Mini-budget September 2022

Key areas of impact across hiring, employment and property

Income taxes

- Basic rate cut from 20% to 19% as of April 2023
- The additional rate tax band, which taxes income over £150,000 at 45%, will be scrapped completely as of April 2023
- National insurance rise, which was introduced in April, of 1.25% will be reversed as of November 2022
    - This means a tax saving of £392.18 if you earned £30,000 a year, or £5,219.88 if you earn £200,000 a year from April 2023 onwards
- Bankers previously had a cap on their bonuses of 2x of their basic salaries, this will be scrapped
    - This is to re-attract some of the 7,000 banking jobs that were relocated post Brexit
- IR35 reforms making businesses hiring contractors responsible for determining the correct employment status for their contractors will be scrapped, as of April 2023

Other taxes

- The stamp duty free threshold on property has been increased from £125,000 to £250,000
- The stamp duty free threshold for first time buyers has been increased from £300,000 to £425,000
    - Previously when stamp duty was cut in 2019, we saw an increase in house transaction volumes as well as house prices. Though the previous cut was a temporary measure, which pulled demand forward as people rushed to complete purchases before a deadline. As this cut is here to stay, we might not see the same rapid jump in transactions and prices as before.
- Corporation tax was originally planned to rise from 19% to 25%, this has been scrapped
    - This is quite low compared to other countries, for example, France is 26.5%, the United States is 21%, Canada is 26.5%
    - A planned dividend tax rise of 1.25% has been scrapped

Non-tax related

- The cap on energy will be set at £2,500 for the 'typical household' for residential users, this will be extended to businesses for 6 months
- Planned duty increases on beer, cider, wine and spirits have been cancelled
- VAT free shopping for tourists has returned, meaning that non-UK tourists can shop in the UK then claim VAT back on their purchases

Reactions

- The pound has tumbled against other currencies, reaching its lowest level versus the dollar since 1985
    - The Bank of England is likely to increase interest rates to drive up the price of GBP compared to other currencies, though doing so would increase mortgage rates and lower housing affordability
    - The UK is a net importer, meaning we buy more goods than we sell internationally, a weaker pound means that importing goods from abroad becomes relatively more expensive driving further inflation.