

A Summary of the Key Announcements made by the Chancellor of the Exchequer, Jeremy Hunt



The Chancellor, Jeremy Hunt, delivered his Autumn Statement on 22 November 2023, with a focus on reducing the tax burden for businesses and households.

He also set out the Government's new 'back to work plan', promising additional support for those with health conditions, raising the minimum wage and introducing stricter benefits rules to encourage more people to rejoin the workforce.

The Chancellor announced "110 measures to help grow the economy", including a 2% cut to the main rate of National Insurance from 6 January, alongside incentives to encourage

business investment such as permanently extending the full expensing initiative. In this Summary, we provide an overview of the Chancellor's key announcements.

Economic Outlook

The Office for Budget Responsibility (OBR) has downgraded its economic growth forecast for 2024 and 2025 from its previous expectations in the Spring.

The objective of the OBR's economic report is to summarise the UK economy, taking into account the changes made to national spending and the tax system.

In its latest report, the OBR said the economy has proved more resilient to the shocks of the pandemic and energy crisis than it had anticipated.

Overall, the economy will grow by 0.6% this year. After that, the OBR expects the economy to grow by 0.7% in 2024 and the GDP is forecast to rise by 1.4% in 2025.

When the Spring Budget was announced, the OBR said a return to growth was expected at 1.8% in 2024 and 2.5% in 2025, meaning the expected growth for the next two years has been downgraded.



Inflation and Living Standards

The Office for National Statistics (ONS) confirmed that the rate of inflation has dropped to 4.6%. The annual rate slowed in October from the 6.7% reported in September, mainly due to the lower energy price gap imposed on households at the beginning of October.

The lower Consumer Prices Index (CPI) inflation figure means the Prime Minister's pledge to halve the rate of inflation this year is currently met. The Bank of England expects inflation to continue to slow to reach 2% by the end of 2025.

Living standards, as measured by the Real Household Disposable Income (RHDI), per person are forecast to be 3.5% lower in 2024/25 than their pre pandemic levels. The OBR estimates that the reduction in the rate of NICs will boost real household incomes by around 0.5%.

Business

The Autumn Statement intends to bolster British businesses of all sizes to eliminate investment barriers and close the productivity gap with other G7 nations.

The long term view is to unlock £20bn in additional business investments annually for the next decade. The plan is to 'reward hard work' and includes 110 growth measures for businesses.

We summarise the main announcements below.

Business Tax

There have been no more changes to the rates of Corporation Tax.

Capital Allowances - Full Expensing for Businesses

The Chancellor announced that he will make the full expensing scheme permanent.

Full expensing provides 100% first year relief to companies on qualifying main rate plant and machinery investments, including IT equipment. The Government predicts this will unlock an additional £14bn in investment over the OBR's forecast period, helping to drive sustainable economic growth.

Business Rate Support Package

A £4.3bn business rates support package over five years was announced. This includes freezing the small business multiplier for the fourth consecutive year and extending Retail, Hospitality and Leisure (RHL) relief to continue supporting vulnerable businesses. The business rates package is part of a broader effort to invest an additional £20bn in business per year over the next decade.

The main features of this measure include:

- **Extended relief for hospitality and retail** – the package extends a 75% business rates discount for retail, hospitality and leisure businesses for an additional 12 months, offering relief up to £110,000. Despite warning that support measures cannot continue indefinitely, the Chancellor said the extension would save the average pub about £12,800 annually.
- **Freezing the small business multiplier** – this is being frozen for another year, aiding vulnerable businesses. However, the standard business multiplier will see a 6.4% increase, which could put more pressure on consumer prices and inflation.
- **Additional measures** – the Statement also includes a freeze on alcohol duty.



Pension Reforms and Investment

The Autumn Statement includes pension reforms to unlock £75bn of financing for high growth companies by 2030.

The reforms aim to streamline the pensions market by encouraging the consolidation of pension schemes. The move anticipates that most savers will be part of large schemes, potentially exceeding £30bn by 2030.

For businesses, this means a more efficient, cost effective pension system. Pensions will include a stronger focus on private equity, therefore injecting more capital into businesses.

Investments in R&D and Innovation

The Chancellor announced his plans to invest over £750 million in Research and Development (R&D) to maintain the UK's leadership in science and technology, including substantial funding for discovery fellowships and business innovation.

Meanwhile, the extension of the Enterprise Investment Scheme (EIS) and Venture Capital Trusts until 2035 ensures continued support for start ups and SMEs.

Support for SMEs

The Chancellor's Statement also included several measures to bolster the growth of SMEs:

- **Freezing small business rates** – the Government will continue its support by freezing the small business rates multiplier, reducing operational costs for SMEs.
- **Addressing late payments** – stricter payment timelines for bidders on large Government contracts are being introduced to alleviate cash flow issues caused by late payments.
- **Enhancing digital adoption and skills** – expanding the “Made Smarter” program and the Help to Grow initiative will assist SMEs in adopting digital technologies and enhancing management skills crucial for boosting productivity and growth.
- **Supporting self employed individuals** – tax cuts for the self employed, including a reduction in Class 4 NICs and the abolishment of Class 2 NICs, are set to benefit around two million people.
- **Clarifying tax deductibility for training** – HMRC will update guidelines on the tax deductibility of training costs for sole traders and the self employed, clarifying what counts as an eligible business expense.

