

Chancellor removes most of Truss's mini budget in first announcement

The Chancellor, Jeremy Hunt, had special permission from the Speaker of the House to make an announcement on TV explaining his plans for calming the markets and "ensuring stability".

Hunt will address the House of Commons this afternoon when he will take questions from MPs, but he has scrapped most of former Chancellor Kwarteng's mini budget announced on 23 September and has found almost £32 billion of changes in his "early brief summary" announced on Monday morning.

Mr Hunt said that following conversations with the Prime Minister, he has taken these decisions to ensure the UK's economic stability and to provide confidence in the government's commitment to fiscal discipline. The Chancellor made clear in his statement that the UK's public finances must be on a sustainable path into the medium term.



Chancellor of the Exchequer Jeremy Hunt. Picture by Andrew Parsons / No 10 Downing Street

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On Friday the Prime Minister, Liz Truss sacked her former Chancellor, Kwasi Kwarteng and announced another u-turn on the mini-budget by stalling any reduction in corporation tax. The cut to the higher tax rate had already been abandoned.

The Chancellor announced a reversal of almost all of the tax measures set out in the Growth Plan that have not been legislated for in parliament.

The following tax policies will no longer be taken forward:

- Cutting the basic rate of income tax to 19% from April 2023. While the government aims to proceed with the cut in due course, this will only take place when economic conditions allow for it and a change is affordable. The basic rate of income tax will therefore remain at 20% indefinitely. This is worth around £6 billion a year.
- Cutting dividends tax by 1.25 percentage points from April 2023. The 1.25 percentage points increase, which took effect in April 2022, will now remain in place. This is valued at around £1 billion a year.
- Repealing the 2017 and 2021 reforms to the off-payroll working rules (also known as IR35) from April 2023. The reforms will now remain in place. This will cut the cost of the government's Growth Plan by around £2 billion a year.
- Introducing a new VAT-free shopping scheme for non-UK visitors to Great Britain. Not proceeding with this scheme is worth around £2 billion a year.
- Freezing alcohol duty rates from 1 February 2023 for a year. Not proceeding with the freeze is worth approximately £600 million a year. The next steps of the Alcohol Duty Review announced in Growth Plan 2022 will continue as planned. The alcohol duty uprating decision

and interactions with the wider reforms to alcohol duties under the Alcohol Duty Review will be considered in due course.

What is left of the mini-budget of 23 September appears to be the cut to Stamp Duty, the reversal of a National Insurance increase and the Health and Social Care levy. The £1 million Annual Investment Allowance, the Seed Enterprise Investment Scheme and the Company Share Options Plan will also continue to further support business investment.

▪ **Table of total benefit of tax policy reversals:**

Policy (£bn)	2022-23	2023-24	2024-25	2025-26	2026-27
Re-instate plans to raise Corporation Tax to 25% from April 2023	+2.3	+12.4	+16.6	+17.6	+18.7
Suspend 1p reduction in the basic rate of income tax	0	+5.3	+5.9	+5.8	+5.9
Maintain additional rate of income tax	+2.4	-0.6	+0.8	+2.2	+2.1
Maintain 1.25 percentage point increase in dividends tax rates	0	+1.4	-1.0	+1.1	+0.9
Maintain 2017 and 2021 reforms to off-payroll working rules (also known as IR35)	0	+1.1	+1.4	+1.7	+2.0
Cancel VAT-free shopping scheme for non-UK visitors to Great Britain	0	0	+1.3	+2.0	+2.1

Policy (£bn)	2022-23	2023-24	2024-25	2025-26	2026-27
Cancel one year freeze to alcohol duty rates	+0.1	+0.5	+0.6	+0.6	+0.6
Total	+4.7	+20.1	+25.4	+30.9	+32.3

- Costings in the table are as set out in the Growth Plan 2022 – except for the 1p reduction in the basic rate of income tax, which is the costing from Spring Statement 2022 as adjusted in the Growth Plan 2022. Final costings will be set out as part of the Medium-Term Fiscal Plan on 31 October. (Totals may not sum due to rounding.)

Maggie Chapman, Scottish Greens MSP, said: “Jeremy Hunt may have reversed almost everything that his predecessor announced, but what he is offering will be every bit as damaging. He has already said that nothing will be off the table when it comes to cuts, which will come on top of 12 years of austerity.

“His decision to axe the limited support that is being given to help stretched households and families to pay for energy bills will plunge even more people into poverty and destitution.

“Hunt knows the impact that his decisions will have, particularly on vulnerable people, but he simply doesn’t care. Neither he nor his Tory colleagues can be trusted with our economy or the services that we all rely on.”

Maggie also challenged the Scottish Tories, who backed Kwasi Kwarteng’s plans every step of the way:

“The Scottish Tories have also lost all credibility. Only a few weeks ago they told us Scotland had to implement the same policy decisions that were so bad the Chancellor who announced them was sacked and the PM was forced to drop them.

“Scotland didn’t vote for any of this. We didn’t vote for the cruelty and incompetence of Kwasi Kwarteng and Liz Truss, and nor did we vote for the pain, austerity and cuts that will be inflicted by Jeremy Hunt.

“Every day spent under Tory rule is another day of economic damage, pain and misery. With independence we can take a different path and build a fairer, greener and better economy.”