



# Spring Statement 2022

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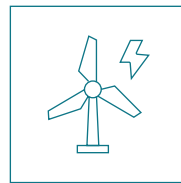
OUR BREAKDOWN

# Budget highlights



The rate of fuel duty on petrol and diesel is reduced by

**5p a litre** for **12 months** from 6pm on **23 March**



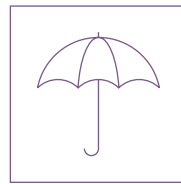
Eligibility for VAT **relief on energy saving materials** will be expanded and the VAT rate reduced to

**zero** for **five years** from 1 April 2022



The personal allowance for 2022/23 will remain at **£12,570**, the higher rate threshold also remains unchanged at **£50,270**.

These freezes are set to continue until **April 2026**



The primary threshold for Class 1 national insurance contributions (NICs) will increase from **£190** a week (**£9,880 a year**) to **£242** a week (**£12,570 a year**) from 6 July 2022, bringing it in line with the frozen personal allowance



The basic rate of income tax will be reduced to

**19%** from **2024/25**. The cut will apply to non-savings, non-dividend income for taxpayers in England, Wales and Northern Ireland and also to the savings basic rate, which applies to savings income for taxpayers across the UK



Eligibility for VAT relief on **energy saving materials** will be expanded and the VAT rate reduced to

**zero** for **five years** from 1 April 2022. These changes do not apply to Northern Ireland

# Introduction

Just before Christmas, the Chancellor asked the Office for Budget Responsibility (OBR) to produce an economic and fiscal forecast for 23 March. The timing and brief nature of the accompanying Treasury announcement reflected Mr Sunak's wish to keep the Spring Statement a low-profile event.

This was not meant to be a March mini-Budget, despite what many headlines have suggested. Mr Sunak believes in the once-a-year approach to major tax and spending changes, unlike some of his predecessors. However, in both 2020 and 2021, the pandemic put paid to that aspiration.

2022 has already proved similarly disruptive to his singular Budget plans. Early in February, a little over three months after his Autumn Budget, Mr Sunak was back at the despatch box presenting proposals for £9bn of spending in the form of council tax rebates and repayable loans to mitigate April's 54% utility price cap rise. Seven weeks and the Ukrainian invasion later, the Chancellor was once again before Parliament, introducing new measures to cope with soaring energy prices.

The public finance figures as of Tuesday 22 March, suggested the Chancellor had £25-30bn of wiggle room and, to the surprise of some commentators, he used a good part of it in what looked suspiciously like a mini-Budget, complete with a deferred, rabbit-out-the-hat income tax cut for 2024/25.

## WHAT DOES THIS MEAN FOR THE ECONOMY AND INVESTMENTS?

Inflation and its headline label, the cost-of-living crisis, have now become the focus of economic attention.

When the Chancellor presented his Autumn Budget on 27 October 2021, the UK economy appeared to be emerging from the pandemic, with the Omicron variant yet to arrive. Back then, the most recent reading for CPI inflation

(September 2021) was 3.1%, which the OBR formally projected would peak at 4.4% in 2022. By November 2021, CPI inflation was 5.1%, while the latest reading (for February 2022), released on the day of the Chancellor's statement, is 6.2%.

Last week the Bank of England upped its inflation forecast once again, pencilling in 8% for April, with the risk of a higher rate still in October if current energy prices are maintained. However, in 2023 the Bank believes inflation will 'fall back materially', nearing the official target of 2% on a two to three year horizon.

The OBR is broadly in agreement with the Bank. Its new Economic and Fiscal Outlook (EFO) report sees inflation ending 2022 at 7.4%, but then dropping to 4.0% a year later and to just 1.5% in 2024.

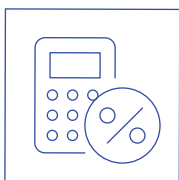
Meanwhile the current rise in inflation has been a two-edged sword for government finances:

- On the plus side, inflation is boosting tax receipts. For example, yesterday's public sector finance figures showed that so far in 2021/22, PAYE income tax receipts are 13.6% higher than for the same period in 2020/21 and VAT receipts are up 18.8%.
- On the downside, the cost of servicing government debt, including over £500bn of (RPI) index-linked stock, has risen sharply. With one more month of the financial year remaining, interest payments are already £29.5bn (78.6%) higher than at the same point in 2020/21.

