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# Spring Budget highlights


## Chancellor Rishi Sunak has announced a limited package of support to help ease the cost-of-living crisis but resisted calls to scrap the planned National Insurance hike.

Living costs have soared since Covid-19 restrictions were eased and the Russian invasion of Ukraine has pushed gas and fuel prices up further. The annual rate of inflation jumped to a 30-year high of 6.2% in February, up from 5.5% in January. Inflation had been predicted to begin levelling off this year, but with the impact of climbing energy and food prices it now looks set to run higher and for longer.

Families across the UK are now facing a cost-of-living crisis, putting chancellor Rishi Sunak under significant pressure to help bring household bills down in this year's Spring Statement. Policies include:

- The National Insurance threshold is being raised by £3,000 to £12,570.
- Fuel duty is being reduced by 5p in order to counter record prices at the pumps.
- The basic rate of income tax will be cut from 20p to 19p in the pound by 2024.

### Tax and wages

The National Insurance threshold has been increased by £3,000 so people will now start paying the levy on income over £12,570 from July 2022. The chancellor also announced that the basic rate of income tax will be cut from 20p in the pound to 19p before the end of Parliament in 2024.

The government has resisted pressure to scrap a planned 1.25 percentage point increase in National Insurance contributions. National Insurance will go up by 1.25 percentage points to 13.25% in April – a rise of 10.4% – which will raise £12 billion a year for health and social care.

Experts have warned that the increase in National Insurance will put further pressure on families that are already struggling with rising bills. The rise will add an extra £255 to the tax bill for someone earning £30,000 a year and £505 to someone earning £50,000 a year.

### Fuel duty

With fuel bills rising, the chancellor announced that he is reducing the levy on petrol and diesel by 5p. Russia's invasion of Ukraine has sent fuel prices soaring to record highs in recent weeks, squeezing household budgets even further.

### The cost of living crisis

The UK is in the grip of a cost-of-living crisis, with energy bills, the price of food and other essentials soaring. Inflation was already rising as a result as a result of the surge in demand following the easing of Covid-19 restrictions and supply chain issues. Russia's invasion of Ukraine and the resulting economic sanctions have exacerbated the problem, pushing prices even higher.

Things look set to get worse for households, which will face a record energy bill increase of 54% from April after the regulator lifted the default tariff cap to £1,971. The Bank of England has warned that inflation could hit 8% in the spring and could go even higher later this year.

In February, the chancellor announced plans to give millions of households a £200 discount on their energy bills (to be repaid at £40 a year) and a council tax rebate of £150 in England and Wales. If prices rise too high consumers could be put off spending, which could hurt economic growth. Higher costs may also put off businesses from investing.

The average price of petrol is now £1.66 per litre for petrol and £1.77 per litre for diesel, costing about £85 to fill up a family car, according to the RAC. Fuel duty is currently 57.95p per litre for petrol and diesel, with VAT at 20% charged on top of the total price.

### Climate and energy

The chancellor announced that he is cutting VAT on energy saving materials to help households improve energy efficiency and save money on bills. For the next five years homeowners will pay 0% instead of 5% VAT when installing solar panels, heat pumps or insulation.

The chancellor revealed his plans to double the government's household support fund to £1 billion for those affected by higher energy costs. The Household Support Fund is managed by local councils and assists households that are in financial difficulty by giving them short-term support.

## Business and technology

The chancellor increased the employment allowance (a relief which allows smaller businesses to reduce their employers National Insurance contributions bills each year) from £4,000 to £5,000. There will be no business rates due on a range of green technology used to decarbonise buildings, including solar panels and batteries, while eligible heat networks will also receive 100% relief.

The chancellor said he will examine how the tax system can be used to encourage employers to invest in adult training. The Treasury will also consider whether to make research and development expenditure more generous.

## What does this mean for households?

Robert Jeffree, chief investment officer of Omnis Investments, says: "Chancellor Rishi Sunak delivered a high-pressure Spring Statement today. Data released earlier in the day showed inflation has raced to 6.2% in February, and people are facing higher bills, including energy costs, petrol prices and a National Insurance hike.

"Mr Sunak unveiled a few measures to support households – the main one being an immediate £3,000 increase in the threshold for National Insurance contributions. He also reduced fuel duty by five pence per litre, cut the rate of VAT on energy-saving home improvements to zero and made an extra £500 million available for housing support. While this does go some way to tackle the rising cost of living, it does not go far enough, and rising costs will continue to squeeze disposable income."

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