

**SPRING
STATEMENT**

TAX PLAN

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MY VISION FOR A LOWER TAX ECONOMY

As part of Spring Statement 2022 I set out the government's Tax Plan. This three-part plan to strengthen our economy covers the remainder of the Parliament. It will help families with the cost of living, it will support growth in the economy, and it will ensure the proceeds of growth are shared fairly.

Spring Statement 2022 enacts the first part of the plan, with tax cuts on incomes and energy to help families with the cost of living. Fuel duty on petrol and diesel has been cut by 5p per litre for the next year. From July, taxes for working people will fall as National Insurance thresholds rise - so people can earn £12,570 free of tax, saving the typical employee over £330 a year. This tax cut means the UK now has some of the most generous tax thresholds in the world. These tax cuts will provide meaningful support to tens of millions of people in the United Kingdom.

The second part of our Tax Plan is to boost growth and productivity. For decades, the UK has lagged international peers in investment in capital, people and ideas. Once the super-deduction ends in April 2023, we will cut taxes and enact long-term reforms to incentivise businesses to invest more in these three critical areas. We will work with industry over the remainder of 2022 and plan to announce our conclusions at the Budget later this year.

The final part of our Tax Plan has a simple goal - to let people keep more of what they earn. To that end, I've announced a cut in the basic rate of income tax in 2024 - this is a £5 billion tax cut for workers, savers and pensioners and will be the first cut to the basic rate in 16 years.

This Tax Plan represents the biggest net cut in personal taxes in over a quarter of a century. It is only possible because of the difficult decisions taken by the government in the last twelve months. Cutting taxes sustainably requires prioritisation and a commitment to fiscal discipline. These are the foundations of this plan and our future low tax economy.

Chancellor of the Exchequer, Rishi Sunak



COST OF LIVING

HELPING FAMILIES WITH THE COST OF LIVING

Although the economy continues to recover strongly from coronavirus, global factors - such as supply chain issues and Putin's invasion of Ukraine - are pushing up prices.

We've already provided significant support with the cost of living, including:

- raising the National Living Wage to £9.50 an hour from April 2022 - an increase of over £1,000 a year for a full-time worker
- changing Universal Credit so that 1.7 million households will keep, on average, an extra £1,000 a year
- providing £350 for millions of households to help with their energy bills this year.

The first part of our Tax Plan sets out **further steps to help working families and support businesses.**

INCREASING NATIONAL INSURANCE THRESHOLDS

From July 2022, we will align the Primary Threshold and Lower Profits Limit with the income tax personal allowance. This will mean:

- the first £12,570 an individual earns will be completely tax free
- almost 30 million working people will benefit
- a typical employee will save over £330 a year
- this is a tax cut worth over £6 billion.

**70% OF WORKERS PAY
LESS NATIONAL INSURANCE EVEN
AFTER THE NHS AND CARE LEVY**

REDUCING FUEL DUTY

From 6pm on 23 March 2022, fuel duty will be cut on petrol and diesel by 5 pence per litre for 12 months.

- It's the largest cut across all fuel duty rates ever.
- This cut, plus the freeze in 22-23, represents a £5 billion saving over the next 12 months worth around:
 - * £100 for the average car driver
 - * £200 for the average van driver
 - * £1,500 for the average haulier



INCREASING THE EMPLOYMENT ALLOWANCE

We'll support small businesses by increasing the Employment Allowance to £5,000 from April 2022, benefitting around half a million businesses with a tax cut worth up to £1,000 each.

CAPITAL, PEOPLE, IDEAS

CREATING THE CONDITIONS FOR PRIVATE SECTOR LED GROWTH

To ensure the UK's continued success we need to boost growth and productivity. Our focus should be on three key areas: capital, people, ideas.

This is the second part of our Tax Plan.

CAPITAL

The UK has a long-standing issue with productivity and one of the key underlying causes is a lack of capital investment.

Our companies invest just 10% of GDP each year, compared with 14% in our competitor countries - our tax system doesn't reward investment as much as other countries do.

The government is investing £600 billion over the next five years. We want businesses to invest more too.

REFORM

- We introduced the super-deduction in 2021 - the biggest two-year business tax cut in modern British history - to encourage firms to invest in productivity-enhancing assets that will help them grow.
- We're going to cut and reform taxes on business investment. We want to build on the momentum of the super-deduction to drive business investment.
- The challenge now is to find the most effective way to cut taxes on investment while ensuring value for the taxpayer. We will engage with businesses and confirm plans at the Budget later this year.



PEOPLE

Workers and the skills they bring are vital to businesses. That's why we also need to encourage businesses to invest in training.

Just 18% of 25-64 year olds hold a vocational qualification, a third lower than the OECD average.

UK companies spend less than half the European average on training their employees.

The government is increasing skills funding significantly over the Parliament. We want businesses to do the same.

REFORM

- We will encourage businesses to offer more high-quality employee training and explore whether the current tax system - including the operation of the Apprenticeship Levy - is doing enough to incentivise businesses to invest in the right kinds of training.

IDEAS

Creativity, scientific breakthroughs, innovation - British people are famous across the world for our ideas and discoveries.

These new ideas are vital to support growth in the UK economy, and we need more of them.

That is why the government is taking what it spends on Research and Development to a new level - we will spend £20 billion a year by 2024, an increase of £5 billion.

We want businesses to do the same, investing more in their own transformative R&D, developing new products and solutions to the biggest problems.

REFORM

- The Spring Statement announces improvements to the R&D tax reliefs, setting out support for data and cloud computing costs, refocusing relief on R&D undertaken in the UK, and allowing businesses to claim relief on R&D supported by pure maths.
- We will continue to reform and improve the R&D tax reliefs at the next Budget.

SHARING GROWTH

LETTING PEOPLE KEEP MORE
OF WHAT THEY EARN

Success for the economy should mean success for everyone. That is why we want to go further with the third part of our Tax Plan - ensuring the proceeds of our growing economy are shared fairly.

We will cut the basic rate of income tax from 20% to 19% from April 2024. We will do this in a responsible and affordable way, while continuing to meet our fiscal rules.

This is a bold commitment. It is both an expression of the government's values and a significant step in supporting people's financial security.

Managing our public finances will be key to achieving this. It will take a determined effort to maintain spending discipline across government, and we'll need the economic outlook to hold up.

It's an approach that combines our tax-cutting priorities with our responsible management of the public finances.



CUTTING INCOME TAX

The government will cut the basic rate of income tax from 20% to 19% from 2024. This will:

- reduce tax for over 30 million workers, pensioners and savers
- be the first cut to the basic rate of income tax in 16 years
- make the average taxpayer £175 a year better off.

This is a tax break worth over £5 billion a year. The Scottish government will receive their share of funding, which they can use to cut taxes or raise spending.



Reform

- Alongside tax cuts, we want to make the tax system simpler, fairer and more efficient.
- There are over 1,000 tax reliefs and allowances in the tax system.
- They play an important role but can also be costly and complex.
- We have already reformed some reliefs and allowances and will look to go further ahead of 2024.



MARCH 2022

Cutting fuel duty on petrol and diesel
by 5p per litre

APRIL 2022

Cutting taxes on small businesses by up to £1,000 -
by raising the Employment Allowance to £5,000

JULY 2022

Aligning the annual National Insurance Primary
Threshold and Lower Profits Limit with the income tax
personal allowance, making the first £12,570 of earnings
tax free

APRIL 2023

Cutting taxes on business investment - by
reforming Capital Allowances and R&D
tax reliefs

APRIL 2024

Cutting the basic rate of income tax from 20% to 19%