The debt and inflation combination was apparent in public sector finance figures published just before the Spring Statement. The Chancellor looks to be undershooting the OBR's Autumn borrowing forecast for 2021/22 by over £25bn and that gave him the wiggle room for some larger than expected giveaways.

# Important information

This summary has been prepared very rapidly and is for general information only. The proposals are in any event subject to amendment before the Finance Act. You are recommended to seek competent professional advice before taking, or refraining from taking, action on the basis of the contents of this publication. The guide represents our understanding of the law and HM Revenue & Customs practice as at 23 March 2022, which is subject to change.



# Personal taxation

## INCOME TAX

<b>Main personal allowances and reliefs</b>		<b>2022/23</b>	<b>2021/22</b>
Personal allowance <sup>1</sup>		£12,570	£12,570
Married couple's/civil partner's transferable allowance		£1,260	£1,260
Married couple's/civil partner's maximum allowance at 10% <sup>2</sup> (if at least minimum one born before 6/4/35)	Maximum	£9,415	£9,125
	Minimum	£3,640	£3,530
Blind person's allowance		£2,600	£2,520
Rent-a-room relief		£7,500	£7,500
Registered pension schemes			
• Lifetime allowance		£1,073,100	£1,073,100
• Annual allowance <sup>3</sup>		£40,000	£40,000
• Money purchase annual allowance		£4,000	£4,000

<sup>1</sup> Personal allowance reduced by £1 for every £2 of adjusted net income over £100,000.

<sup>2</sup> Reduced by £1 for every £2 of adjusted net income over £31,400, until the minimum is reached.

<sup>3</sup> Reduced by £1 for every £2 of adjusted income over £240,000 to a minimum of £4,000, subject to threshold income being over £200,000.

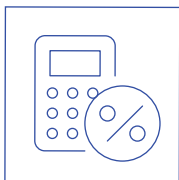
<b>Income tax rates and bands</b>		<b>2022/23</b>	<b>2021/22</b>
<b>UK taxpayers excluding Scottish taxpayers' non-dividend, non-savings income</b>			
20% basic rate on first slice of taxable income up to		£37,700	£37,700
40% higher rate on next slice of taxable income over		£37,700	£37,700
45% additional rate on taxable income over		£150,000	£150,000

<b>All UK taxpayers</b>		<b>2022/23</b>	<b>2021/22</b>
Starting rate at 0% – on band of savings income up to <sup>4</sup>		£5,000	£5,000
Personal savings allowance at 0%:			
	basic rate taxpayers	£1,000	£1,000
	higher rate taxpayers	£500	£500
	additional rate taxpayers	£0	£0
Dividend allowance at 0% tax – all individuals		£2,000	£2,000
Tax rates on dividend income:			
	basic rate taxpayers	8.75%	7.5%
	higher rate taxpayers	33.75%	32.5%
	additional rate taxpayers	39.35%	38.1%

<sup>4</sup> Not available if taxable non-savings income exceeds the starting rate band.

<b>Scottish taxpayers' non-dividend, non-savings income</b>	<b>2022/23</b>	<b>2021/22</b>
19% starter rate on taxable income up to	£2,162	£2,097
20% basic rate on next slice up to	£13,118	£12,726
21% intermediate rate on next slice up to	£31,092	£31,092
41% higher rate on next slice up to	£150,000	£150,000
46% top rate on income over	£150,000	£150,000

<b>Trusts</b>	<b>2022/23</b>	<b>2021/22</b>
Standard rate band generally	£1,000	£1,000
Dividends (rate applicable to trusts)	39.35%	38.1%
Other income (rate applicable to trusts)	45%	45%
<b>High income child benefit charge:</b> 1% of benefit per £100 adjusted net income of £50,000 – £60,000.		



# Personal taxation and investments

## INCOME TAX

The personal allowance for 2022/23 will remain at £12,570 and the basic rate band will similarly be frozen at £37,700 (outside Scotland), making the higher rate threshold (the sum of the two) an unchanged £50,270.