R&D Tax Relief Reforms

The Chancellor announced that from April 2024, the current R&D expenditure credit (RDEC) for larger businesses and the SME R&D scheme for smaller enterprises will merge into one scheme. This will reduce the tax rate for loss making companies from 25% to 19% and lower the threshold for additional support from 40% to 30%, expanding eligibility to about 5,000 more SMEs.

Companies fluctuating below the 30% threshold will also receive a one year grace period, allowing more businesses to become classified as ‘R&D intensive’. These reforms are expected to provide an additional £280 million in relief annually by 2028/29.

Climate Change Agreement Extension

Chancellor, Jeremy Hunt, also discussed the UK's commitment to energy security and achieving net zero. Achieving this will include significant public and private investment in low carbon energy. To support this, the Government is allocating £185m through the Industrial Energy Transformation Fund for energy efficient technologies and offering around £300m yearly in tax relief under the new Climate Change Agreement Scheme.



Sector Specific Announcements

Advanced Manufacturing

The Government plans to invest £4.5bn in the automotive, aerospace, life science and green industries.

Digital Technology and AI

Substantial investments in artificial intelligence (AI) and digital technologies will help unlock domestic computing power for AI R&D.

Life Sciences

Life science businesses will receive increased funding for clinical trials, manufacturing investments in life sciences and genotyping.

Creative Industries

New funding and enhanced tax incentives for creative businesses, particularly for the visual effects sector, will be introduced to help grow the industry. This includes focusing on film and high end TV production.

Personal

The Government's new 'back to work' plan formed a significant part of the 2023 Autumn Statement. Building on the £7bn employment package introduced earlier this year, the Chancellor says the plan will help more than one million people back into work.

Pay rises, tax cuts and extra support for jobseekers aim to make it easier and more rewarding for people to find work and stay employed. The Government also plans to introduce tougher benefits rules to incentivise more people to "get off benefits and move into work".

National Living Wage Rise

The Chancellor announced he will raise the National Living Wage (NLW) from £10.42 per hour to £11.44 per hour in April 2024.

Class 1 National Insurance Contributions (NICs)

The Chancellor announced a 2% cut to the main rate of National Insurance which is set to benefit 27 million people. This reduction will only apply to annual earnings between £12,570 and £50,270. Individuals will still be able to pay voluntary Class 3 NICs in order to fill gaps in their National Insurance record and thereby enhance their state pension.

Benefits

Universal Credit payments and other welfare benefits will be increased by 6.7% next April. This increment translates into an additional £470 a year for about 5.5 million households. Other changes to benefits include:

- **Incentivising work for benefits claimants** – the Chancellor plans to push 200,000 people into work, focusing on the sick and disabled. This includes mandatory work placements and stopping benefits for those not actively seeking employment.
- **Stricter benefits sanctions** – there will be harsher benefits rules and sanctions, particularly affecting people who cannot work due to disabilities, illness or care responsibilities.
- **Impact on disabled and vulnerable individuals** – the Government plans to tighten the Work Capability Assessment, making it more challenging for individuals to access additional money and protection from benefit sanctions.



Pensions Triple Lock

The Government will maintain the 'triple lock' meaning that pension payments will rise by 8.5% in April 2024.

Housing and Private Rents

In response to the housing crisis, the local housing allowance rate will be increased to cover the lowest 30% of market rents. This measure is expected to benefit 1.6 million households, with an average support of £800 per household per year.

Self Employed Support

The Chancellor announced measures to reward the self employed for their hard work.

The changes include, eliminating Class 2 National Insurance and reducing Class 4 National Insurance from 9% to 8%. These measures are set to save the self employed an average of £350 annually.

In December 2022, it was announced that the introduction of Making Tax Digital for Income Tax Self Assessment (MTD for ITSA) would go ahead for self employed individuals and landlords. Those with income over £50,000 will come into force from April 2026 and those with income between £30,000 and £50,000 will come into force from April 2027.

Those with income under £30,000 will not be brought into MTD for ITSA for now. However, this decision will be kept under review.

If you require any help or advice on the topics raised in this Autumn Budget Summary 2023, please do not hesitate to contact the Team on 0161 761 5231 or email theteam@horsfield-smith.co.uk.

IMPORTANT:

The information in this summary is based on our understanding of the Chancellor's 2023 Autumn Statement in respect of which some details may change when the final legislation and supporting documentation are published. This document is solely for information purposes only and nothing in this document is intended to constitute advice or a recommendation. You should not make any investment decisions based upon its content. Pension eligibility depends on individual circumstances.

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