

## **A fiscal U-turn without precedent!**

Over the last few days, we have seen a gradual dismantling of the mini-budget of Friday 23 September 2022, along with the economic policies that Prime Minister Liz Truss based her leadership campaign on.

On Friday 14th October, Ms Truss announced a change of Chancellor, from Kwasi Kwarteng to Jeremy Hunt. This was swiftly followed by a series of U-turns culminating in Mr Hunt delivering an 'emergency statement' on Monday 17th October. This emergency statement effectively replaces and re-writes the mini-budget.

Designed to ensure the UK's economic stability and provide confidence in the Government's commitment to fiscal discipline, the emergency statement confirmed:

- Income tax – the basic rate of income tax will remain at 20% until economic conditions allow for it to be cut. This had been due to drop to 19% from 6 April 2023.

It had already been confirmed that the 'additional rates' of income tax for those earning more than £150,000 a year, including the 45% rate on non-savings income, would remain in 2023/24.

- Income tax on dividends – will remain at the current rates of 8.75% in the basic rate band, 33.75% in the higher

rate band and 39.35% in the additional rate band.

They had been due to each drop by 1.25 percentage points from 6 April 2023.

- Corporation tax - the increased corporation tax rates, already legislated to come in from 1 April 2023, will go ahead. These will take some companies from a 19% rate of corporation tax to 25% or 26.5%. It had been proposed that corporation tax would remain at a single 19% rate.
- IR35 – the off-payrolling rules, as introduced in 2017 and 2021, will remain into 2023/24 and beyond. This keeps the IR35 compliance burden with medium and large sized employers.
- Energy Price Guarantee – the support for households to cap average annual electricity and gas costs at £2,500 will be reviewed in April 2023. We had been told that households would receive this support until September 2024.
- VAT – a VAT-free shopping scheme for non-UK visitors to Great Britain will no longer be pursued.
- Alcohol duties – will not be now frozen from 1 February 2023 and increased duties will apply.

The following mini-budget announcements remain:

- The 1.25% rise in NICs will still be reversed from 6 November and the government will not go ahead with the planned 1.25% levy to fund health and social care next year.
- The annual investment allowance will remain at £1 million from 1 April 2023, rather than reverting to £200,000.
- There are to be more than 40 new “investment zones” in England.
- The increased thresholds for Stamp Duty Land Tax in England and Northern Ireland, as implemented from 23 September, will remain in place.
- The Energy Bill Relief Scheme for Business will continue to be subject to a governmental review after 31 March 2023. The Chancellor has now said that any support for businesses will be targeted to those most affected, and that the new approach will better incentivise energy efficiency.

On 31 October, Mr Hunt will present an update on the government’s medium term fiscal plan, complete with Office for Budget Responsibility forecasts. Further changes to fiscal policy are expected to be announced at this time.

We are clearly in turbulent political and economic times and faced with such

uncertainty you may ask yourself “What actions can I take as a business owner?”.



It is a good time to look at your business’s strengths, weaknesses, opportunities and threats to get a clear understanding of its position in the marketplace. Also focus on your competition, systems and the way things are done to highlight improvements that could be made. What will the business look like when it is “complete” or running profitably and successfully? You can then determine priorities – the big issues that need to be considered – then you can make a plan of action.

It is also a good idea to plan for a range of scenarios both “good and bad” so that you can be flexible about the direction your business should take.

If you are at all concerned about these recent developments - please talk to us about your plans - we can assist with cash flow planning and “what if” scenarios.