

Chancellor announces tax cuts to ease cost of living pressures in Scotland

- Chancellor announces Spring Statement tax cut for 2.4 million Scottish workers through rise in National Insurance thresholds – saving the typical employee over £330 a year
- Unveiling plans to give families further help with the cost of living, Rishi Sunak also slashes fuel duty on petrol and diesel by 5p per litre for the next 12 months
- Spring Statement also sets out measures to help businesses boost investment, innovation, and growth – including a £1,000 increase to Employment Allowance to benefit around half a million SMEs across the UK
- The UK Government is providing an additional £45 million to the Scottish Government next year as a result of measures announced by the Chancellor today.

Rishi Sunak announced that National Insurance starting thresholds will rise to £12,570 from July, meaning hard-working people across the UK will keep more of what they earn before they start paying personal taxes.

The cut, worth over £6 billion, will benefit 2.4 million working people in Scotland with a typical employee saving over £330 a year, whilst the typical self-employed person will save over £250. This means the UK now has some of the most generous tax thresholds in the world.

Mr Sunak also announced that fuel duty for petrol and diesel will be cut by 5p per litre from 6pm tonight (23 March) to help drivers across the UK with rising costs. Worth £2.4 billion, this is the biggest cut ever on all fuel duty rates and means a one-car family will now save on average £100.

As a result of a cut to the basic rate of income tax for savings income, taxpayers in Scotland will see benefits worth £3 million. As other income tax rates are devolved in Scotland, the Scottish Government's funding is automatically increased as a result of this tax cut as set out in the agreed Fiscal Framework. This is initially worth £350 million in 2024-25.

The Chancellor also set out a series of measures to help businesses boost investment, innovation, and growth – including a £1,000 increase to Employment Allowance to benefit around half a million businesses.

As a result of measures in this Spring Statement the UK Government is providing the Scottish Government with an additional £45 million through the Barnett formula next year.

Chancellor Rishi Sunak said:

We're slashing taxes for millions of hard-working people in Scotland, getting pounds in people's pockets and helping pay cheques to stretch further – from July more than 2.4 million in Scotland will get a tax cut with the typical employee keeping £330 more each year.

By cutting fuel duty, we're making it cheaper for people in Scotland every time they go to the pump, which together with the freeze means people save £100 per car on average a year.

We're boosting small business growth by increasing the Employment Allowance – a tax cut worth up to £1,000 for thousands of businesses.

Scottish Secretary Alister Jack said:

Measures announced by the Chancellor will help address the big issues facing people in Scotland and right across the UK.

Families across the country are struggling with the cost of living. The reduction in fuel duty, zero VAT on green home improvements, and a tax cut for low and middle earners will help them with these growing pressures.

And an extra £45 million for the Scottish Government will allow them to provide additional support to the most vulnerable families over the coming months.

The Chancellor also reiterated our steadfast support for the people of Ukraine. I know people across Scotland will stand with him on that.

These are undoubtably challenging times, but action taken by the Chancellor in the Spring Statement will help the UK Government build a stronger, more secure economy for everyone.

To grow the world's very best talent in AI, the Government will partner with industry and academia to create 1,000 new AI PhDs. The Government will invest £117m to create PhDs across the UK at Centres for Doctoral Training, building on the existing three sites in Scotland. This will train a new generation of AI researchers who will develop and use AI in areas such as healthcare, climate change and creating new commercial opportunities.

Delivering the statement, the Chancellor made clear that our sanctions against Russia will not be cost-free for people at home, and that Putin's invasion presents a risk to our economic recovery – as it does to countries all around the world.

However, announcing the further measures to help people deal with rising costs, he said the extra support could only be provided because of the UK's strong economy and the tough but responsible decisions taken to rebuild our fiscal resilience.

The immediate financial support for people and businesses comes as part of a wider tax plan announced by the Chancellor that will create better conditions for growth and will share proceeds from growth more fairly – ensuring people can keep more of what they earn.

Mr Sunak also announced that the Scottish Government will receive £41 million more funding as there will be an extra £500 million for the Household Support Fund, which doubles its total amount to £1 billion to support the most vulnerable families with their essentials over the coming months. The Chancellor also reduced the VAT on energy saving materials such as solar panels, heating pumps and roof insulation from 5% to zero, helping families become more energy-efficient.

This cost of living support comes on top of the measures that the Chancellor has already announced over the recent months to support families. This includes an over £9 billion energy bill rebate package, worth up to £350 each for around 28 million households, an increase to the National Living Wage, worth £1,000 for full time workers, and a cut to the Universal Credit taper, worth £1,000 for 2 million families.

Further announcements

The Spring Statement also confirms that:

- A new Efficiency and Value for Money Committee will be set up to cut £5.5 billion worth of cross-Whitehall waste – with savings to be used to fund public services.
- £50 million new funding to create a Public Sector Fraud Authority to hold departments to account for their counter-fraud performance and to help them identify, seize and recover fraudsters money.
- Local residents across the UK will benefit from a fresh set of infrastructure projects as we open the second round of the £4.8 billion Levelling Up Fund. It will continue to focus on regeneration, transport and cultural investments.

Further information