



Budget Hokey Cokey

In the last two months, government policies and tax proposals have been coming in-and-out like the Hokey Cokey. Employers are now waiting for the Chancellor to deliver the budget in his Autumn Statement this Thursday 17 November, where proposals are anticipated to be more concrete. The Chancellor has warned over the weekend that everyone will be paying a bit more tax and there will be spending cuts coming.

So, to recap - what's happened so far?

Here's a quick timeline of events:

- 23 September 2022 - Chancellor Kwasi Kwarteng published his "Growth Plan" - in the period after the markets did not respond well, putting political pressure on the government to change its policies
- 14 October 2022 - Kwarteng resigned as Chancellor and was replaced by Jeremy Hunt
- 17 October 2022 - Hunt made an emergency statement scrapping many of the proposals outlined in the Growth Plan and promising a new Medium-Term Fiscal Plan and a forecast from the Office of Budget Responsibility on 31 October
- 20 October 2022 - Liz Truss announced she was stepping aside as PM
- 25 October 2022 - Rishi Sunak becomes PM, keeping Jeremy Hunt as Chancellor
- 31 October 2022 - original date for the publication of the Medium-Term Fiscal Plan
- 17 November 2022 - revised date for publication of Medium-Term Fiscal Plan (with OBR forecasts)

What is "in" and what is "out"?

The Growth Plan promised a whole host of proposals relevant for employers and workers, some have since been scrapped and some appear to be staying (but for how long?).

Scrapped

Top rate income tax - proposed reduction in top rate income tax from 45% to 40% not going ahead - higher rate will remain at 45%



Basic rate income tax - proposed cut from 20% to 19% from April 2023 not going ahead - will remain at 20%

Corporation Tax - Growth Plan proposed scrap to rise from 19% to 25% - this increase to 25% will now go ahead after all

Dividend tax rates - proposal to reduce the 1.25% increase in dividend tax rates from April 2023 - now scrapped so this increase, which took effect in April 2022, will remain in place

IR35 and Off-Payroll Working - proposed repeal of the 2017 and 2021 reforms to the off-payroll working rules - but proposal now scrapped so rules will remain

Staying - for now

NICs - reduction in NICs rates by 1.25% from November 2022. This is now in force

Health & Social Care Levy - cancellation of the Health and Social Care Levy, which was due to come in from April 2023

Regulatory Reform - an ambitious deregulatory package, including the removal on the cap to banker's bonuses is set to be introduced later this Autumn

Company Share Option Plan (CSOP) amendments - from April 2023, qualifying companies will be able to issue up to £60,000 of CSOP options to employees, double the current £30,000 limit. The 'worth having' restriction on share classes within CSOP will be eased

Legislative proposals in relation to industrial action - [minimum service levels bill](#) for some transport sectors and legislation to make it easier to settle industrial disputes by ensuring meaningful employer pay offers are put to employees

What to expect on 17 November?

Well no one knows for sure, we may see some of the above policies being pulled, or changed again and new policies coming in. But the central message seems to be that the Autumn Statement will be about "restoring stability" and "getting inflation down".

Over the weekend, the Chancellor has hinted that the nation should be prepared for a combination of spending cuts and tax increases to address public finances and inflation. It is looking more likely that changes to rates of income taxes and NICs is unlikely but that tax thresholds will be frozen instead. What the whole picture will be remains to be seen. For example, will proposed spending cuts see a reduction in NHS services? Will this lead to more employers providing private medical insurance as an additional benefit to fill this gap? Will any new measures lead to employees demanding higher pay from their employers and therefore a continuing increase in strike action to address the holes in their pockets?

Interestingly, the need for spending cuts might also see the new PM think twice about the timelines proposed in the Retained EU Law (Revocation and Reform) Bill due to the sheer volume of civil servants (and therefore cost) that will be needed to carry out the task.

In any case, without a crystal ball it is simply a case of wait and see what Thursday's announcement will bring. It seems, though, that there is no promise of an easy way out...