

Autumn Budget 2018 main highlights 31 October 2018

On 29 October Chancellor Philip Hammond delivered what should be his last Budget ahead of the 'Brexit' deadline of 29 March 2019. He said that it was a Budget not just for some, or for the majority, but for everyone. A Budget, he said "for strivers, grafters and carers who are the backbone of our community".

In his Budget speech, the Chancellor praised the hard work of the British people and effectively ended the period of austerity.

Brexit

The Chancellor said, "We are at a pivotal moment in EU negotiations and the stakes could not be higher. Get it right and we will not only protect Britain's jobs, businesses and prosperity, but we will also harvest a double deal dividend. A boost from the end of uncertainty and a boost from releasing some of the fiscal headroom that I am holding in reserve at the moment. We are confident that we will secure a deal which delivers that dividend, confident but not complacent".

The Chancellor went on to outline his three-pronged approach, which would continue to plan for all 'Brexit' eventualities" including:

- a further £500m added to Brexit funding;
- plans to maintain the headroom to his fiscal policies set out in the Spring Statement, "retaining firepower to intervene if the economy needs more support in the coming months"; and,
- the provision to upgrade the Spring Statement to a full fiscal event if required.

To mark the occasion, a new commemorative 50p coin will be minted and go into circulation on 29 March 2019.

Growth, borrowing and national debt

The Office of Budget Responsibility (OBR) has downgraded the 2018 growth forecast to 1.3% from 1.5% in March, largely due to the inclement Spring weather. They have, however, revised up their growth forecasts slightly from 2019 as follows:

2019	1.6%	2020	1.4%
2021	1.4%	2022	1.5%
2023	1.6%		

- Public borrowing in 2018 is £11.6bn lower than originally forecast in the Spring Statement, representing 1.2% of gross domestic product (GDP).
- Borrowing forecasts for the next five years are £31.8bn, £26.7bn, £23.8bn, £20.8bn and £19.8bn.
- Debt as share of GDP peaked at 85.2% in 2016-17, falling to 83.7% this year with the forecast set to be 74.1% by 2023-24.

Public spending

Next year the government will conduct a full spending review to set out priorities for future public spending. However, in the meantime the Chancellor announced the following measures:

- An extra £20.5bn for the NHS over the next five years.
- £2bn a year will be set aside to support initiatives for mental health services including:
 - new mental health crisis centres;
 - providing mental health support in every A&E unit in the country;
 - more mental health ambulances;
 - a new 24-hour mental health crisis hotline.
- Meanwhile local authorities will get assistance for social care with an additional £700m for care for the elderly and those with disabilities.
- Air ambulances to receive £10m funding.
- Schools will also receive a special one-off £400m "bonus" this year to help them buy "the little extras they need". A one-off capital sum averaging £10k per primary and £50k per secondary school.
- Funding for 10 University Enterprise Zones.

Defence

- An extra £160m for counter-terrorism measures and a Police Funding Settlement to be presented in December reviewing police spending.
- An extra £1bn for armed forces, for cyber-capabilities and the UK's new nuclear submarine programme.
- £10m for the Armed Forces Covenant Trust to provide mental health care for veterans.
- £1m to fund school trips to WWI battlefields plus a further £1.7m given to schools to educate children on the Holocaust, commemorating the 75th anniversary of the Bergen-Belsen concentration camp liberation.

Transport & Infrastructure

- A relief for road users with £30bn investment promised to tackle Britain's potholes and bridge repairs.
- Opening the use of e-passport gates at airports previously set aside for EU Nationals to visitors from the USA, Canada, New Zealand, Australia and Japan.
- Air Passenger Duty indexed in-line with inflation.

Environment

- A new tax on plastic packaging not containing at least 30% recyclable material.
- £60m tree planting programme for England.
- £10m to deal with abandoned waste sites.

Devolution

- An additional £950m for the Scottish government, £550m for the Welsh government and £320m for a Northern Ireland Executive in the period to 2020-21.
- New City and Growth deals for Belfast, North Wales and the Tay Cities area.
- £2m for Belfast to help recover from the damage caused by the Primark fire.
- £70m to develop the Defence and National Rehabilitation Centre near Loughborough.

Housing

- All first-time buyers purchasing shared equity homes of up to £500,000 to be exempt from stamp duty.
- £500m for the Housing Infrastructure Fund, designed to enable a further 650,000 homes to be built.
- From 2020, the Capital Gains Tax lettings relief to be reformed so that it only applies to properties where the owner is in shared occupancy with the tenant.
- Principal private residence relief for Capital Gains Tax – Final period exemption reduced from 18 months to 9 months from April 2020.
- New partnerships with housing associations in England to deliver an additional 13,000 homes.
- Guarantees of up to £1bn for smaller house-builders.

