

How Mini-Budget 2022 Affect Your Finance

The Chancellor set out plans to reverse the previously announced rise on National Insurance contributions, reduce income tax rates in 2023 and cut stamp duty. It came against a backdrop of record-high inflation rates, sky-high energy bills and lower growth predictions for the UK economy.

Key changes from the 2022 mini-budget:

Chancellor Kwasi Kwarteng has announced a cut to basic-rate and the removal of additional-rate income tax from April 2023 for most of the UK.

The April increase in National Insurance (NI) contributions will be reversed from November.

The threshold for stamp duty has been raised to £250,000 and £425,000 for first-time buyers.

He reconfirmed the energy price cap of £2,500 for the average household, which was announced earlier this month.

Tighter rules for those receiving Universal Credit.

What are the changes to income tax rates and tax-free personal allowances?

Income tax rates

The Chancellor announced that the basic rate of income tax will be reduced from 20% to 19% from April 2023 – a change originally planned for April 2024. He also has announced that the additional-rate of 45% for those earning over £150,000 will be scrapped completely. This means that people with income over £150,000 in 2023/24 will receive the Personal Savings Allowance for the first time. This will be a tax-free band of £500.

Depending on how much you earn, these changes will affect how much tax you pay on your salary. If you're currently accessing your pension savings, it will also impact the amount of tax you pay when taking money out of your pension.

Keep in mind that income tax rates are currently different in Scotland. The income tax rates in Wales currently match those in England and Northern Ireland, but this could change in the future. This could have some impact on any tax benefits you get on your pension payments. The Scottish government is likely to respond to these changes over the next week.

Tax-free personal allowance

There were no new changes announced for the standard UK-wide tax-free personal allowance, which remains at £12,570 for the 2022-23 tax year which started on 6 April. In the Budget of March last year, the Chancellor announced that it will be frozen at this level until 2025-2026. Most people will only pay tax on anything they earn above this personal allowance threshold.

If you have income of over £100,000, this allowance may be reduced or lost completely.

What are the changes to National Insurance?

You pay National Insurance contributions to qualify for certain benefits and the State Pension.

In April 2022, the rates of NI contributions were increased by 1.25%. This was introduced as a way to increase spending on health and social care and was due to be replaced in April 2023 by a new Health and Social Care Levy.

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The Chancellor has announced this 1.25% increase will be reversed from 6 November 2022. The Health and Social Care Levy will also be cancelled.

Jenny Holt, Managing Director for Customer Savings and Investments at Standard Life, said: "Alongside cuts to National Insurance, these changes will mean people keep more of their earnings as the Chancellor looks to encourage growth. The benefits will be felt far more by higher earners than those on lower incomes where the increases will be modest."

What do the changes in stamp duty mean?

The Chancellor announced several changes to stamp duty that will affect some buyers in England and Northern Ireland. These changes are permanent and come into effect as of 23 September 2022.

The amount at which you pay stamp duty has doubled from £125,000 to £250,000. This means that you won't need to pay stamp duty on properties that are worth less than £250,000.

The stamp duty threshold for first-time buyers has increased from £300,000 to £425,000. And the maximum value of a property on which first-time buyers' relief can be claimed has also increased from £500,000 to £625,000.

These changes only apply in England and Northern Ireland. Property is taxed differently in Scotland and Wales, and an update from the Scottish and Welsh governments is expected soon.

What does the energy price cap mean for your bills?

These new changes are in addition to the energy bill support measures announced earlier this month by Liz Truss; including an energy bill price cap, and a one-off fuel bill discount.

The cap means that a typical household will pay no more than £2,500 in energy bills for the next two years, from 1 October 2022. Before this, typical household energy bills were due to rise to £3,549 a year from 1 October 2022, and then again in January 2023.

The Chancellor has reconfirmed this news, and confirmed that the one-off £400 fuel bill discount payment for households will also go ahead.

What are the changes to Universal Credit?

The rules are tightening for those receiving Universal Credit. In a nutshell, people currently on Universal Credit will be asked to take steps to look for more, or better paid work. If they don't, they could have their benefits reduced. The government will provide more time with work coaches to help people achieve this.

Not sure if you're entitled to Universal Credit or other benefits? Find out how to check if you can claim any benefits in our recent article.

How do the announcements affect my personal or workplace pension?

There were no major changes announced when it comes to pensions, so savers can plan with confidence when it comes to their pension benefits and allowances. Here's a recap of everything you need to know about from recent announcements.

What is the pension annual allowance for 2022-23?

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Your pension annual allowance remains the same for 2022-23. This is the total amount that you, your employer and any third party can normally pay into your pension plans in a tax year, without paying a tax charge. The limit remains at £40,000 or 100% of your earnings in a tax year, whichever is lower, although it could be less if you're a higher or non-earner, or if you've already started taking money from your pension savings. You can find out more about the pension annual allowance in our guide.

Lifetime allowance frozen until 2026

Lifetime allowance will remain at its current level of £1,073,100 until April 2026. This is the total amount of pension benefits that you can build up during your lifetime across all pension schemes before an additional tax charge applies. You can read more in our pension lifetime allowance guide.

The State Pension rose

The State Pension rose by 3.1% in April 2022, as confirmed in the Autumn 2021 Budget. This will affect you whether you're eligible for the new flat-rate State Pension, which was introduced in April 2016, or the older basic State Pension.

From April 2022, those qualifying for a full new State Pension started to receive £185.15 a week (up from £179.60). And those who reached State Pension age before April 2016, who are on the older basic State Pension, will now receive £141.85 – up from £137.60. You can check your own State Pension forecast on the Government's website. For more about the State Pension read our article [Changes to State Pension - here is what you need to know](#).

Were there any changes to the triple lock?

The triple lock is used to decide how much the State Pension rises. Normally, the State Pension would rise in line with whichever is the highest of these three measures:

A flat 2.5%

Average wage growth

The rate of inflation

The triple lock was suspended for the 2022-23 tax year because average wages were rising by over 8%. So sticking with the triple lock would mean the State Pension would have to rise by this amount too. By suspending it, the government aimed to ensure fairness for pensioners and taxpayers.

It's suspected that the government will reinstate the triple lock at some point. This would be welcome news for those receiving the State Pension, but the Chancellor didn't confirm this.

How much are ISA allowances for 2022-23?

The ISA (Individual Savings Account) allowance in 2022-23 will remain at £20,000. That means you can save up to £20,000 in a Cash or Stocks & Shares ISA, or a combination of both. The Junior ISA (JISA) allowance stays at the current level too, which is £9,000.

Pensions and Stocks & Shares ISAs are investments. They can go down as well as up in value and may be worth less than what was paid in.

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Tax rules and legislation may change and your individual circumstances and where you live in the UK will have an impact on the tax you pay.

The information here is based on our understanding in September 2022 and should not be taken as financial advice. If you're unsure please speak to a financial adviser. There is likely to be a charge for this.