

The Growth Plan 2022 speech



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Mr Speaker,

Let me start directly with the issue most worrying the British people – the cost of energy.

People will have seen the horrors of Putin’s illegal invasion of Ukraine.

They will have heard reports that their already-expensive energy bills could reach as high as £6,500 next year.

Mr Speaker, we were never going to let this happen.

The Prime Minister has acted with great speed to announce one of the most significant interventions the British state has ever made.

People need to know that help is coming.

And help is indeed coming.

We are taking three steps to support families and businesses with the cost of energy.

Firstly, to help households, the Energy Price Guarantee will limit the unit price that consumers pay for electricity and gas.

This means that for the next two years, the typical annual household bill will be £2,500.

For a typical household, that is a saving of at least £1,000 a year, based on current prices.

We are continuing our existing plans to give all households £400 off bills this winter.

So taken together, Mr Speaker, we are cutting everyone's energy bills by an expected £1,400 this year.

And millions of the most vulnerable households will receive additional payments, taking their total savings this year to £2,200.

Secondly, as well as helping people, we need to support the businesses who employ them.

The Energy Bill Relief Scheme will reduce wholesale gas and electricity prices for all UK businesses, charities, and the public sector like schools and hospitals.

This will provide a price guarantee equivalent to the one provided for households, for all businesses across the country.

Thirdly, energy prices are extremely volatile, erratically rising and falling every hour.

This creates real risks to energy firms who are otherwise viable businesses.

Those firms help supply the essential energy needed by households and businesses.

So to support the market, we are announcing the Energy Markets Financing Scheme.

Delivered with the Bank of England, this scheme will provide a 100% guarantee for commercial banks to offer emergency liquidity to energy traders.

Mr Speaker,

The consensus amongst independent forecasters is that the Government's energy plan will reduce peak inflation by around 5 percentage points.

It will reduce the cost of servicing index-linked government debt and lower wider cost of living pressures.

And it will help millions of people and businesses right across the country with the cost of energy.

Let no one doubt: during the worst energy crisis in generations, this Government is on the side of the British people.

The Bank of England are taking further steps to control inflation, acting again only yesterday.

I can assure the House, this Government considers the Bank of England's independence to be sacrosanct.

And we remain closely coordinated, with the Governor and myself speaking twice a week.

But Mr Speaker,

High energy costs are not the only challenge confronting this country.

Growth is not as high as it should be.

This has made it harder to pay for public services, requiring taxes to rise.

In turn, higher taxes on capital and labour have lowered returns on investment and work, reducing economic incentives and hampering growth still further.

This cycle has led to the tax burden being forecast to reach the highest levels since the late 1940s – before even Her Late Majesty acceded to the throne.

We are determined to break that cycle.

We need a new approach for a new era, focused on growth.

Our aim, over the medium term, is to reach a trend rate of growth of 2.5%.

And our plan is to expand the supply side of the economy through tax incentives and reform.

That is how we will deliver higher wages, greater opportunities, and crucially, fund public services, now and into the future.

That is how we will compete successfully with dynamic economies around the world.

That is how we will turn the vicious cycle of stagnation into a virtuous cycle of growth.

So as a Government, we will focus on growth – even where that means taking difficult decisions.

None of this is going to happen overnight. But today we are publishing our Growth Plan that sets out a new approach for this new era, built around three central priorities:

Reforming the supply-side of the economy.

Maintaining responsible approach to public finances

And cutting taxes to boost growth.

Mr Speaker,

The UK has the second-lowest debt to GDP ratio of any G7 country.

In due course, we will publish a Medium-Term Fiscal Plan, setting out our responsible fiscal approach more fully.

Including how we plan to reduce debt as a percentage of GDP over the medium term.

And the OBR will publish a full economic and fiscal forecast before the end of the year, with a second to follow in the new year.

Fiscal responsibility remains essential for economic confidence, and it is a path we remain committed to.

Today we are publishing costings of all the measures the Government has taken.

And those costings will be incorporated into the OBR's forecast in the usual way.