Business

- New 2% digital services tax on UK revenues of big technology companies, from April 2020 to ensure they pay their fair share of tax affecting profitable companies with global sales in excess of £500m.
- Private finance initiative (PFI) contracts to be abolished and a new centre of excellence to manage existing deals "in the taxpayer's interest".
- The Annual Investment Allowance will increase from £200,000 to £1m for two years.
- Contribution to the apprenticeship levy halved to 5% for small businesses.
- Business rates bill for firms with a rateable value of £51,000 or less to be cut by a third over two years benefiting 90% of independent shops, pubs and restaurants and reducing bills by an estimated £8,000.
- £900m in business rates relief for small businesses and £650m to rejuvenate ailing High Streets.
- New 100% mandatory business rates relief for all lavatories made available for public use.
- Extending changes to the way self-employment status is taxed, from the public sector to medium and large private companies, from 2020.
- Retaining of Entrepreneur's Relief but to ensure this is for genuine claimants only the qualifying period will be extended from 12 months to two years.
- Providing targeted relief from the costs of acquiring IP rich businesses.
- The introduction of a permanent tax relief for new non-residential structures and buildings partly funded by an adjustment in the special writing down rate for long-life assets from 8% to 6%.
- To encourage Britain's exports, an increase to the UK EFs direct lending facility of up to £2bn.
- An additional £200m of funding for the British Business Bank to replace access to the European Investment Fund, if needed.
- A further 10,000 entrepreneurs to be assisted with the extension of start-up loans funding to 2020/21.
- Following representations from the Federation of Small Businesses (FSB), the Enterprise Allowance will be extended to provide mentoring and support to benefit claimants to get their business ideas off the ground.
- From April 2020, the Employment Allowance will be targeted at small and medium businesses with employer NI bills under £100k per year.
- VAT registration – the government will continue to work on this issue with no change to the thresholds for a further 2 years from 1 April 2020.

Employment & wages

- Figures show that there are 3.3 million more people in work since 2010. An additional 800,000 jobs also forecasted by 2022.
- Wages growth at its highest in nearly a decade with fairer equality in pay.
- The personal allowance threshold will rise from £11,850 to £12,500 in April 2019, a full year earlier than previously pledged.
- The higher rate income tax threshold will also rise from £46,350 to £50,000 in April of next year.
- Thereafter, both the personal tax allowance and the higher rate threshold will rise in line with inflation.
- National Living Wage to increase by 4.9%, from £7.83 to £8.21 an hour, from April 2019.
- Work allowances for universal credit increased by £1.7bn.
- £150m for Fellowships to attract the brightest talent from around the World.

Duty

- Beer, cider and spirits duties to be frozen. However, wine drinkers will see the cost of wine duty rise by 8p per bottle from February 2019.
- Tobacco duty will continue to rise by inflation plus 2%.
- A further relief for motorists, as fuel duty is frozen for the ninth year in a row.
- Remote Gaming Duty to increase in 2019 to 21% for online gambling on "games of chance".

Comment from Senior Partner Ian Pascall, FCA

Praising the hard work of the British people, the Chancellor said he could finally deliver a Budget that would set an end to austerity and one in which we could start to invest in key services. He remained quietly confident about 'Brexit' negotiations but ruled out complacency with a series of measures as we head towards the 'Brexit' deadline. In doing so, he did not rule out a full scale Spring Budget in the event of a 'no deal Brexit', in place of a Spring Statement.

The purse strings were loosened with sums for key and treasured services including the NHS, (including for the first time a commitment to mental health issues), to cope with national security, to improve housing, transport and infrastructure and with measures designed to help small businesses.

Most individuals will also benefit from earlier than promised rises in both the personal and higher rate tax threshold rates although what wasn't mentioned yesterday were the changes to NI contributions affecting higher earners the most. Lower wage earners also see a lift in the National Living Wage.

With 'Brexit' pending, it was a Budget designed to announce to the World "that Britain is open for business". Opening up the EU passport lanes to key new trade partners and setting up Fellowships to attract the best talent, being key messages aimed to attract other nations.

However, the question remains as to where the additional money is coming from to fund all these initiatives. The so-called 'Amazon tax' will certainly raise some much-needed revenue, but where else will this money come from?

As ever, we will keep you posted with further commentary from some of the taxation issues mentioned above.