

## Spring Budget 2020 highlights

11 March 2020



Chancellor Rishi Sunak delivered his first Budget, the first post-Brexit Budget and the first Budget under Prime Minister Boris Johnson's stewardship. Here are our highlights of his speech.

### **The temporary impact of coronavirus and planning for tomorrow**

In his speech, the Chancellor made much reference of the impact of the coronavirus (COVID-19) and the concerns this had raised across the UK and throughout the rest of the World. However, he stressed the government was doing everything to keep this country's people safe and secure and was working with the rest of the House to ensure the country would pull through this.

He said that the virus is a key challenge for today but that it was a temporary challenge, and one which he felt confident we would all get through together. However, he also stated that this was not the only challenge the UK faced and that therefore his Budget would not only deal with this temporary issue but plan for future prosperity now that the UK had left the EU.

### **Coronavirus: A coordinated response with the Bank of England**

The Chancellor said that there had been a coordinated response with the Bank of England, who made the following announcements earlier on the day:

- A reduction in the bank's interest rate from 0.75% to 0.25%.
- The introduction of a SME Funding Scheme.
- The release of the counter cyclical buffer to help the nation's banks ability to supply credit.

### **Alongside these measures, Chancellor Rishi Sunak announced the government's fiscal plans to help cope with coronavirus.**

- A £5bn emergency response fund.
- A £500m Hardship Fund for councils in England to help support vulnerable people.
- £150m funding to support the IMF's relief efforts.
- During the immediate crisis, support given to people who fall ill or are unable to work including a commitment to pay Statutory Sick Pay (SSP) from day one instead of day four. SSP will also be available for those people advised to self-isolate, even if the illness has not yet presented. Sick notes would also shortly be available via NHS 111 rather than through GPs.
- Self-employed workers who are not eligible will be able to claim contributory Employment Support Allowance with benefits expedited from day one and not, as currently, day eight.
- The temporary removal of the minimum income floor for Universal Credit.
- Costs of SSP caused by coronavirus outbreak will be refunded for up to 14 days for businesses with fewer than 250 employees.
- Scaling up the Time to Pay services – HMRC to defer tax payments over an agreed period of time and with a dedicated helpline manned by 2000 staff.
- A new temporary Coronavirus Business Interruption Loan Scheme introduced with banks able to offer up to £1.2m to support SMEs. The government will guarantee up to 80% of any losses with no fees.

### **Two further measures announced to help businesses through this period:**

- 1) Shops, restaurants, cinemas and music venues with a rateable value of up to £51k will have no business rates for the next year. The 10,000s of businesses currently in the retail, leisure and hospitality sectors but not covered above will also see an extension to the 100% retail discount (for businesses with a rateable value of less than £51k). A review of business rates will also be conducted prior to the Autumn Budget, with further information to follow.
- 2) Businesses eligible for the Small Business Rate Relief will be entitled to a £3,000 Cash Grant.

## **The state of the economy, public spending and debt**

- The OBR predicts that the economy will grow by 1.1% this year, revised down from 1.4% in the March 2019 forecast but this does not take into account the impact of coronavirus. Growth thereafter forecast at 1.8% in 2021-22, 1.5% in 2022-23 and 1.3% in 2023-24.
- Meanwhile the OBR forecasts inflation at 1.4% this year, increasing to 1.8% in 2021-2022.
- Government to borrow £14.6bn more this year than previously forecast, equivalent to 2.1% of GDP with additional borrowing of £96.6bn forecast by 2023-2024 to pay for the increase in spending.
- Debt as a percentage of GDP forecast to be lower at the end of the current Parliament period than as at now.

## **Personal taxation, wages and pensions**

- National Insurance thresholds for employees to rise from 6 April this year from £8,632 to £9,500 taking 500,000 employees out of tax altogether.
- With the Living Wage due to increase by 6.2% from 6 April 2020, the Chancellor also announced his plans for a new remit for the Independent Pay Commission to work towards a new Living Wage by 2024 of £10.50 per hour.
- From April 2020, the pension lifetime allowance, the total amount you can take out of your pensions without facing an additional tax charge, to increase in line with the Consumer Price Index (CPI) to £1,073,100.
- The pension threshold, the amount you can earn before having to calculate a reduced pension saving allowance to increase from £110,000 to £200,000.
- People with incomes in excess of £300,000 could see their pension allowance cut further with incomes > £312,000 reducing to £4,000.
- The new State Pension is increasing from £168.60 a week to £175.20 from April for those who are eligible. Those who receive the older basic State Pension will see it increase from £129.20 to £134.25.
- The 5% 'tampon tax' to be abolished from January 2021.

