



Black Country
Chamber of
Commerce

SPRING STATEMENT 2022

23 March 2022



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Background

On 23rd March 2022, the Rt Hon. Rishi Sunak, Chancellor of the Exchequer delivered the Spring Budget Statement.

With businesses and individuals experiencing inflation not seen since the 1950s, although usually a fairly predictable and smaller event in the economic calendar, this year there are higher expectations for announcements to help ease the pressure.

This inflation following the past two years of pandemic and resultant lockdowns, is now further exacerbated by the events unfolding in Eastern Europe. Many of the effects of the conflict in Ukraine and subsequent sanctions, are not yet apparent as many of the economic figures do not yet reflect the true picture.

The primary concerns from business at this point seem to be spiralling energy and raw material costs combined with wide concerns about wage inflation, creating a perfect storm of pressure points on their bottom line.

Reaction to Spring Statement by Black Country Chamber of Commerce, Chief Executive, Corin Crane



“These statements outside of the big budget announcements are normally brief and light. However, given the pressures many Black Country businesses and people are facing on inflation, spiralling costs, energy, it was lighter than expected considering circumstances. Whilst there are things which will help working people and some businesses, such as the cut in fuel duty and raising the national insurance threshold. The Government needs to work considerably harder to deal with the looming energy cost crisis and announcements were not of a significant enough scale to make a huge difference to business.”

Economic Forecast

- The UK economy is forecast to grow by 3.8% this year, according to the Office for Budget Responsibility, a sharp cut from its previous prediction of 6.0%
- The economy is then forecast to grow by 1.8% in 2023, 2.1% in 2024, 1.8% in 2025 and 1.7% in 2026
- The annual inflation rate was 6.2% in February, and is likely to average 7.4% for the rest of this year, but with peak of 8.7% in the final quarter of 2022
- The unemployment rate is now predicted to be lower over the next few years than in the OBR's previous forecast in October
- Debt as a percentage of GDP is expected to fall from 83.5% of GDP in 2022/23 to 79.8% in 2026/27
- The government is forecast to spend £83bn on debt interest in the next financial year, the highest on record

Announcements

Fuel Duty

- Cutting fuel duty on petrol and diesel by 5p per litre for 12 months taking effect from 6pm on 23rd March 2022
- This cut, plus the freeze in 2022-23, represents a saving over the next 12 months' worth around:
 - i) £200 for the average van driver
 - ii) £1,500 for the average haulier

Employment Allowance

- The Employment Allowance, which gives relief to smaller businesses' National Insurance payments, will increase from £4,000 to £5,000 from April
- Around 495,000 businesses (30% of all businesses) will benefit from this increase, including around 50,000 businesses (3% of all businesses) which will be taken out of paying NICs and the Health and Social Care Levy entirely
- In total, this means that from April, 670,000 businesses will not pay NICs and the Health and Social Care Levy due to the Employment Allowance

Personal Taxation

- The income threshold for starting to pay National Insurance will rise to £12,570 in July, which is envisaged as a tax cut for employees worth £330 a year
- Pledged to cut basic rate of income tax from 20p to 19p in the pound before the end of this Parliament

Green Technology Business Rate Exemption

- Making green technology, including solar panels and heat pumps, exempt from business rates from April 2022, over the next five years to support the decarbonisation of buildings
- A 100% relief for eligible low-carbon heat networks which have their own rates bill will also be available
- This is on top of reducing the VAT on energy savings materials (ESM) from 5% to 0%, further incentivising homeowners to buy ESMs from businesses as part of a wider package of Government measures targeted at improving energy efficiency

R&D Tax Credit Reform

- From April 2023, business will be able to claim relief on the storage of their vital data and pure maths research
- This is set to boost sectors where the UK is a world-leader, including AI, robotics, manufacturing, and design
- Draft legislation will be published this summer

Summary of Measures

New Spring Statement measures	Comes into effect	Applies to
Fuel Duty cut	6pm Weds 23/03	UK-wide
Increasing the Employment Allowance	April 2022	UK-wide
Business rates relief for green technology	April 2022	England only
R&D tax relief	April 2023	UK-wide
0% VAT on Energy Savings Materials (ESM)	April 2022	GB-only*
Changes to Capital Allowances regime	April 2023	UK-wide**

*The Northern Ireland Executive will receive a Barnett share of the value of this relief until it can be introduced UK-wide.

**The UK government is considering potential policy changes to the CAs regime ahead of April 2023. These are expected to be UK-wide.

Get In touch:

Jonathon Gray
Policy & Campaigns Manager

policy@blackcountrychamber.co.uk