincide with the Spring Statement, the independent Office for Budget Responsibility shared their latest assessment of the UK economy.

The OBR concluded that public finances have emerged from the Covid-19 pandemic in better shape than previously expected.

However, Russia's invasion of Ukraine is likely to push already high price inflation even higher. The OBR is forecasting that price inflation, as measured by the Consumer Prices Index (CPI), is likely to reach almost 9%, its highest rate in 40 years.

As a result, living standards in the UK are on course to experience a historic fall in the next 12 months.

Through the rebates and tax cuts announced in the Spring Statement today, this fall in living standards will be reduced by a third, to a little over 2%.

The OBR also calculated that the pair of personal tax cuts announced today, described later in this briefing note, will undo one-sixth of the Chancellor's total tax rises.

While scaling back on his tax rises, the Chancellor still has £30 billion of fiscal headroom against his targets.

UK economic growth this year has been scaled back compared to the forecasts made alongside the Autumn Budget, with GDP growth of 3.8% anticipated in 2022, down from 6.0% last year.

The OBR is forecasting peak inflation (CPI) at 8.7%, up from the 4.4% forecast at the time of the Budget.

Forecasts for public borrowing in 2022/23 rose from £83 billion in October to £99 billion but are expected to fall for 2026/27, from £44 billion to £32 billion.

PERSONAL TAXATION

The Chancellor delivered two personal tax cuts, one for now and one for later.

An immediate effective tax cut was applied to National Insurance by increasing the threshold by £3,000 to bring them into line with thresholds for income tax.

It means employees and the self-employed will start to pay National Insurance contributions at £12,570 a year, up from the current threshold of £9,880.

The threshold increase is worth £330 a year and will be implemented in July rather than at the start of the tax year in April to give employers and the providers of payroll software sufficient time to update their systems.

Commenting on the threshold increase, the Chancellor called it the “largest single personal tax cut in a decade”, amounting to £6 billion.

However, the 1.25% health and social care levy on National Insurance contributions is still being introduced next month, despite widespread calls for this tax hike to be scrapped.

Another significant personal tax cut announced in the Spring Statement is a reduction in the basic rate of income tax, from 20 pence to 19 pence. However, the Chancellor will not introduce this tax cut until April 2024.

The Chancellor said: “I can confirm that before the end of this parliament, in 2024, for the first time in 16 years, the basic rate of income tax will be cut from 20 to 19 pence in the pound.

“A tax cut for workers, for pensioners, for savers. A £5bn tax cut for 30mn people and let me be clear with the house, it is fully costed and fully paid for in the plans announced today.”

While the income tax cut will be applied in England, Wales and Northern Ireland, income taxes are devolved in Scotland, which will receive an automatic funding increase instead, worth £350 million in 2024/25.

BUSINESS TAXATION

Within the Spring Statement were a series of measures for businesses intended to boost investment, innovation and growth.

A key measure was the £1,000 increase in Employment Allowance, which will benefit around 500,000 smaller businesses.

Employment Allowance is a tax relief for small businesses, reducing their National Insurance contributions. It will increase from £4,000 to £5,000 on 6th April, taking 50,000 more smaller companies from paying National Insurance contributions altogether.

Also within the Spring Statement was two new business rates reliefs, brought forward a year to come into effect next month.

No business rates will be applied to a range of green technology used to decarbonise buildings, including solar panels and batteries.

Eligible heat networks will also get 100% business rates relief.

Before the corporation tax super-deduction ends, the Chancellor pledged to work with businesses to consider reforms to support further investment.

The Chancellor also promised to look at how the tax system, including the Apprenticeship Levy, can be used to encourage employers to invest in adult training.

There was also a commitment to improving research and development (R&D) reliefs. R&D reliefs will be expanded to include data, cloud computing and pure maths.

It was confirmed today as a 50% business rates discount for the retail, hospitality and leisure sectors, introduced on 1st April and reduced from the current 66% discount. The new lower discount will apply to business rates up to £110,000 in these sectors.

OTHER MEASURES

Motorists will benefit from a 5p a litre cut in fuel duty, coming into force at 6 pm this evening.

The fuel duty cut will last for a year and was described by the Chancellor as "the biggest cut to all fuel duty rates ever."

According to the RAC, the fuel duty cut will reduce the cost of filling a typical family car by £3.30.

In the past year, the average price of a litre of petrol has risen by more than 40p, and the government receives an extra 7p a litre in VAT.

According to the Treasury, the fuel duty cut is worth £2.4 billion and will lead to a £100 saving for a typical one-car family over the next year.

Further help on energy costs comes in the form of homeowners not paying VAT to install energy efficiency materials, including solar panels, ground source heat pumps and insulation.

In April, a further £500 million of central government funding will go to local authorities for the Household Support Fund, creating a £1 billion fund for vulnerable households to help them pay for rising living costs.



WOULD YOU LIKE TO FIND OUT MORE?

Gibson Lamb has been providing helpful advice for over 45 years and our 'customer first' attitude is sadly so often lacking in today's world. We are very proud to have been certified to British Standard BS8577.

We provide individuals with long term financial planning and offer a range of service levels to suit all needs and budgets.

For businesses we offer staff benefit packages such as pensions, death in-service, long-term sickness and healthcare and we always provide advice for your employees too.

To find out more, call us on 020 7839 3582 or email the team at enquiries@gibsonlamb.co.uk.

This publication is provided for general consideration only and the information contained herein is not to be acted upon without professional financial advice.

Gibson Lamb & Co LLP cannot accept responsibility for any loss occasioned to any person no matter howsoever caused or arising as a result of or in consequence of action taken or refrained from in reliance of the contents herein.

The value of your investments can go down as well as up. Past performance is not necessarily a reliable guide to future returns.

Gibson Lamb & Co LLP is authorised and regulated by the Financial Conduct Authority.