

AUTUMN STATEMENT 2022



ASQUITH HART LTD

20 Burdett Way,
Repton, Derbyshire,
DE65 6GA



Dividend tax-free allowance to be cut from £2000 to £1000 from April 2023, with a further reduction from April 2024 to £500.

Income tax thresholds frozen until April 2028.

45% income tax threshold lowered to £125,000.

IHT threshold frozen until 2028.

Triple lock pension to be kept.

On the 17th November 2022, Chancellor of the Exchequer Jeremy Hunt announced the Government's Autumn Statement, outlining the tax rises and spending cuts required to fill what the Government have been referring to as a £54bn "black hole".

Given the volatility of the recent parliamentary restructuring, against the current economic landscape, this announcement had been highly anticipated.

The Chancellor started his statement by outlining that "teachers, nurses and many others are worried about the future" given the economic climate.

Mr. Hunt outlined that the British way is "to be compassionate, to protect the vulnerable" and he reiterated that "this is a compassionate Government". With this in mind, The Chancellor announced the Government's top three priorities, which we have summarised below:

1. STABILITY

2. ECONOMIC GROWTH

3. PUBLIC SERVICES

1. STABILITY

Mr. Hunt praised Britain's response to the COVID-19 pandemic stating that "the furlough scheme, vaccine roll out and response of our NHS did our Country proud, but they all have to be paid for".

The lasting impact of the pandemic has made goods more expensive and has fueled inflation, as well as noting this has been worsened by Russia's invasion of Ukraine impacting the energy crisis.

The Chancellor went on to explain that credibility cannot be taken for granted and that recent inflation figures demonstrated that we as a nation "must continue a relentless fight to bring it down".

Mr. Hunt continued by saying the Office for Budget Responsibility (OBR) has forecast the UK's inflation rate to be 9.1% this year and 7.4% in 2023.

Continuing, Mr. Hunt shared the OBR's position that The Government's "actions today will help inflation to fall sharply from the middle of next year"; and that overall, this year the economy is due to grow by 4.2%. However, The OBR's view is that the UK is now in recession.

2. TAX

To deliver the consolidation of £54bn, The Chancellor explained the need for tax rises and big spending cuts, illustrating how a balanced approach will result in inflation being "significantly lower". The Chancellor confirmed that the OBR's belief that these plans will result in a "shallower" recession, and that unemployment will be around 70,000 jobs fewer than if no action was taken.

TAX RATES

In the interest of fairness, The Chancellor illustrated the need for higher earners to contribute more than lower earners. Mr. Hunt confirmed that the top-rate tax threshold will be lowered to £125,000 from £150,000, this in real terms, would equate to an additional tax income of £1200 per year, from those earning £150,000 or more. Additionally, the current banding for income tax rates will be frozen until April 2028.

DIVIDEND ALLOWANCE

Mr. Hunt added that dividend allowances will also be cut from £2000 to £1000 from April 2023, with a further reduction from April 2024 to £500.

CAPITAL GAINS TAX

The annual exempt amount for personal capital gains tax will be cut from £12,300 to £6000 in 2023 and then to £3000 from April 2024.

“

The furlough scheme, vaccine rollout and response of our NHS did our Country proud, but they all have to be paid for.

”

Jeremy Hunt
Chancellor of the Exchequer
November 17th 2022

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Electric car owners will no longer be exempt from vehicle exercise duty from 2025.

Employers' National Insurance Contributions threshold will be frozen until April 2028.

Stamp duty cuts will remain in place but only until 2025.

Further £2.8bn is being funded for social care in order for the NHS to provide more care packages.

ELECTRIC VEHICLES

Given it is predicted that by 2025, half of all vehicles will be electric, electric car owners will no longer be exempt from vehicle exercise duty from 2025.

WINDFALL TAXES

From the 1st January 2023 until March 2028, the energy profits levy will be increased from 25% to 35%, with a temporary 45% levy on electricity generators. The Chancellor forecasted that these increases will raise £14bn next year.

STAMP DUTY

Mr. Hunt confirmed that stamp duty cuts will remain in place but only until 2025. After 2025, it is proposed to revert back to previous levels.