## **Businesses**

- Corporation Tax frozen at 19%.
- Entrepreneur's Relief reformed with the lifetime amount reduced from £10m to £1m saving the UK £6bn over the next five years but, the Chancellor said, that would leave 80% of businesses unaffected.  
Almost all of these savings will be ploughed back to businesses to assist them in three additional measures:
  - 1) R&D Expenditure Credit increased from 12-13% representing a tax cut of £2,400 on a typical R&D claim.
  - 2) The Structure & Buildings Allowance to increase from 2-3% providing an extra £100,000 of relief on an investment in a building of £10m.
  - 3) An increase to the Employment Allowance by a third to £4,000.

## **Other business measures announced:**

- A clampdown on tax avoidance to raise an £4.4bn additional revenue.
- £130m of new funding to extend start-up loans.
- £200m for the British Business Bank to invest in scale-ups.
- £200m for Life Sciences.
- An extra £5bn of new Export Loans for businesses with dedicated Trade Envoys representing the North, Midlands, Wales and the West of England based in our embassies around the World.
- An increase in R&D investment to £22bn a year, the highest %GDP increase in almost 40 years and higher than investment in the US, China, France and Japan.
- Business rate discount for pubs to rise from £1,000 to £5,000 this year.

- Next year funding will grow by 15%. Details of these plans will be set out in the Spending Review but some announcements were made in his speech:
  - £1.4bn investment in the world-leading Science Institute at Weybridge where scientists are currently analysing the coronavirus.
  - An additional £900m investment in nuclear fusion, space and electric vehicles.
  - At least £800m towards a blue skies funding agency modelled on the successful US model ARPA.
  - £400m of new funding to provide high-quality research from universities across the country.
  - VAT on digital publications scrapped from December this year.

### **Duties**

- Fuel duty frozen.
- The planned increase to import spirits duty cancelled for this year. Cider, beer and wine duty are also frozen but smokers will see an increase in tobacco taxes with a 2% rise above the retail price inflation rate.
- The government will lobby the US government to remove their tariffs on Scottish whisky, one of the country's largest food and drinks exports. In addition, £100m given to promote Scottish food and drink overseas.
- £10m of new R&D funding to help distilleries go green.

### **Infrastructure, transport & housing**

- More than £600bn invested into our roads, rail, broadband and housing by the middle of 2025.
- £27bn for motorways and other arterial roads, including new tunnel for the A303 near Stonehenge.
- £2.5bn to fix potholes and resurface roads in England over five years.
- £650m package to tackle homelessness, providing an extra 6,000 places.
- A new £1bn fund to remove all unsafe combustible cladding from all public and private housing higher than 18 metres.
- An extension to the Affordable Housing Scheme with a new £12bn settlement.
- £400m for regional mayors to build homes on brownfield sites.
- A promise to announce measures to change the planning system.
- A 1% cut on the Public Works Loan Board interest rate, used by local authorities to fund housebuilding.
- From April 2021, a 2% Stamp duty surcharge for non-UK residents when purchasing properties in England and Northern Ireland.

### **Education**

- Minimum per pupil funding will increase to £3,750 for primary schools and £5,000 for secondary schools. On average schools will see a 4% rise in per pupil funding.
- Further education colleges will receive £1.5bn over a period of five years to upgrade their buildings.
- £120m to bring further education and higher education providers in England together with employers to open up eight new Institutes of Technology.
- £95m for providers in England to invest in high-quality facilities and industry standard equipment.
- A spring consultation to look at the new National Skills Fund.
- The government to look at ways to improve the Apprenticeship Levy to support both large and small employers to meet the long-term skills needs of the economy. Sufficient funding made available in 2020/21 to increase the number of high-quality apprenticeships in SMEs.
- £7m to support 11 new maths schools in England, covering every region.
- £29m a year by 2023/24 in England to support primary schools PE teaching and help schools make the most of their sports facilities.

- £90m a year to introduce an Arts Premium from September 2021 to help schools provide high-quality arts programmes and extra-curricular activities for pupils.
- A freeze to the maximum fee cap in England for the 2020/21 academic year at £9,250 for regular full-time undergraduate courses and £11,100 for accelerated degree courses.

### **The NHS (additional measures)**

- Additional £6bn to support the NHS with a commitment to provide what the NHS needs whether that runs into millions or billions of pounds.
- £10m towards the Armed Forces Covenant to help support veterans with mental health issues.
- The Immigration Health Surcharge raised to £624.