The House should note that the estimated costs of our energy

plans are particularly uncertain, given volatile energy prices.

But based on recent prices, the total cost of the energy package, for the six months from October, is expected to be around £60bn.

We expect the cost to come down as we negotiate new, long term energy contracts with suppliers.

And, in the context of a global energy crisis, it is entirely appropriate for the government to use our borrowing powers to fund temporary measures in order to support families and businesses.

That's what we did during the Covid-19 pandemic.

A sizeable intervention was right then...and it is right now.

The heavy price of inaction would have been far greater than the cost of these schemes.

Mr Speaker,

We are at the beginning of a new era.

As we contemplate this new era, we recognise that there is huge potential in our country.

We have unbounded entrepreneurial drive.

We have highly skilled people.

We have immense global presence in sectors like finance, life sciences, technology, and clean energy.

But Mr Speaker, there are too many barriers for enterprise. We need a new approach to break them down. That means reforming the supply side of our economy.

Over the coming weeks, my Cabinet colleagues will update the House on every aspect of our ambitious agenda.

Those updates will cover: the planning system, business regulations, childcare, immigration, agricultural productivity,

and digital infrastructure.

And Mr Speaker, we start this work today.

An essential foundation of growth is infrastructure.

The roads, railways, and networks that carry people, goods, and information all over our country.

Today, our planning system for major infrastructure is too slow and fragmented.

The time it takes to get consent for nationally significant projects is getting slower, not quicker, while our international competitors forge ahead.

We have to end this.

We can announce that in the coming months, we will bring forward a new Bill to unpick the complex patchwork of planning restrictions and EU-derived laws that constrain our growth.

We will streamline a whole host of assessments, appraisals, consultations, endless duplications, and regulations.

We will also review the government's business case process to speed up decision making.

And today, we are publishing a list of infrastructure projects that will be prioritised for acceleration, in sectors like transport, energy, and telecoms.

And, to increase housing supply and enable forthcoming planning reforms, we will also increase the disposal of surplus government land to build new homes.

Mr Speaker, we are getting out of the way to get Britain building.

Mr Speaker,

One of the proudest achievements of our government is that unemployment is at the lowest level for nearly fifty years.

But with more vacancies than unemployed people to fill them, we need to encourage people to join the labour market.

We will make work pay by reducing people's benefits if they don't fulfil their job search commitments.

We'll provide extra support for unemployed over-50s.

And we'll ask around 120,000 more people on Universal Credit to take active steps to seek more and better paid work, or face having their benefits reduced.

And, Mr Speaker,

At such a critical time for our economy, it is simply unacceptable that strike action is disrupting so many lives.

Other European countries have Minimum Service Levels to stop militant trade unions closing down transport networks during strikes.

So we will do the same.

And we will go further.

We will legislate to require unions to put pay offers to a member vote, to ensure strikes can only be called once negotiations have genuinely broken down.

Of course, Mr Speaker, to drive growth, we need new sources of capital investment.

To this end, I can announce that we will accelerate reforms to the pension charge cap so that it will no longer apply to well-designed performance fees.

This will unlock pension fund investment into UK assets and innovative, high growth businesses.

It will benefit savers and increase growth.

And, we will provide up to £500 million to support new innovative funds and attract billions of additional pounds into UK science and technology scale-ups.

And Mr Speaker, this brings me to the cap on bankers' bonuses.

A strong UK economy has always depended on a strong financial services sector.

We need global banks to create jobs here, invest here, and pay taxes here in London, not Paris, not Frankfurt, not New York.

All the bonus cap did was to push up the basic salaries of bankers, or drive activity outside Europe.

It never capped total remuneration, so let's not sit here and pretend otherwise.

So we're going to get rid of it.

And to reaffirm the UK's status as the world's financial services centre, I will set out an ambitious package of regulatory reforms later in the Autumn.

But Mr Speaker,

To support growth right across the country, we need to go further, with targeted action in local areas.

So today, I can announce the creation of new investment zones.

