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News in Review

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"Our entire focus is on making Britain more globally competitive"

Last Friday, Kwasi Kwarteng outlined a series of tax cuts and measures aimed at boosting economic activity. His Growth Plan was built around three key priorities: reforming the supply-side of the economy, maintaining a responsible approach to public finances and cutting taxes to boost growth, he pledged, *"Our entire focus is on making Britain more globally competitive... We promised to prioritise growth. We promised a new approach for a new era. We promised to release the enormous potential of this country."*

Key tax announcements included:

- A reversal of last April's National Insurance contribution rise was confirmed by the government. The 1.25 percentage point increase will be reversed from 6 November. The planned Health and Social Care Levy, due to replace the National Insurance rise as a new standalone tax from April 2023, has also been cancelled
- A reduction in Stamp Duty Land Tax (SDLT) in England and Northern Ireland, raising the residential nil-rate threshold from £125,000 to £250,000, with immediate effect, and First Time Buyers Relief from £300,000 to £425,000. He also increased the maximum amount that an individual can pay for a home while remaining eligible for First Time Buyers' Relief, from £500,000 to £625,000. As SDLT is devolved in Scotland and Wales, the Scottish and Welsh Governments will receive funding through an agreed fiscal framework to allocate as they see fit
- A cut in the basic rate of Income Tax to 19% in April 2023 – one year earlier than previously planned. At present, people in England, Wales and Northern Ireland pay 20% on annual earnings between £12,571 and £50,270; different rates apply in Scotland. The highest rate of Income Tax (the 'additional rate' paid at 45% by those earning over £150,000) will be abolished. From April 2023 there will be a single higher rate of Income Tax of 40%
- A reversal of the 1.25 percentage point increase in Dividend Tax rates applying UK-wide from 6 April 2023, so the ordinary and upper rates of Dividend Tax will revert to 7.5% and 32.5% respectively.

UK markets and sterling have fallen following the announcement as investor concerns intensify at the prospect of a surge in government borrowing in order to fund the tax cuts. Sterling plunged to historic lows forcing the Chancellor and the Bank of England to reassure markets.

Energy Bill Relief Scheme

Last Wednesday the Department for Business, Energy and Industrial Strategy announced its new Energy Bill Relief Scheme which outlines its plans to reduce energy bills for all non-domestic customers, including all UK businesses, the voluntary sector such as charities and public sector organisations including schools and hospitals in Great Britain and Northern Ireland. The support package fixes electricity and wholesale gas prices for firms for six months from 1 October and will be automatically applied to appropriate businesses, potentially reducing energy costs by more than 50% this winter.

The level of price reduction will vary depending on the contract type and circumstances of the business or organisation.

Rates on the rise

The Bank of England raised Bank Rate by half a percentage point on Thursday from 1.75% to 2.25%, taking it to its highest level since 2008. Five members of the Monetary Policy Committee (MPC) voted for the 0.5% rise, while three members favoured a 0.75% increase, the remaining member preferred a 0.25% elevation. In the minutes of the September meeting, the expectation is that due to the Energy Price Guarantee, unveiled by Liz Truss earlier in the month, *'Uncertainty around the outlook for UK retail energy prices has nevertheless fallen, following the government's announcements of support measures... the peak in measured CPI inflation is now likely to be lower than projected in the August Report, at just under 11% in October. Nevertheless, energy bills will still go up and, combined with the indirect effects of higher energy costs, inflation is expected to remain above 10% over the following few months, before starting to fall back.'*

At the Federal Reserve's most recent meeting on 21 September, the US central bank pushed interest rates to their highest level in almost 15 years, raising its key rate by another 0.75 percentage points, lifting the target range to 3% to 3.25%. Fed Chairman Jerome Powell said the rate rises were necessary to avoid long-term economic damage, but conceded that they will take a toll, *"We have got to get inflation behind us... I wish there were a painless way to do that. There isn't."*

Here to help

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.