Chancellor announces new Growth Plan with biggest package of tax cuts in generations

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Chancellor unveils new growth plan, tackling energy costs to bring down inflation, backing business and helping households.

Corporation tax rise cancelled, keeping it at 19% as government sets sights on 2.5% trend rate of growth.

Basic rate of income tax cut to 19% in April 2023 – one year earlier than planned – with 31 million people getting on average £170 more per year.

Stamp Duty cuts will help people on all levels of the property market and lift 200,000 homebuyers every year out of paying the tax altogether.

The plan set the ambitious target for 2.5% trend of growth, securing sustainable funding for public services and improving living standards for everyone.

The Chancellor of the Exchequer, Kwasi Kwarteng, said:

“Economic growth isn’t some academic term with no connection to the real world. It means more jobs, higher pay and more money to fund public services, like schools and the NHS.

“This will not happen overnight but the tax cuts and reforms I’ve announced today – the biggest package in generations – send a clear signal that growth is our priority.

“Cuts to stamp duty will get the housing market moving and support first-time buyers to put down roots. New Investment Zones will bring business investment and release land for new homes in communities across the country. And we're accelerating new road, rail and energy projects by removing restrictions that have slowed down progress for too long.

"We want businesses to invest in the UK, we want the brightest and the best to work here and we want better living standards for everyone."

Setting out the first steps towards growth, Kwasi Kwarteng revealed a package of major cuts to Stamp Duty Land Tax, with the changes expected to increase additional residential investment, boost spending on household goods and support the hundreds of thousands of jobs in the property industry from removals companies to decorators. The nil rate band will be doubled from £125,000 to £250,000, meaning that 200,000 more people every year will be able to buy a home without paying any Stamp Duty at all. The standard buyer in England will save £2,5000, meaning a typical family moving into a semi-detached property will save £2,500 on stamp duty and £1,150 on energy bills – and if they have a combined income of £50,000 around an additional £560 on tax. This is around £4,200 in total.

And the Government is going even further to support first time buyers, who will now pay no stamp duty up to £425,000, and increasing the value of the property on which first time buyers can claim relief, from £500,000 to £625,000. This tax cut took effect from midnight today (Friday 23 Sept 2022). The Chancellor also announced that he will further support homebuyers by increasing the disposal of surplus government land to build new homes, increasing supply.

The Chancellor also set out plans to tackle to the biggest drag on growth – the high cost of energy driven by Vladimir Putin's invasion of Ukraine, which has driven up inflation. To tackle this the government's Energy Price Guarantee will save the typical household £1,000 a year on their energy bill with the Energy Bill Relief Scheme halving the cost of business energy bills, reducing peak inflation by about 5 percentage points.

Also revealed today were major tax reforms to allow businesses to keep more of their own money, encouraging investment, boosting productivity and creating jobs. New measures include cancelling the planned rise in corporation tax, keeping it the lowest in the G20 at 19%, and reversing the 1.25 percentage point rise in National Insurance contributions, a change which will save 920,000 businesses almost £10,000 on average next year. The Chancellor also announced more relief for businesses by making the Annual Investment Allowance £1 million permanently, rather than letting it return to £200,000 in March 2023. This gives 100% tax relief to businesses on their plant and machinery investments up to the higher £1 million limit.

It was also confirmed that the government is in discussion with 38 local and mayoral combined authority areas in England including Tees Valley, South Yorkshire and West of England to set up Investment Zones in specific sites within their area. Each Investment Zone will offer generous, targeted and time limited tax cuts for businesses and liberalised planning rules to release more land for housing and commercial development. These will be hubs for growth, encouraging investment in new shopping centres, restaurants, apartments and offices, and creating thriving new communities.

Revealing further tax reforms, Kwasi Kwarteng outlined sector specific support for pubs and hospitality, freezing alcohol duty for another year. Reforms to modernise alcohol duties will also be taken forward and the government will publish a consultation on these plans. The new measures backing business come on top of the government’s Energy Bill Relief Scheme for businesses to cap costs per unit, which will protect them from soaring energy costs this winter by providing a discount on wholesale gas and electricity prices.

The Chancellor also reiterated the important principle of people keeping more of what they earn, incentivising work and enterprise. He announced a 1p cut to the basic rate of income tax one year earlier than planned. From April 2023, the basic rate of income tax will be cut to 19% and will mean 31 million people will be better off by an average of £170 per year. Due to the combined impact of the reversal of the HSCL and the reduction of the Income Tax Basic Rate, someone working full time on the current National Living Wage will see a tax cut of over £100.

Alongside cutting the basic rate of income tax, the Chancellor also abolished the additional rate of tax, taking effect from April 2023. In its place will be a single higher rate of income tax of 40%. The policy removes the UK’s previous top rate tax, which was higher than countries like Norway, USA and Italy, and is designed to attract the best and the brightest to the UK workforce, helping businesses innovate and grow.

In a further move to grow the economy, the Chancellor announced plans to accelerate new roads, rail and energy infrastructure. In 2021 it took 65 per cent longer to get consent for major infrastructure projects than in 2012. New legislation will cut barriers and restrictions, making it quicker to plan and build new roads, speeding up the deployment of energy infrastructure like offshore wind farms and streamlining environmental assessments and regulations.

To further support businesses, the Chancellor announced new measures to unlock private investment. The Government will change regulations to increase investment by pension funds into UK assets, benefiting savers and boosting economic growth, and incentivising investment into Britain’s science and tech companies.

New measures were also announced to help people on low incomes secure more and better paid work. Universal Credit Claimants who earn less than the equivalent of 15 hours a week at National Living Wage will be required to meet regularly with their Work Coach and take active steps to increase their earnings or face having their benefits reduced. This change is expected to bring an additional 120,000 people into the more intensive work search regime. Jobseekers over the age of 50 will also be given extra time with jobcentre work coaches, to help them return to the jobs market. Rising economic inactivity in the over 50s is contributing to shortages in the jobs market, driving up inflation and limiting growth. Returning to pre-pandemic activity rates in the over 50s could boost the level of GDP by 0.5-1 percentage points.

The majority of announcements today are UK-wide, however the Scottish Government is expected to receive more than £600 million extra funding over the 2021 Spending Review period as a result of the changes to income tax and Stamp Duty Land Tax and the Welsh Government will receive around

£70 million over the same period as a result of the change to Stamp Duty Land Tax. The reversal of the Health and Social Care Levy will save 4.3 million people across Scotland, Wales and Northern Ireland more than £230 on average next year.

In the coming weeks, the Government will set out further details of plans to speed up digital infrastructure, reform business regulation, increase housing supply, improve our immigration system, make childcare cheaper, improve farming productivity and back our financial services.

Further information

Factsheets on each of the major measures can be found here:

The Growth Plan: Factsheet on cancellation of National Insurance rise and Health and Social Care Levy

The Growth Plan 2022: Factsheet on Investment Zones

The Growth Plan 2022: Factsheet on Corporation Tax

The Growth Plan 2022: Factsheet on Stamp Duty Land Tax

The Growth Plan 2022: Factsheet on Income Tax

The full document can be found here.

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