We will liberalise planning rules in specified agreed sites, releasing land and accelerating development.

And we will cut taxes.

For businesses in designated tax sites, for ten years, there will be:

Accelerated tax reliefs for structures and buildings.

And 100% tax relief on qualifying investments in plant and machinery.

On purchases of land and buildings for commercial or new

residential development, there will be no stamp duty to pay whatsoever.

On newly occupied business premises, there will be no business rates to pay whatsoever.

And if a business hires a new employee in the tax site, then on the first £50,000 they earn...

...the employer will pay no National Insurance whatsoever.

That is an unprecedented set of tax incentives for business to invest, to build, and to create jobs right across the country.

I can confirm for the House that we're in early discussions with nearly 40 places like Tees Valley, the West Midlands, Norfolk and the West of England to establish Investment Zones.

And we'll work with the devolved administrations and local partners to make sure Scotland, Wales and Northern Ireland will also benefit, if they are willing to do so.

If we really want to level up, Mr Speaker – we have to unleash the power of the private sector.

And now, Mr Speaker, we come to tax – central to solving the riddle of growth.

The tax system is not simply about raising revenue for public services, vitally important though that is. Tax determines the incentives across our whole economy.

And we believe that high taxes reduce incentives to work, they deter investment and they hinder enterprise.

As the Prime Minister has said, we will review the tax system to make it simpler, more dynamic, and fairer for families.

And we are taking that first step today.

Mr Speaker,

The interests of businesses are not separate from the interest

of individuals and families.

In fact, it is businesses that employ most people in this country.

It is businesses that invest in the products and services we rely on.

Every additional tax on business is ultimately passed through to families through higher prices, lower pay, or lower returns on savings.

So I can therefore confirm that next year's planned increase in Corporation Tax will be cancelled.

The UK's corporate tax rate will not rise to 25% - it will remain at 19%.

We will have the lowest rate of Corporation Tax in the G20.

This will plough almost £19bn a year back into the economy.

That's £19bn for businesses to reinvest, create jobs, raise wages, or pay the dividends that support our pensions.

I've already taken steps elsewhere in this statement to support financial services, so the Bank Surcharge will remain at 8%.

But, Mr Speaker, we will do more to encourage private investment.

The Annual Investment Allowance, which gives 100% tax relief on investments in plant and machinery, will not fall to £200,000 as planned...

It will remain at £1m.

And it will do so permanently.

Our duty is to make the UK one of the most competitive economies in the world – and we are delivering.

And Mr Speaker,

We want this country to be an entrepreneurial, share-owning democracy.

The Enterprise Investment Scheme. The Venture Capital Trusts. We will extend them beyond 2025.

The Seed Enterprise Investment Scheme. Company Share Option Plans. We will increase the limits to make them more generous.

Crucial steps on the road to making this a nation of entrepreneurs.

Mr Speaker,

For the tax system to favour growth, it needs to be much simpler.

I'm hugely grateful to the Office of Tax Simplification for everything they have achieved since 2010.

But instead of a single arms-length body which is separate from the Treasury and HMRC, we need to embed tax simplification into the heart of Government.

That is why I have decided to wind down the Office of Tax Simplification, and mandated every one of my tax officials to focus on simplifying our tax code.

To achieve a simpler system, I will start by removing unnecessary costs for business.

Firstly, we will automatically sunset EU regulations by December 2023, requiring departments to review, replace or repeal retained EU law.

This will reduce burdens on business, improve growth, and restore the primacy of UK legislation.

Mr Speaker, we can also simplify the IR35 rules – and we will.

In practice, reforms to off-payroll working have added unnecessary complexity and cost for many businesses.

So, as promised by My RHF the Prime Minister, we will repeal the 2017 and 2021 reforms.

Of course, we will continue to keep compliance closely under review.

Mr Speaker,

Britain welcomes millions of tourists every year, and I want our high streets and airports, our ports and our shopping centres, to feel the economic benefit.