NATIONAL INSURANCE

The Chancellor will freeze the Employers National Insurance Contributions threshold until April 2028. However, the Government will retain the Employment Allowance at its new, higher level of £5,000. Mr. Hunt revealed that this would mean around 40% of all businesses will still pay no NICs at all.

VAT

The Chancellor will maintain the VAT registration threshold until March 2026, highlighting the need for our defense systems, given the current conflict in Ukraine.

Mr. Hunt confirmed the UK will continue to maintain the defense budget of at least 2% of GDP, to be consistent with our NATO commitment, but explained that the previous promise of 3% cannot be met in the current climate.

Finally, Mr. Hunt announced around 600,000 more people who claim universal credit will be asked to meet with a work coach to increase hours or earnings.

3. GROWTH

EDUCATION

Mr. Hunt stated that being *"pro-education is being pro-growth and providing a good education is not just an economic mission, but a moral mission"*.

Thanking the efforts of previous education secretaries, Mr. Hunt announced that the UK has risen 9 places in the global league tables in the last 7 years in terms of mathematics and reading.

The Government wants each child to leave school with the skills to earn highly and to reduce concerns that school leaders nationally are not receiving the funds to make this happen.

The Chancellor said that he will invest another £2.3bn into the education sector per annum and thanked our nation's education staff for their brilliant work.

SOCIAL CARE

Reflecting on his time as the Health Secretary, The Chancellor explained that the main service we depend on more than any other is the NHS.

Mr. Hunt illustrated how much the NHS staff are struggling with mounting pressure, and that this is particularly apparent in the acute strains in the social sector.

As such, a further £2.8bn is being funded for social care in order for the NHS to provide more care packages.

It will be expected that councils will be able to deliver around 200,000 extra care packages over the next two years. Mr. Hunt described this as the *"biggest increase in funding"* the adult social care sector had received in its history.

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The budget for health care will increase by £3.3bn.

Government will proceed with the new Sizewell C nuclear power plant in Suffolk, creating 10,000 new, highly skilled jobs.

Government wants to reduce energy consumption from buildings and industry by 15%, saving average households £450 per year.

HEALTHCARE

Mr. Hunt announced that in terms of healthcare, a priority needs to be made of tracking waste, as we want better outcomes for citizens and taxpayers. Mr. Hunt confirmed that his he was not asking front-line workers to work harder, but that challenging questions need to be asked about reforms.

As such, former Health Secretary Patricia Hewitt has been asked to advise the Government on how to make sure new integrated care boards and local NHS bodies are operating efficiently.

Due to the NHS inflation pressures, efficiency alone is not enough. Therefore Mr. Hunt confirmed that the budget for health care will increase by £3.3bn.

Furthermore, to provide support to our adjoining nations:

- The health and education sectors in Scotland will be receiving an extra £1,2bn;
- Wales will be receiving £1.2bn;
- Northern Ireland will receive £650m next year and every year thereafter.

Summarising this section of his statement, Mr. Hunt said that the total package for health and social care will reach a record £8bn and that:

"...this Government is putting the NHS first".

GROWTH

Mr. Hunt's next three priority announcements, this time in terms of economic growth, focused on sustaining our public services and avoiding a "doom loop" of even higher taxes and even lower dynamism.

He announced that the Government's three economic growth strategies will focus on the following:

1. ENERGY

2. INFRASTRUCTURE

3. INNOVATION

1. ENERGY

Stating there is only "one way to stop being at the mercy of gas prices" Mr. Hunt announced that we need energy independence and efficiency so that "Putin, nor anyone else" can use it against us.

Therefore, the Government will proceed with the new Sizewell C nuclear power plant in Suffolk (subject to final approval). This would also have the benefit of creating nearly 10,000 high skilled jobs.

On top of this, by 2030, the Government wants to reduce energy consumption from buildings and industry by 15%, which will equate to around £28bn in savings. On average, this would mean £450 per year off the average households' bills. Mr. Hunt said that *this "must be a shared ambition between the government and families"*.

Mr. Hunt promised the continuation of £6.6bn of energy efficiency in this Parliament, a further £6bn from 2025 that would amount to a doubling of the current annual investment.

