

Autumn '21 Budget: A mixed picture for employers

As widely expected, last month's Budget offered a combination of tax rises and relatively modest real terms increases in public spending, focused in part on delivering the Government's levelling up agenda for the UK's regions, writes *David Mills, Partner at Mills & Reeve LLP*.

The two most significant employment-based tax rises were announced well in advance. In the last Budget (March 2021), Chancellor of the Exchequer Rishi Sunak committed to freezing income tax thresholds at April 2021 levels for the next five years.

Then in September the Prime Minister announced a 1.5 per cent rise in the rate of employers' and employees' Class 1 National Insurance Contributions, to take effect next April.

In terms of wages policy, there were two significant announcements in the days leading up to the Budget. These comprised the decision to lift the public sector pay freeze, and above inflation increases to the National Minimum Wage rates – lifting the top rate to £9.50 an hour from April 2022.

Measures announced on the day of the Budget which will be of interest to employers included the following:-

- A new Scale-up Visa, launching in spring 2022, which will be open to applicants who have a high-skilled job offer from an eligible business with a salary of at least £33,000
- Extending the £3,000 apprentice hiring incentive for employers until 31 January 2022, as well as other improvements to the apprenticeship framework
- Increased funding for the National Skills Fund

Analysis by the Institute for Fiscal Studies of the latest forecasts indicates that workers on median incomes are likely to see a cut of around 1 per cent in their real take-home pay as a result of tax rises and inflation.

However workers on lower wages will fare better, because of the combination of the rise in the NMW rates and changes to the Universal Credit rules for those in work.

Overall, employers will fear that the Budget will not only add to direct wage costs for workers on or just above the minimum wage, but also increase the upward pressure on wages generally as we move through 2022.

There are, however, some positives in terms of increased expenditure on skills and training, though for many this has fallen short of expectations.

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