

Against the backdrop of instability at home and abroad, soaring inflation and a damaged economic reputation, the Chancellor's Autumn Statement became a piece of tricky fiscal and political manoeuvring. Keeping the markets calm whilst trying to avoid negative headlines gave Jeremy Hunt little capacity for giveaways – and there was no rabbit pulled out of the hat as there so often is on these occasions.

Whilst spending in key areas such as health and education has been protected as well as further support for households with energy bills, the reality is Hunt's assertion at the weekend that we are all going to have to pay a bit more tax is bang on. The highly respected Institute for Fiscal Studies believes that Real Household Disposable Income per person will fall more than 7% over next two years. This is staggering - the biggest fall on record, taking incomes down to 2013 levels.

Whilst the eye is on the political prize of a General Election in 2025, it remains unclear if the economy will have recovered sufficiently for the public to trust the Conservatives again, or if they take a punt on Rachel Reeves' economic plan. Only time will tell...

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

## **Economic and Fiscal Forecast**

- The Office for Budget Responsibility judges the UK to be in recession, meaning the economy has slowed for two quarters in a row
- It predicts growth for this year overall of 4.2%, but the size of the economy will shrink by 1.4% in 2023
- Economic growth will be 1.3% in 2024, 2.6% in 2025 and 2.7% in 2026
- UK's inflation rate predicted to be 9.1% this year and 7.4% next year
- Unemployment expected to rise from 3.6% to 4.9% in 2024
- The Government will give itself five years to hit debt and spending targets, instead of the current three years

## **Spending**

- Scheduled public spending will be maintained until 2025, but then grow more slowly than previously expected
- In England, the NHS budget will increase by £3.3bn a year for the next two years, and spending on schools by £2.3bn
- Larger payments will be made to devolved governments in Scotland, Wales and Northern Ireland
- Defence spending to be maintained at 2% of national income - a NATO target
- Overseas aid spending kept at 0.5% for the next five years, below the official 0.7% target

## **Business**

- Support worth £13.6bn over next five years to help firms with business rates, including a mixture of freezes and reliefs
- Import taxes removed for two years on more than 100 goods, including some food products
- A planned tax on online sales shelved due to "complexity"
- The VAT registration threshold for businesses will be frozen at £85,000 for two years from April 2024
- Business rate bills in England will be updated to reflect changes in property values since the last revaluation in 2017. To help those facing higher bills there will be support worth £13.6 billion over the next five years. The business rate multipliers will be frozen in 2023-24 and there will be transitional relief caps for ratepayers facing much higher bills after the revaluation
- The 25% levy (windfall tax) on oil and gas company profits has been increased to 35% and extended until 2028. It imposes a 45% levy on electricity generators to raise an estimated £14 billion next year
- The tax-free dividend allowance, which has already been reduced from £5,000 to £2,000, will be reduced to £1,000 in 2023-24 and then to £500 in 2024-25

## **Taxation**

- Income tax Income tax thresholds have been frozen for the basic and higher rates of tax until April 2028 and reduced for those paying the 45p rate.
- Basic rate of tax kicks in on earnings over £12,571 and the higher rate at £50,271.
- The level at which the 45p rate starts has been reduced from £150,000 to £125,140
- The threshold for employer national insurance has been frozen at £9,100 until April 2028
- The tax-free allowance for capital gains will be cut in 2023-24 from £12,300 to £6,000 and again to £3,000 in 2024-25

## **Other measures**

- The Lifetime cap on social care costs in England due in October 2023 has been delayed by two years
- Social housing rent increases in England capped at 7% from next April - instead of 11% due to inflation
- Electric cars, vans and motorcycles to pay road taxes from April 2025
- Triple lock for pensions remains in place
- Benefits increased in line with inflation (10.1% this year)