A formation of a new Energy Efficiency Taskforce to help direct the new funding was also revealed.

2. INFRASTRUCTURE

Moving on to the second Growth priority of Infrastructure, Mr. Hunt said "Today I can announce that I'm not cutting a penny from our capital budgets in the next two years and maintaining that level in cash terms for the following three years."

This means that although the Government are not growing the capital budget as planned, it will still increase from £63 billion four years ago to £114 billion next year and £115 billion the year after – and remain at that level.

On top of the nuclear plants at Sizewell C, Mr. Hunt confirmed that the Government will also deliver the core Northern Powerhouse Rail HS2 to Manchester, as well as the new hospital programme and the 5G rollout.

To "unlock growth" across the country, Mr. Hunt said that life needs to be made easier for local leaders and as such announced that there will be a newly elected Mayor in Suffolk with new deals to follow for Cornwall, Norfolk and areas in the Northeast to follow shortly.

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R&D budget to be increased by £20bn by 2024/25.

Triple lock pension to be kept in place.

Energy price guarantee will continue for a further year at a higher level of £3000 for the average household.

£900 going to households on means tested benefits, £300 to pensioner households and £150 for individuals claiming disability benefits.

Praising devolution and singing the praises of Conservative Mayors Ben Houchen and Andy Street, the Chancellor said the Government needs more *“inspirational and local leadership”* adding that soon *“over half of England will be covered by devolution deals”*.

Summarising, Mr. Hunt said *“taken together, these measures mean that total investment in our future growth will be worth over £600bn over the next five years, the largest investment in public works for 40 years”*.

3. INNOVATION

Describing his plans to turn the UK into the world's *“next Silicon Valley”*, Mr. Hunt explained that *“thanks to the Conservative Government”*, the UK remain a *“science superpower”*, thanking George Osborne for laying the *“vital foundations”* to make this possible.

The Chancellor went on to say that modern economics will be defined by *“new developments in artificial intelligence, quantum technologies and robotics”* and in order to spur this competition on, he is removing import tariffs on over 100 items used in the UK, from car seats to bicycle frames.

Mr. Hunt then added that changes as a result of *“Brexit freedoms”* will be reviewed and decided based on EU regulations in five growth industries; digital technology, life sciences, green industries, financial services and advanced manufacturing.

Finally, despite the speculation regarding the alleged cutting of the R&D budgets, Mr. Hunt confirmed that this is not the case and will in fact be increased by £20bn by 2024/25.

INFLATION

Further announcements were made to the cost-of-living crisis and the struggles people of all ages are facing.

Speaking directly to pensioners, Mr. Hunt described the Government as being *“on your side”*.

Mr. Hunt announced that state pensions will increase in line with inflation which keeps the triple lock in place and equates to an extra £870 per year.

The Chancellor said that *“targeted support can be given to our most vulnerable citizens with the cost-of-living crisis”* as a result of the Government's discipline.

As such, from April 2023, the energy price guarantee will continue for a further year at a higher level of £3000 for the average household.

This equates to around an average of £500 for every household in the country.

Furthermore, the most vulnerable of our Citizens will be getting a further cost of living support payment, with £900 going to households on means tested benefits, £300 to pensioner households and £150 for individuals claiming disability benefits.

A further £1bn is being provided to enable a 12-month extension to the Household Support Fund which helps Local Authorities assist those who might otherwise fall through the cracks in the system.

Emphasising the Government's desire to want to *“go further”* for the nation, Mr. Hunt announced that the Government will cap the increase in social rents to 7% in 2023/24 saving the average tenant £200.

Finally, Mr. Hunt announced that he would accept the recommendation of the Low Pay Commission to increase the national living wage to £10.42 from April 2023 which represents around £600 to a full-time worker.

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CONCLUSION

The Chancellor stated that the country isn't *"immune to these headwinds but this plan for stability, growth and public services, we will face into the storm."*

Although Mr. Hunt described the recession as being made in Russia, he concluded that the *"recovery will be made in Britain"*.

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STABILITY, GROWTH & PUBLIC SERVICES



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