

Budget Highlights

9.3.2017

Yesterday Chancellor Philip Hammond delivered his first and last ever Spring Budget, which will from here on in move to the autumn in a new 'once a year' fiscal update policy. The Chancellor stressed that as we head toward 'Brexit' negotiations that he was delivering a Budget designed to create a strong and stable platform for those negotiations, whilst also providing further investment to public services. It was a Budget that would continue to get Britain back to living within its means, support everyday families, and promote better education and social care but one, he insisted, which would not saddle younger generations with even more debt.

In 2016, Britain's economy was the second fastest growing economy in the G7 following Germany. The UK is also enjoying record levels of employment and unemployment is at its lowest level for eleven years. On International Women's Day, the Chancellor seemed especially pleased to report that more women were in work than ever before, including filling more roles in parliament than in the past. The forecast for employment remains positive with expectations that by 2021 a further 650,000 people will be in employment. Other positive news included the slight upward revision of the growth forecast and that the deficit was slightly down.

However, the Chancellor warned of complacency with debt remaining too high and productivity levels continuing to be stubbornly low. Mr Hammond stated that the interest paid on the UK debt represents a larger amount than is currently spent on UK policing and defence combined. He pointed out that our productivity falls 35% behind Germany and 18% below the G7 average. The gap, he said, was not closing but he added that investment in training and infrastructure would help to address this.

Mr Hammond said that the cornerstone of any economy was an economy that worked for everyone. This would therefore be a Budget to help everyday families by helping to raise living standards and provide further investment in services, but not at the expense of reckless spending. The Chancellor warned that, "The only responsive course is to continue with the current plan, remaining undeterred by short-term fluctuations and undistracted by the reckless policies of the opposition".

OBR forecasts

Growth forecast

2017	2%
2018	1.6%
2019	1.7%
2020	1.9%
2021	2%

Debt forecast (as a % of GDP)

2016/17	86.6%
2017/18	88.8%
2018/19	88.5%
2019/20	86.9%
2020/21	83%
2021/22	79.8%

Public sector net borrowing

2016/17	£51.7bn
2017/18	£58.3bn
2018/19	£40.8bn
2019/20	£21.4bn
2020/21	£20.6bn
2021/22	£16.8bn

Inflation forecast

2017	2.4%
2018	2.3%
2019	2%

Main Budget points

Businesses

- £435m for firms affected by increases in business rates, including £300m hardship fund for those worst hit.
- Pubs with rateable value of less than £100,000 to get a £1,000 discount on rates they pay.
- Increases for businesses losing existing relief capped at £50 a month.
- A further tax avoidance clampdown designed to raise an additional £820m of tax revenue to include action to stop businesses converting capital losses into trading losses, to tackle abuse of foreign pension schemes and to introduce UK VAT on roaming telecoms services outside the EU, which is standard practice elsewhere.
- A review of taxation set for North Sea oil producers.
- R&D administration burdens are to be reduced to encourage more R&D in the UK.

Making Tax Digital (MTD)

The Chancellor also announced some steps to ease the introduction of HMRC's MTD plans with the following steps:

- Unincorporated businesses and landlords with annual turnovers below the VAT registration threshold (currently £83,000 and thereafter £85,000 from April 2017) will have longer to prepare for MTD with a new deadline of April 2019.
- A consultation will also take place in order to try to simplify the system for taxpayers.

Self employed

- The main rate of Class 4 National Insurance contributions to increase from current rate of 9% to 10% in April 2018 and 11% in April 2019 raising £145m a year by 2021-22 at an average cost of 60p a week to those affected.

Personal Tax

- No changes to income tax, VAT or other National Insurance categories.
- Personal tax-free allowance to rise as planned to £11,500 this year and to £12,500 by 2020.
- As previously announced the higher rate threshold increases to £45,000 in April. Yesterday, the Chancellor also reiterated the Party's pledge to increase this to £50,000 by 2020.

Infrastructure transport and energy

- £270m for new 'disruptive' technologies such as robots and driverless vehicles.
- £16m for 5G mobile technology and £200m for local full-fibre broadband networks.
- £690m competition fund for English councils to tackle urban congestion.
- £250m funding for the Scottish Government, £200m for the Welsh Government and almost £120 for the Northern Ireland Executive.

Health & Social care

- £100m to place more GPs in accident and emergency departments for next winter to help hospitals triage patients and offset the inappropriate use of A&E departments.
- An extra £325m to allow the NHS Sustainability and Transformation Plans to proceed.
- An additional £2bn funding for social care in England over next three years, with £1bn of this to be available within the next year.
- 'Future of Social Care' Green Paper commissioned with results published later this year.

Education (England)

- Funding to be made available to develop a further 110 new free schools.
- £300m to support 1,000 new PhD places and fellowships in STEM (science, technology, engineering and maths) subjects.
- Free school transport extended to all children on free school meals who attend a selective school.
- £216m investment for the repair and rebuilding of schools over the next three years.
- Introduction of T-Levels to raise the standard of technical education.
- Number of hours of training for technical students aged 16 to 19 increased by more than 50%, including a high quality, three-month work placement.

International Women's Day announcements

- A new £20m fund will support the campaign against violence against women and girls.
- £5m fund for a new project to celebrate the centenary of women first getting the vote, and help educate young people about its significance.
- Funding of £5m to support people returning to work after a career break.
- Tax receipts raised under the 'tampon tax' will raise an additional £12m benefiting more women's charities.

Pensions, savings and personal taxation

- From April 2018 a reduction in tax-free dividend allowance from £5,000 to £2,000.
- New National Savings Bond will be available from April. Offers interests rates of 2.2% on savings of up to £3,000 although this is less than the rate of inflation!
- ISA level rises to £20,000 per annum in April 2017 as previously reported.
- Measures to tackle abuse of overseas pension schemes.

Fuel and duties

- Cigarette prices are set to rise with a new minimum excise duty on cigarettes based on a packet price of £7.35.
- Alcohol and tobacco duties, however, are unchanged from previous announcements.

Comment from Liam McHugh, Partner

"It may have been the last, and seemingly insignificant, Spring Budget, but don't be fooled! The rhetoric around the few announcements that were made indicated that more is yet to come with a number of consultations in the pipeline.

And whilst the 2% increase in national insurance contributions for self-employed individuals will not have any impact on 85% of the working population this does indicate a Chancellor who means business and is not afraid to break election pledges.

But, where does this leave our economy if entrepreneurial spirit is dampened as the Chancellor focuses on closing the gap between employees and self-employed individuals?

Spreadsheet Phil commented that today, it was all about fairness, equality and moving forward.

All will undoubtedly welcome the investment in education, as we desperately need the skills and knowledge to remain competitive for the future, especially with uncertainty looming over us, and the need to find our feet after 'Brexit'.

In fact, there was no explicit mention of 'Brexit', but clearly, it is all about making the economy stronger to prepare for what's to come.

Whilst we cannot predict the future, we should brace ourselves for the number of changes ahead, in the Chancellor's quest for fairness. We suspect the Autumn Budget might be more action packed!

Further Updates

Our technical team will be reporting on further issues following the Budget so do watch out for further details in the news and blog areas of our website.

For further information about any particular taxation point raised in this update please contact your local MFW office where our partners will be pleased to assist you with your business and personal tax planning.

Please note: Our update has been prepared ahead of the release of all the technical information relating to these changes and is therefore, designed to provide an overview of the Budget and should not, be solely relied upon in making any personal or business decisions. Many of the details contained herein should therefore only be used for guidance purposes and the help of a professional should be sought who will consider your own unique circumstances and the best approach for you.