



**POLITICAL  
INTELLIGENCE**

# Spring Budget 2023 Expectations





## Introduction

The Spring Budget 2023 will include new measures to boost the UK labour market, further support for household energy bills, and a tax break to encourage companies to invest more, along with a less bleak economic outlook, according to media reports. But although official data suggest the British economy is less weak than was expected just a few months ago, Chancellor of the Exchequer, Jeremy Hunt, has signalled he will disappoint Conservative MPs that want him to announce big tax cuts on Wednesday.

The UK is the only Group of Seven country whose economy has yet to recover to its pre-Covid crisis size and continues to weather double-digit inflation. However, recent official data suggest the Treasury has some fiscal leeway and the Office for Budget Responsibility's (OBR) outlook for the economy could be less downbeat on Wednesday than it was when Hunt delivered his Autumn Statement in November. The Chancellor confirmed on Sunday that the budget would include "a very comprehensive package of measures to break down barriers to work," which the Treasury has said will include helping benefit claimants with childcare costs and encouraging older people and long-term sick and disabled to work. Official figures show the pandemic triggered a sharp drop in employment and jump in the number of people not in work or looking for a job, making it harder for the economy to bounce back to its full potential.

To help with the cost-of-living crisis, media reports suggest Hunt will also announce a three-month extension to the government's energy bill support. While the Chancellor has signalled that the corporate tax rate will rise as planned to 25 percent in April from 19 percent, he is expected to set out a new capital allowance mechanism for companies to replace the expensive so-called "super deduction" investment incentive scheme that is about to expire. There will also be more money for defence, with Prime Minister Rishi Sunak pledging £5bn extra spending on Sunday to fund a nuclear-powered submarine pact with the US and Australia and replace weapons sent to Ukraine.

This Dods Political Intelligence report aims to provide a sector-by-sector guide to what to expect in the Spring Budget 2023 based on recent media reports, with links to original sources. Dods does not vouch for the accuracy of the reports.



## Spring Budget 2023 Expectations

### Business, Economy and Financial Services

- Hunt will announce a three-year tax break for businesses worth about £11bn with a new scheme to encourage investment and replace the soon-to-expire “super deduction” investment allowance, [Bloomberg](#) reported.
- The Chancellor will confirm that corporation tax will rise as planned in April to 25 percent from 19 percent, according to multiple media reports.
- The tax-free allowance on pensions could rise, the [Telegraph reports](#). While the current lifetime allowance, or the amount one can save before being taxed, stands at £1.073m and is frozen until 2026, Hunt may look to raise that to avoid pensioners retiring early.
- The £40,000 cap on annual pension contributions could also rise, the [Guardian](#) reports.
- Alcohol duty will be frozen until August 2023, according to [The Sun](#).
- Tobacco duty is set to increase in line with inflation, rising by 15 percent, [The Sun reports](#).

### Education and Skills

- It was previously reported that the Treasury was considering a proposal to massively expand free childcare to one- and two-year-olds in England, according to [The Guardian](#).
- Children’s Minister Claire Coutinho said last week, however, that the government “is not currently planning to extend the 30 hours of free childcare a week,” in response to a [written question](#).
- Universal credit claimants will get more help with childcare costs, including raising the amount people can claim and paying those costs up front rather than refunding them once they have been paid, [the BBC](#) has reported. The support will be part of a “back to work” plan which will include “returnships” and expanded bootcamps to help the over-50s retrain, as well as people with disabilities and on long-term sickness.
- Whitehall looks set to hand over control of key education and skills budgets to the elected mayors of Greater Manchester and the West Midlands, following the positive outcomes seen in devolution “trailblazer” deals for the regions, according to [The Times](#). Further devolution of education budgets was a [key recommendation of the Times Education Commission](#), which reported last June.
- The rules may be relaxed on registrations of childminders, so that more can enter the market, the [Guardian reports](#).

### Energy and Utilities

- The Chancellor will announce the government will extend the £2,500 energy price guarantee by three months from April, rather than lift it to £3,000 as planned, following a campaign by several charities and business groups, according to multiple news reports including [The Guardian](#). The Financial Times reports that the measure is [expected](#) to cost around £2.7bn.
- The government will help more than four million households save £45 a year on their energy bills by bringing prepayment changes in line with customers who pay by direct debit, the [BBC reports](#).

- Almost 100 charities and non-profit organisations have urged the government to create “social energy tariffs”, which provide cheaper gas and electricity for low-income households, [MoneyWeek reports](#).

### Foreign Affairs, Defence and International Development

- The Budget will include a £5bn boost to defence spending, confirmed by Prime Minister Rishi Sunak, according to multiple sources including the [BBC](#). The extra money will be used to fund a nuclear-powered submarine deal with the US and Australia and replace weapons sent to Ukraine.
- As much as £33m will be provided for military veterans to transition to civilian life, according to [The Sun](#).

### Health, Social Care and Welfare

- Hunt is planning to reform pension tax rules in a bid to cut the number of doctors quitting the National Health Service, according to [Bloomberg](#).
- The [Times](#) reports the cap on Universal Credit childcare allowance will be raised to £950 per month from £646.
- There will not be extra funding for public sector pay rises, [Politico](#) reports.
- The Treasury will provide additional support aimed at R&D intensive industries, such as life sciences and digital technologies, following backlash from business and industry bodies on the halving of the SME rate of relief, PWC says in its [Budget preview](#). The Chancellor may look outside of the tax system to support R&D through a range of grants and government support for emerging industries, the firm says.
- The [Telegraph](#) is reporting that the Chancellor will announce a crackdown on sick notes. The Treasury has been working with the Department for Work and Pensions to change how GPs issue sick notes, with a focus on providing support rather than signing people out of the labour force. It also reported that the Treasury was considering allowing sick people who return to work part-time to continue claiming some sickness benefits.
- Around eight million households will get a £900 cost of living payment in April. The instalments will be paid in three, instead of two, as was done previously, according to [The Sun](#).

### Transport and Infrastructure

- The Chancellor could extend the 5p cut in the price of petrol and diesel for another year, if the public finances allow, according to the [Times](#). Sunak announced the cut last year in response to the jump in prices triggered by Russia's invasion of Ukraine.
- £200m will be provided to help fix potholes across the country, [the Daily Mail](#) has reported.

### Levelling Up, Housing and Communities

- West Midlands and Greater Manchester will be handed full control over budgets in areas such as education, transport and housing. The regional mayors will be handed budgets of about a billion pounds a year each and trusted to make their decisions about where to prioritise spending, [The Times](#) has reported.



- The Chancellor is considering raising Stamp Duty Land Tax for landlords and second-home buyers, according to [The Times](#).

#### Home Affairs and Justice

- Police and judges to be offered a 3.5 percent pay increase, according to [YahooNews](#).

## About Dods Political Intelligence

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For further information, please visit [dodspoliticalintelligence.com](http://dodspoliticalintelligence.com) or contact us at [customer.service@dodsgroup.com](mailto:customer.service@dodsgroup.com) or  
UK customer service +44 207 593 5500 or  
EU customer service +32 274 182 30