What advisers can expect from Friday's mini-budget

Sally Hickey yesterday

Just weeks after being announced as the new prime minister, Liz Truss's government will on Friday (September 23) release a budget.

The new chancellor of the exchequer, Kwasi Kwarteng will deliver the budget against a backdrop of a cost of living crisis, rising interest rates, and a looming recession.

Here's what advisers should expect from the announcement.

Energy bills

The government has already announced that the average household's energy bills will be capped at £2,500 a year for two years.

However, no more details have been given, and this budget will likely contain the cost of such a cap, as well as any more information on assistance for businesses, whose costs are capped for six months only, and have previously not benefited from any price cap.

> The concern is the need to address swelling public debt
>
> *Myron Jobson, Interactive Investor*none

Danni Hewson, finance analyst at AJ Bell highlighted this, saying many businesses have seen their bills skyrocket at a time consumers are cutting back and the economy is slowing.

"Though energy costs are the most pressing concern of many businesses, small businesses are particularly desperate for information about the help that may be available beyond a price cap," she said.

There is also the cost of the plan, and how it will be paid for.

Previous estimates have put the overall cost at £90bn for households, and around £40bn to £60bn for businesses, though the latter is still being finalised.

Tax

There have been suggestions that the new government will move the 1p income tax cut forward a year, to 2023.

It has also been mooted that the higher rate of income tax be raised from £50,270 to £80,000, which could result in a tax saving of nearly £6,000 for those earning above the £80,000 threshold.

Clarification is also expected on Truss's previous statements that her government will rule out a change in the level of corporation tax, which is currently 19 per cent.

She has also said she will scrap the social care levy, introduced as an increase to national insurance in April this year to pay for reforms to the UK's social care system, as well as how these policies will be funded.

Rachael Griffin, tax and financial planning expert at Quilter, said: "Scrapping the NI hike may risk leading to a situation where Truss has to rob Peter to pay Paul if she wants to keep the planned social care reforms."

Griffin added that the national insurance u-turn would have a much greater impact on someone earning £100,000 a year, saving £1,092 annually, than for someone earning £27,000, who would save £180 a year.

"[Scrapping the levy] will provide a boost for consumers but leaves a gaping hole in Treasury funding plans for social care," she said.

Pensions

Former chancellor Rishi Sunak confirmed the state pension triple lock will return in 2023.

The government temporarily suspended the wages element of the pensions triple lock for 2022-23 to avoid a disproportionate rise of the state pension following the pandemic.

This has saved the exchequer around £5bn a year, but has meant that state pensions have seen their benefits rise by 3.1 per cent, compared with price rises that have hit 10 per cent this summer.

Under triple lock, the state pension is increased by the highest of earnings growth, price inflation or 2.5 per cent a year.

Truss has since said she is "fully committed" to the triple lock, and at a hustings event last month, she said she will raise pensions next year by 9-10 per cent.

The inflation part of the lock is calculated from the September inflation figure, which is over 10 per cent.

This would increase pensions from £185.15 per week to £203.65, or £10,600 a year, according to AJ Bell's head of retirement policy, Tom Selby.

"It would likely cost the Treasury over £10bn a hefty price tag even in the context of the huge government support packages we have seen in recent years," he said.

Balancing act

The government has a tricky balancing act of helping consumers through the cost of living crisis without adding fuel to the inflation fire, while trying to reinvigorate the UK economy, said Myron Jobson, senior personal finance analyst at Interactive Investor.

“The concern is the need to address swelling public debt after the colossal spend on Covid and cost-of-living support measures has been kicked the into the long grass.”

The highest earners could be in line for the biggest savings if the the higher income band threshold is raised, Jobson said.

Amount saved from potential tax policies

£20,000	**£30,000**	**£50,000**	**£80,000**	**£100,000**
£93	£218	£468	£843	£1,093
£74	£174	£374	£674	£874
£167	£392	£842	£1,517	£1,967
£167	£392	£842	£7,463	£7,913

Source: Interactive Investor

Figures from II show that those earning £100,000 would enjoy total savings of nearly £8,000 if the national insurance rise in cancelled and the income tax threshold raised.

Those on £30,000 would save nearly £400 in comparison, with those on £20,000 saving just £167 per year.

OBR

The Treasury Committee today (September 20) urged the Treasury for a second time to release a forecast by the Office for Budget Responsibility with the budget.

Last month, chair of the committee, Mel Stride, asked then-chancellor Nadhim Zahawi, to confirm if the Treasury had begun working with the OBR, and warned him against "flying blind".

OBR economic forecasts are normally released alongside budgets, with the government body normally requiring 10 weeks' notice.

However, given the severe economic uncertainty facing the UK's economy, the OBR has previously said it is ready to provide forecasts for the budget on Friday.

sally.hickey@ft.com