

Spring Statement 2022

What it means
for you



There was more tax in the Spring Statement than expected, but it continues to not be a “Mini Budget”.

In recent years, the Government’s aim has been to reposition the Annual Budget as the sole tax “event” in the parliamentary year, leaving the economic statement unburdened with taxation announcements. However, following the trend of reacting to events as they unfold – as demonstrated by the Chancellor during the Pandemic – it was always unlikely that today’s announcement would not contain some announcements in response to rising inflation and the cost of living crisis.

That said, there were more measures announced today than I expected, but at the same time, not so many

announcements that I would dub the Spring Statement a “Mini Budget” (although this goes to press before the 6 O’Clock News so maybe I’ll be proven wrong). The most immediate measure is in respect of Fuel Duty which takes effect at 6pm tonight, 23 March 2022.

On the theme of reducing energy costs, VAT changes in respect of energy efficiency are welcomed but perhaps won’t get the big headlines. Those are likely to be reserved for the change in National Insurance thresholds, and the promise to cut Income Tax in 2024, which is possibly the first salvo launched in the campaign

for the next General Election – where many predict that Mr Sunak’s name will be on the ticket.

No-one expects that the current inflationary cycle will end quickly, and with energy costs set to rise again on 1 October 2022 likely to give another cost of living spike, it would be a bold person who predicts that the next taxation and spending announcement will be made in a Budget after that date.



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Measures announced today

As widely anticipated, a temporary cut to fuel duty of 5 pence per litre will be effective from 6pm this evening. Perhaps more surprising is that the reduction will last for 12 months.



Business Tax

Following recent consultation to restrict R&D undertaken outside of the UK, it will be legislated that vital R&D undertaken in the UK can continue to qualify for tax reliefs where there is a material or regulatory requirement for this work to be carried out overseas. All cloud costs associated with R&D will also be included in the scope of the reliefs, including the storage of vital data. Such changes will be legislated to be applicable from April 2023. In addition, the government will review the generosity of the RDEC.

The Annual Investment Allowance has been temporarily increased to £1 million until 31 March 2023. In addition, the government will offer SME's a 50% discount on approved software worth up to £5,000.

To assist with rising energy costs, homeowners will pay 0% VAT on energy saving materials such as solar panels or heat pumps.

National Insurance

An alignment of the NIC threshold to the Personal Allowance of £12,570 will not take effect until July 2022, rather than April 2022 as one would expect, giving time for payroll software developers and employers to update systems.

Nonetheless, with the increased threshold, but also the continued plan to increase the rates by 1.25%, higher earners will not see the benefit. Individuals earning more than around £40,000 will likely still pay more in NIC over a tax year.

Small businesses will benefit from a £1,000 NIC saving from April 2022 as the Employment Allowance is raised from £4,000 to £5,000.

Future reduction in Income Tax

The announced drop to the basic rate of tax from 20% to 19% will not take effect until April 2024; however, with the increase to the National Insurance rates of 1.25%, the personal impact may be minimal. The delay in timings will make it 'feel' like a 1% saving for the 2024/25 year, with the reality being a potential small increase overall from the 2021/22 year for most.

Inheritance Tax (IHT) and Capital Gains Tax (CGT)

Back in March 2021 the Chancellor announced that the thresholds for IHT and CGT would be frozen at their current rates until 2026. Today's announcement did not alter the previous position.

In January 2018 the Office of Tax Simplification was commissioned by the Chancellor to review the taxation system in connection with IHT and CGT. The purpose was to develop recommendations for simplification from both an administrative and technical standpoint. Aside from some technical changes recommended (such as the extension of the CGT reporting and payment deadline for UK property from 30 to 60 days) the government has confirmed that there will not be major reforms undertaken in respect of these taxes.

Corporation Tax and VAT

Aside from the changes to the VAT treatment of energy saving materials, there were no specific announcements here, and so the current VAT rate of 20% and future (from 1 April 2023) Corporation Tax rate of 25% remain in place, despite some speculation that they may be reduced.



Our expert team can help you understand the impact of the Spring Statement on you and your business

To find out more please contact us.

Get in touch today to see how we can help...



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