These freezes, which are set to continue until April 2026, in fact represent a real-terms tax increase, given that the Bank of England forecasts that CPI inflation in April will be 8%.

The basic rate of income tax will be reduced to 19% from 2024/25. The cut will apply to non-savings, non-dividend income for taxpayers in England, Wales and Northern Ireland and also to the savings basic rate, which applies to savings income for taxpayers across the UK.

In Scotland a separate set of rates and bands will continue to apply to non-savings, non-dividend income – primarily earnings. The same personal allowance as in the rest of the UK will continue to apply in Scotland.

Scottish taxpayers will still have five tax bands, with the tax rates for 2022/23 ranging from 19% to 46%. The threshold for the higher rate of income tax (at 41%, rather than 40%) will remain unchanged at £43,662, which is £6,608 below the rest of the UK. Someone with earnings of £50,000 a year will have an extra income tax charge of £1,489 a year for being resident north of the border.

## DIVIDEND TAX

Dividend tax rates will increase by 1.25 percentage points from 2022/23, taking them to between 8.75% (basic) and 39.35% (additional rate). Both the dividend allowance and the personal savings allowance are unchanged.

Tax year	Basic rate	Higher rate	Additional rate
2021/22	7.50%	32.50%	38.10%
2022/23 onwards	8.75%	33.75%	39.35%

## NATIONAL INSURANCE CONTRIBUTIONS (NICS)

The primary threshold for Class 1 national insurance contributions (NICs) will increase from £190 a week (£9,880 a year) to £242 a week (£12,570 a year) from 6 July 2022, bringing it in line with the frozen personal allowance.

For company directors, who are subject to special rules, the equivalent annual amount from July will be £11,908. From 2023/24, all employees will share the same £12,570 annual threshold. The maximum potential Class 1 employee NICs saving in 2022/23 is £269.

## YOUR SAVINGS

**DON'T LOSE YOUR PERSONAL ALLOWANCE. YOUR PERSONAL ALLOWANCE OF £12,570 IS REDUCED BY 50P FOR EVERY POUND BY WHICH YOUR INCOME EXCEEDS £100,000. YOU MAY BE ABLE TO MAKE A PENSION CONTRIBUTION OR A CHARITABLE GIFT TO BRING YOUR INCOME BELOW £100,000.**

**AS ALWAYS, SPEAK TO YOUR FINANCIAL ADVISER BEFORE TAKING ANY ACTION.**

For the self-employed, the lower profits limit will increase from £9,880 to £11,908 in 2022/23, rising to £12,570 in 2023/24. Class 2 NICs will not be payable if profits are below these limits. The maximum potential Class 4 NICs saving in 2022/23 is £208.

There is no change to the Class 1 secondary threshold (employer), but the employment allowance will be raised from £4,000 to £5,000 for 2022/23 onwards.

The secondary threshold for employer's Class 1 NICs will increase by 3.3%, approximately in line with inflation to September 2021. The upper earnings limit (for employees) and upper profits limit (for the self-employed) will be frozen at £50,270, matching the unchanged UK higher rate income tax threshold outside Scotland.

The Class 2 NIC rate for 2022/23 will be £3.15 per week.

The rates for all contributions under Class 1 (employed) and Class 4 (self-employed) will rise by 1.25 percentage points for 2022/23 only, before dropping back to 2021/22 levels after that. The separate 1.25% Health and Social Security Levy will then take effect from 6 April 2023. Unlike the position with NICs, employees and the self-employed over state pension age (currently 66) will be subject to the new levy.

### FUEL DUTY

The rate of fuel duty on petrol and diesel is reduced by 5p a litre for 12 months from 6pm on 23 March 2022.

### VALUE ADDED TAX ON ENERGY SAVING

Eligibility for VAT relief on energy saving materials will be expanded and the VAT rate reduced to zero for five years from 1 April 2022. These changes do not apply to Northern Ireland.

### LIFETIME AND ANNUAL ALLOWANCES

The lifetime allowance, which sets the effective maximum tax-efficient value of pension benefits, will remain at £1,073,100 for 2022/23 and is not due to rise until 2026/27. There is also no increase to the annual allowance, which remains at a maximum of £40,000, subject to the taper and money purchase annual allowance rules.