So we have decided to introduce VAT-free shopping for overseas visitors.

We will replace the old paper-based system with a modern, digital one.

And this will be in place as soon as possible.

This is a priority for our great British retailers – so it is our priority, too.

Our drive to modernise also extends to alcohol duties.

I have listened to industry concerns about the ongoing reforms.

I will therefore introduce an 18-month transitional measure for wine duty.

I will also extend draught relief to cover smaller kegs of 20 litres and above, to help smaller breweries.

And, at this difficult time, we are not going to let alcohol duty rates rise in line with RPI.

So I can announce that the planned increases in the duty rates for beer, for cider, for wine, and for spirits will all be cancelled.

Now, Mr Speaker, we come to the question of personal taxation.

It is an important principle that people should keep more of the money they earn. And it is good policy to boost the incentives for work and enterprise.

Yesterday, we introduced a Bill that means the Health and Social Care Levy will not begin next year... it will be cancelled.

The increase in Employer National Insurance Contributions and dividends tax... will be cancelled.

And the interim increase in the National Insurance rate, brought in for this tax year...will be cancelled.

And this cut will take effect from the earliest possible moment, November 6th.

Reversing the Levy delivers a tax cut for 28 million people, worth, on average, £330 every year;

A tax cut for nearly a million businesses;

And I can confirm: the additional funding for the NHS and social care services will be maintained at the same level.

Mr Speaker,

I have another measure.

Today's statement is about growth.

Home ownership is the most common route for people to own an asset, giving them a stake in the success of our economy and society.

So to support growth, increase confidence, and help families aspiring to own their own home, I can announce that we are cutting stamp duty.

In the current system, there is no stamp duty to pay on the first £125,000 of a property's value.

We are doubling that – to £250,000.

First time buyers currently pay no stamp duty on the first

£300,000.

We're increasing that threshold as well, to £425,000.

And we're going to increase the value of the property on which first time buyers can claim relief, from £500,000 to £625,000.

The steps we've taken today mean 200,000 more people will be taken out of paying stamp duty altogether.

This is a permanent cut to stamp duty, effective from today.

And Mr Speaker,

I have another measure.

High tax rates damage Britain's competitiveness.

They reduce the incentive to work, invest, and start a business.

And the higher the tax, the more ways people seek to avoid them, or work elsewhere or simply work less...

...rather than putting their time and effort to more creative and productive ends.

Take the additional rate of income tax.

At 45%, it is currently higher than the headline top rate in G7 countries like the US and Italy.

And it is higher even than social democracies like Norway.

But I'm not going to cut the additional rate of tax today, Mr Speaker.

I'm going to abolish it altogether.

From April 2023, we will have a single higher rate of income tax of 40 per cent.

This will simplify the tax system and make Britain more

competitive.

It will reward enterprise and work.

It will incentivise growth.

It will benefit the whole economy and whole country.

And, Mr Speaker, after all, this only returns us to the same top rate we had for 20 years.

And that's not all.

I can announce today that we will cut the basic rate of income tax to 19p in April 2023 – one year early.

That means a tax cut for over 31 million people in just a few months' time.

This means we will have one of the most competitive and pro-growth income tax systems in the world.

Mr Speaker,

For too long in this country, we have indulged in a fight over redistribution.

Now, we need to focus on growth, not just how we tax and spend.

We won't apologise for managing the economy in a way that increases prosperity and living standards.

Our entire focus is on making Britain more globally competitive - not losing out to our competitors abroad.

The Prime Minister promised that this would be a tax-cutting government.

Today, we have cut stamp duty.

We have allowed businesses to keep more of their own money to invest, to innovate, and to grow.

We have cut income tax and national insurance for millions of workers.

And we are securing our place in a fiercely competitive global economy...

...with lower rates of corporation tax...

...and lower rates of personal tax.

We promised to prioritise growth.

We promised a new approach for a new era.

We promised, Mr Speaker, to release the enormous potential of this country.

Our Growth Plan has delivered all those promises and more.

And I commend it to the House.

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