### **Devolution**

- An extra £640m for the Scottish government, £360m for Wales and £210m for Northern Ireland.
- £242m towards New City & Growth deals.
- New devolution deal for West Yorkshire. The new West Yorkshire Mayor alongside the seven other Metro Mayors to get London style settlement deals for transport worth £4.2bn in addition to the Transforming Cities Fund which will invest over £1bn in 12 further cities including Stoke, Preston, Derby, Nottingham and Southampton.
- £5bn to get gigabit comparable broadband into the UK's hardest to reach areas. In addition, £510m of new investment into the Shared Rural Phone Network meaning that 95% of the country will have access to the 4G network.

### **The Budget & Insolvency**

- Some HMRC debts will be elevated to preferential status from 1 December 2020 and not 6 April 2020 as originally planned. This change will also apply to Northern Ireland.
- Not all HMRC debts will qualify for preferential status however. Those that do include debts collected and held by businesses on behalf of other taxpayers including PAYE debts, employee NICs debts, Construction Industry Scheme (CIS) payments and VAT debts.
- From April 2020, HMRC will have the power to make directors, and others, personally liable for corporate tax debts in situations, where they are suspected of abusing the insolvency framework in order to avoid paying tax. HMRC will focus on 'phoenixing' where individuals linked to a business have a history of insolvency. The liability notice may be applied pre or post insolvency.

### **The environment**

The Treasury's Net Zero Review will set out the government's strategic plans ahead of COP26 later this year. However, the first steps announced were:

- The Climate Change Levy will change from April 2022 by freezing the levy on electricity and increasing the levy on gas.
- The Climate Change Agreement Scheme to be extended for a further two years to help support the most energy intensive industries during this transition.
- The introduction of a new plastic packaging tax. From April 2022, the government will charge manufacturers and importers £200 per tonne of packaging comprised of less than 30% recycled material.
- The Red Diesel Scheme will be abolished for most sectors with the exclusion of agriculture, rail, domestic heating and fishing.
- R&D expenditure doubled as part of the Energy Innovation Programme to £1bn.
- New comprehensive tax reforms to encourage people to buy more zero or low emission cars, vans, motorbikes and taxis
- £300m to tackle nitrogen dioxide pollution in cities and towns.
- A £500m rollout for rapid charging units meaning that no one in the UK will have to drive more than 30 miles to charge their cars.

## **Floods**

- £120m fund made immediately available to English communities to repair all damages and defences following the winter floods.
- A further £200m of funding for repeatedly affected flood areas in England to help local communities' build-up their flood resilience.
- A commitment to double investment in flood defences in England to £5.2bn over the next five years.

## **Natural Habitat**

- £640m for a new Nature for Climate Fund to protect woodlands and peatlands.
- Over the next five years the planting of 30,000 hectares of trees and a commitment to restore 35,000 hectares of peatlands.
- By 2030, an investment of at least £800m to establish two or more new Carbon Capture & Storage Clusters to reduce carbon dioxide in the environment.

## **Comment from Senior Partner Ian Pascall, FCA**

The Chancellor said that he intended this Budget to promote a feeling of "security today" and "prosperity tomorrow". He also said that this was the first time in almost 50 years that the UK had the freedom to set its own policies and spending plans free of the constrictions of the EU. He said, "*We have the freedom and the resources to decide our own future. A future where we unleash the energy, inventiveness and creativity of all the British people. And, a future where we look outwards and are confident on the world stage*".

There was much political spin throughout his speech with an underlying theme of "we're getting it done". The Chancellor announced plans to spend many billions of pounds and what is not entirely clear is where the money is coming from to pay for this. There are tax rises in certain areas, but it is thought that what we will no longer need to pay to the EU and government borrowing will account for most of it.

There were immediate plans to help businesses, individuals and the NHS to deal with the challenges provided by the coronavirus. The Chancellor made mention of an Autumn Budget, a move back away from the previous government's one fiscal policy per annum approach. However, this is hardly surprising given the current uncertainty that coronavirus has given, and during a time where trade talks are still ongoing as part of post-Brexit negotiations.

Surprisingly, no mention was made of Inheritance Tax, a tax that pre-Budget commentary thought would be "simplified". With so many other matters to deal with, this has clearly been shelved for the time being.

On the face of it the Chancellor did what he intended but, as always, it takes time to read through the political spin and understand more about what really changed, and when it will take effect.