



September 2022

NEWSLETTER

Growth Plan 2022

This newsletter was held back as the new government was expected to introduce a financial statement which, in turn, was delayed by the death of the queen.

The new chancellor, Kwasi Kwarteng, introduced the second mini-budget of this year and we still have the main budget to come in November. He chose to call it a "Growth Plan" showing that he has either foresight or a sense of humour. Let's hope that it is the former. He also seems to be at odds with the Bank of England, which increased interest rates by 0.5% earlier in the week to dampen the economy and reduce inflation.

Details of the major changes are given in this newsletter

Home Energy Bills

The new government was very quick to announce how it will help households to cope with energy bills which are rising rapidly because of two things:

1. Oil production was cut back because of reduced demand during the Covid pandemic and has not yet recovered, so a shortage in supply caused market prices to increase.
2. The West reacted to the invasion of Ukraine by imposing an embargo on Russian oil and reducing imports of Russian gas.

Those changes directly affect the price of domestic heating oil and gas, but the effect on the price of electricity is not so great, because less than half of it is generated using those fuels. The good news is that oil and gas prices are already falling on the world market, as new suppliers are found to replace Russia.

In the UK, there is a price cap set by the government, which is the maximum price any energy supplier can charge to a domestic customer. The price cap is a price for each unit of gas or electricity, although it is generally quoted in the media as an annual cost for an average household. The actual annual cost for any particular household can, therefore, be more or less than the figure quoted.

The price cap for that average household was £1,277 a year last winter, is currently £1,971 and was due to rise to £3,549 next month. That will now be limited to £2,500 for the next two years. The government had already announced a £400 subsidy, to be paid or credited to electricity bills at £66 a month for 6 months, to further reduce the annual cost to £2,100. Some people will receive additional subsidies:

1. People on some benefits will receive £650, half of which has already been paid.
2. £150 to those with disabilities.
3. £300 to pensioners, who will also get the usual winter fuel payment.

If the wholesale cost of energy remains at its present level, or increases, then the price cap will not cover what the suppliers are paying for it and they will lose money. The plan is for them to take loans, guaranteed by the government, to cover those losses. Then, when wholesale prices hopefully fall, the price cap will remain at the same level so that energy suppliers can make profits to repay the loans.

Investment Allowance

This allows businesses a deduction for the full cost of plant and machinery in the year of purchase. The limit was temporarily raised to £1m, but that will now be permanent. It's an academic point for most businesses, as they would never spend so much in one year.

Scam Call

I recently received a scam telephone call with the usual recorded message warning me about fraudulent transactions on my debit card. Nothing unusual in that, except that the call appeared to have come from a Newark number, so an unwary recipient may have believed that it was coming from the local bank branch. When I had hung up, I tried calling that number and it came up as unrecognised.

I don't know how the fraudsters manage to insert a false number like that, but the telephone companies should stop them.

National Insurance

From 6 November, we will have the third set of National Insurance rules for this year. The Health and Social Care Levy of 1.25%, which was only introduced in April, will be abolished, so that rates will go back to 12% for employees, 13.8% for employers and 9% for the self-employed. However, the higher threshold for starting to pay NI, which was introduced in July, will still apply. That amounts to reducing NI twice in one year for most people.

Software suppliers now have only a few weeks to amend their payroll programs for the new rates of NI.

Dividend Taxation

Income Tax on dividend income was supposed to increase by 1.25% this year, to mirror the Health and Social Care Levy on earned income, but that will not now happen.

Personal Service Companies

The IR35 rules have been put back to what they were when first introduced, so it is now again the sole responsibility of the owner of the company to decide whether they apply. That reverses reforms introduced in the last few years which required public bodies and large businesses to decide whether IR35 applied when paying subcontractors trading as companies.

Stamp Duty

The nil-rate band for first-time buyers has been increased from £250,000 to £425,000, with the next £200,000 chargeable at 5%. If the cost of the property is more than £625,000, then this concession is not available and normal rates apply, which will now be as follows:

	<u>Normal</u>	<u>Higher</u>
First £250,000	Nil	3%
Next £675,000	5%	8%
Next £575,000	10%	13%
Over £1.5m	12%	15%

The higher rate applies to anyone who already owns a residential property, either solely or jointly, and is purchasing another, either solely or jointly.

Corporation Tax

The planned increase in Corporation Tax from 19% to 25% in April 2023 will not now proceed.

Income Tax

The basic rate of Income Tax will be cut from 20% to 19% in April 2023, a year earlier than planned. At the same time, the additional rate of 45% will be abolished, leaving 40% as the highest rate. Likewise, the dividend additional rate of 38.1% will be abolished, leaving 32.5% as the top rate.

Business Energy Bills

Support will be offered for 6 months from 1 October by subsidising the wholesale price which energy suppliers have to pay for gas and electricity. This should be equivalent to the support offered to households.

Pass it on

Please feel free to copy or pass on this newsletter to friends and business acquaintances. Anyone who would like to be added to the mailing list should e-mail me at the address below.