

Against the backdrop of Russia invasion of Ukraine, soaring inflation and rising interest rates, the Chancellor's Spring Statement moved from a small set piece economic update to a mini Budget, with policy announcements designed to support working families with the increased cost of living. Expected was the cut in fuel duty, more puzzling was the rise in the National Insurance Contributions threshold, which will be introduced shortly after NICs rise by 1.25%. Wanting to grab the headlines (and the initiative from Labour), Rishi Sunak appears to be giving with one hand and taking with another, although more detailed analysis shows the tax take to be its highest for some decades. The success, or otherwise, of these measures will be predicated on world events, rather than Sunak's management of the economy, and it may yet require further interventions from Number 11.

The full document can be found [here](#).

Economic and Fiscal Forecast

- Taking into account the pace of the economic recovery to date, continued global supply chain pressures and the initial impact of Putin's invasion of Ukraine, the OBR expects UK real GDP to grow by 3.8% in 2022. GDP is then forecast to grow by 1.8% in 2023, 2.1% in 2024, 1.8% in 2025 and 1.7% in 2026
- The OBR forecasts inflation to remain elevated through 2022 and 2023, peaking at 8.7% in Q4 2022. Inflation is forecast to be 7.4% in 2022, before decreasing to 4.0% in 2023 and 1.5% in 2024, 1.9% in 2025 and 2.0% in 2026
- Debt interest spending is forecast to reach £83.0 billion next year²¹ – the highest nominal spending ever and the highest relative to GDP in over two decades

Policy Focus

- National Insurance Primary Threshold will increase from £9,880 to £12,570 from July 2022, to align with the income tax personal allowance
- Employment Allowance increased from £4,000 to £5,000 per year
- The government will reduce the basic rate of income tax to 19% from April 2024
- A temporary 12 month cut will be introduced to duty on petrol and diesel of 5p per litre
- The scope of VAT relief available for energy saving materials will be expanded to ensure that households having energy saving materials installed pay 0% VAT

The Tax Plan

- The Tax Plan will reform and reduce taxes in three ways
 - Helping families with the cost of living
 - Boosting productivity and growth by creating the conditions for the private sector to invest more, train more and innovate more
 - Sharing the proceeds of growth fairly