

Spring Statement commentary

Whilst the Spring Statement is normally a tame affair, this year proved a little different and was more of a 'budget-lite'. Driven by the ongoing cost of living crisis and the impact the war in Ukraine is having on this, the Chancellor set out his Tax Plan to the House to try and deal with the issues facing the UK.

Cost of Living

Unsurprisingly this was a big focus of the Spring Statement and has been a growing issue for the country in recent months. The Chancellor has proposed several ways to help tackle this:

- Increase National Insurance threshold by nearly £3,000 from £9,880 to £12,570 – this will bring the NIC threshold inline with the Income Tax threshold, providing a tax saving of over £330 per employee for almost 30 million workers
- Temporarily cutting fuel duty by 5p per litre from 6pm today (23 March 2022) – this is expected to save on average £3 per tank and will run until March 2023
- Reducing the VAT rate on energy saving materials from 5% to 0% for 5 years and reversing a previous ECJ ruling to bring wind and water turbines into the regime. The government will seek to remove a lot of the 'red tape' and complex rules that surrounded this relief
- £500m of additional local funding via the Household Support Fund to be used by local authorities to support households affected by the cost-of-living crisis.

The above is in addition to the £9bn of support packages announced in February to help 28m households with the impact of the fuel cap rise from April 2022.



Businesses

As well as seeking to tackle the cost-of-living crisis, the Chancellor also made some announcements to support businesses and to further encourage growth and investment.

The themes for this part of the Spring Statement were Capital, People and Ideas.

- **Capital** – this focuses on the positive impact of the super deduction and how to continue to drive and encourage investment and capital spend when it ceases on 31 March 2023 to continue the positive impact it has had.

This is likely to come about through further reform of capital allowances for general plant and machinery to make the regime more generous, whether by increasing writing down allowances, permanently increasing the lower limit of the Annual Investment Allowance or some other means.

The Government has played around with capital allowances a lot over the years, and it will be interesting to see what changes are suggested in the Autumn Statement.

- **People** – There is a drive to get more people into work and in particular to upskill the UK workforce. The Government will look to review the operation of the apprenticeship levy to ensure it can be used effectively to meet this need for upskilling, and also to encourage employers to spend more on staff training.

The chancellor also announced an increase in the Employers NIC allowance to £5,000 per annum from April 2022.

- **Ideas** – R&D was mentioned in the Autumn Budget and it is clear from this Statement that the Chancellor wants to improve and update this regime, increasing the participation in it by businesses and ensuring it matches changes to R&D practices.

There was clarification that the use of cloud computing and data costs within R&D will become a qualifying expense, and that work on pure mathematics that supports the R&D activity will also qualify. There was also clarification that overseas R&D will still qualify where there are material factors to this such as geography.

While we still do not know what the final R&D reform will look like, what we know so far are steps in the right direction and the benefits of both the SME and R&D Expenditure Credit regime could still increase further.

Reduction in income tax basic rate band

With a little bit of showmanship, the final rabbit out of the hat was the proposed reduction in the basic rate of income tax from 20% to 19% from April 2024. Whilst a headline grabbing statement that the Chancellor saved until the end, this is still 2 years off and has no immediate impact to the cost-of-living crisis and could still change before the end of this parliament.

Over the coming months more information will become available as consultations are had on some of the proposals that do not come into immediate effect, with more detail expected in the Autumn Budget on some of these areas.



Please note that this summary is not intended to give specific technical advice. It is designed to highlight some of the key issues rather than provide an exhaustive explanation of the topics. Professional advice should always be sought before action is either taken or refrained from as a result of information contained herein. The firm's full name and a full list of Partners is available on our website.



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