### INHERITANCE TAX (IHT)

The residence nil rate band and main nil rate band will remain at £175,000 and £325,000. Both are set to stay frozen until 2026/27.

### VALUE ADDED TAX

The reduced 12.5% VAT rate for hospitality, holiday accommodation and attractions will end on 31 March 2022, at which point the rate will revert to the 20% standard rate.

### COMPANY CAR TAX

Company car tax for vehicles registered since 6 April 2020 will rise in 2022/23 for all but the highest emission vehicles.

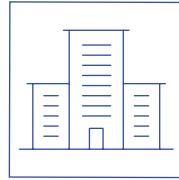
- The taxable cash equivalent percentages will all increase by one percentage point, subject to the current ceiling of 37% of list price.
- Older cars will be unaffected, meaning that in 2022/23 the same scale will apply to cars with CO2 emissions measured under both the NEDC and the newer WLTP yardsticks.

The diesel surcharge will remain at 4% for diesel cars that do not meet the RDE2 emission standard (which became mandatory from January 2021). The maximum charge for diesels also stays at 37%.

The scale charge for purely electric vehicles (EVs) will double to 2%, but EVs remain an attractive option for anyone able to obtain such a vehicle under salary sacrifice arrangements.







## Business taxes

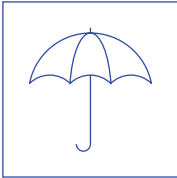
### **GREEN RELIEF FOR BUSINESS RATES**

The Autumn 2021 Budget introduced targeted business rates exemptions from 1 April 2023 until 31 March 2035 for eligible plant and machinery used in onsite renewable energy generation and storage, and a 100% relief for eligible low-carbon heat networks with their own rates bill. The implementation of these measures will now take effect from April 2022.

### **RESEARCH AND DEVELOPMENT (R&D) TAX RELIEF**

From April 2023, all data, cloud computing and pure maths costs associated with research and development will qualify for R&D relief.





# National Insurance contributions

Class 1 employees	2022/23	
	Employee	Employer
NICs rate	13.25%	15.05%
No NICs for employees generally on the first	£242 <sup>†</sup> pw	£175 pw
No NICs <sup>1</sup> for: younger/veteran employees on first freeport employees on first	£242 <sup>†</sup> pw £242 <sup>†</sup> pw	£967 pw £481 pw
NICs rate charged up to	£967 pw	No limit
NICs on earnings over (3.25% 2022/23; 2% 2021/22)	£967 pw	N/A

<sup>1</sup> Employees generally under 21 years and apprentices under 25 years. Veterans in first 12 months of civilian employment. Employees at freeports in Great Britain in the first three years of employment starting from 6 April 2022.

<sup>†</sup> £190 pw before 6 July 2022

Employment allowance	2022/23
Per business	£5,000

Not available if the sole employee is a director or employer's NIC for previous year £100,000 or more.

Earnings limits and thresholds	2022/23	
	Weekly	Annual
Lower earnings limit	£123	£6,396
Primary threshold	£242 <sup>†</sup>	£12,570 <sup>**</sup>
Primary threshold for company directors	N/A	£11,908
Secondary threshold	£175	£9,100
Upper earnings limit (and upper secondary thresholds)	£967	£50,270
Upper secondary threshold for freeport employees	£481	£25,000

<sup>†</sup> £190 pw before 6 July 2022

<sup>\*\*</sup> £9,880 before 6 July 2022

<b>Class 1A employers</b>	<b>2022/23</b>
On car and fuel benefits and most other taxable benefits provided to employees and directors	15.05%
<b>Class 2 self-employed</b>	<b>2022/23</b>
Flat rate	£3.15 pw £163.80 pa
Small profits threshold:	£6,725 pa
<b>Class 4 self-employed</b>	<b>2022/23</b>
On profits	£11,908 to £50,270 pa 10.25%
	Over £50,270 pa 3.25%
<b>Class 3</b>	<b>2022/23</b>
Voluntary flat rate	£15.85 pw £824.20 pa

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**Close Brothers Asset Management**

10 Crown Place  
London EC2A 4FT  
[closebrothersam.com](http://closebrothersam.com)

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