

Chancellor Statement – 17 October

Mr Speaker,

The central responsibility of any government is to do what is necessary for economic stability.

Behind the decisions we take and the issues on which we vote are jobs families depend on, mortgages that have to be paid, savings for pensioners, and businesses investing for the future.

We are a country that funds our promises and pays our debts.

And when that is questioned, as it has been, this government will take the difficult decisions necessary to ensure there is trust and confidence in our national finances.

That means decisions of eye-watering difficulty.

But I give the House and the public this assurance: every single one of those decisions...

...whether reductions in spending or increases in tax, will prioritise the needs of the most vulnerable.

That is why I pay tribute to my predecessors for the Energy Price Guarantee, for the furlough scheme...

...and indeed for even earlier decisions to protect the NHS budget in a period when other budgets were being cut.

Mr Speaker, I want to be completely frank about the scale of the economic challenges we face.

We have had short term difficulties caused by the lack of an OBR forecast alongside the mini-budget...

...but there are also inflationary and interest pressures around the world.

Russia's unforgivable invasion of Ukraine has caused energy and food prices to spike.

We cannot control what is happening in the rest of the world, but when the interests of economic stability mean the government needs to change course, we will do so – and that is what I have come to the House to announce today.

In my first few days in this job, I've held extensive discussions with the Prime Minister, Cabinet colleagues, the Governor of the Bank of England, the OBR, the head of the Debt Management Office, Treasury officials, and many others.

The conclusion I have drawn from those conversations is that we need to do

more, more quickly, to give certainty to the markets about our fiscal plans.

And show through action, not just words, that the United Kingdom can and always will pay our way in the world.

We have therefore decided to make further changes to the mini budget immediately, rather than waiting until the Medium-Term Fiscal Plan in two weeks' time, in order to reduce unhelpful speculation about those plans.

Mr Speaker I am very grateful for your agreement on the need to give the markets an early, brief summary this morning, but I welcome the opportunity to give the House details of the decisions now.

We have decided on the following changes to support confidence and stability.

Firstly, the Prime Minister and I agreed yesterday to reverse almost all the tax measures announced in the Growth Plan three weeks ago that have not been legislated for in Parliament.

So we will continue with the abolition of the Health and Social Care Levy, changes to Stamp Duty, the increase in the Annual Investment Allowance to £1 million, and the wider reforms to investment taxes.

But we will no longer be proceeding with:

The cut to dividend tax rates, saving around £1 billion a year.

The reversal of the off-payroll working reforms introduced in 2017 and 2021, saving around £2 billion a year.

The new VAT-free shopping scheme for non-UK visitors, saving a further £2 billion a year.

Or the freeze to alcohol duty rates, saving around £600 million a year.

I will provide further details on how those rates will be updated, shortly.

Second, the Government is currently committed to cutting the basic rate of income tax to 19% in April of 2023.

This government believes that people should keep more of the money they earn, which is why we have continued with the abolition of the Health and Social Care Levy.

But at a time when markets are asking serious questions about our commitment to sound public finances, we cannot afford a permanent, discretionary increase in borrowing worth £6 billion a year.

So I have decided that the basic rate of income tax will remain at 20% – and it will do so indefinitely, until economic circumstances allow for it to be cut.

Taken together with the decision not to cut Corporation Tax, and restoring the top rate of income tax, the measures I've announced today will raise

around £32 billion every year.

The third step I'm taking today, Mr Speaker, is to review the Energy Price Guarantee.

This was the biggest single expense in the Growth Plan and one of the most generous schemes in the world.

It is a landmark policy for which I pay tribute to my predecessor.

It will support millions of people through a difficult winter and will reduce inflation by up to 5%.

So I confirm today that the support we are providing between now and April next year will not change.

But beyond next April, the Prime Minister and I have agreed it would not be responsible to continue exposing the public finances to unlimited volatility in international gas prices.

So I am announcing today a Treasury-led review into how we support energy bills beyond April next year.

The review's objective is to design a new approach that will cost the taxpayer significantly less than planned whilst ensuring enough support for those in need.

Any support for businesses will be targeted to those most affected. And the new approach will better incentivise energy efficiency.

There remain many difficult decisions to be announced in the Medium-Term Fiscal Plan on October 31st...

...when I confirm that we will publish a credible, transparent, fully costed plan to get debt falling as a share of the economy over the medium term...

...based on the judgement and economic forecasts of the independent Office for Budget Responsibility.

I would like to thank the OBR, whose director Richard Hughes I met this morning, and the Bank of England whose Governor Andrew Bailey I have now met twice.

I fully support the vital, independent roles both institutions play, which give markets, the public, and the world confidence that our economic plans are credible, and rightly hold us to account for delivering them.

But I want some more independent, expert advice as I start my journey as Chancellor.

So I am announcing today the formation of a new Economic Advisory Council to do just that.

The Council will advise the government on economic policy with the first four

names announced today:

- Rupert Harrison, former Chief of Staff to the Chancellor of the Exchequer,
- Gertjan Vlieghe, Element Capital
- Sushil Wadhvani, Wadhvani Asset Management
- Karen Ward, J. P. Morgan

Mr Speaker,

We remain completely committed to our mission to go for growth, but growth requires confidence and stability – which is why we are taking many difficult decisions, starting today.

But while we do need realism about the challenges ahead, we must never fall into the trap of pessimism.

Despite all the adversity and challenge we face, there is enormous potential in this country.

We have some of the most talented people in the world.

Three of the world's top ten best universities.

The most tech unicorns in Europe.

One of the world's great financial centres.

Incredible strengths in the creative industries...

...in science, research, engineering, manufacturing, and innovation.

All that gives me genuine optimism about our long-term prospects for growth.

But to achieve that, it's vital that we act now to create the stability on which future generations can build.

The reason the United Kingdom has always succeeded is because at big and difficult moments we have taken tough and difficult decisions in the long-term interests of the country. That is what will we now do.

And I commend this statement to the House.