Spring Statement 2019

A.C.MOLE & SONS — CHARTERED ACCOUNTANTS — CHARTERED TAX ADVISERS

The Economy

Chancellor Philip Hammond delivered his second Spring Statement on Wednesday 13 March 2019. Last year we were promised that there would be no tax announcements in Spring Statements, moving away from the previous practice of having tax and spending announcements in both the Spring Budget and Autumn Statement. Mr Hammond kept to his word again this year.

Once again, the Chancellor had the uncertainty of Brexit hanging over his plans. He was speaking the day after one critical Brexit vote and on the day of another. Throughout his speech, he qualified his comments with the words "if we leave the EU with a deal". His assessment of the alternative was blunt: "I need to be straight with the House: a no-deal Brexit would deliver a significant short-to-medium-term reduction in the productive capacity of the British economy."

The economy today, Mr Hammond said, is remarkably robust, having grown for nine consecutive years, with the longest unbroken quarterly growth run of any G7 economy and it is forecast to continue growing in each of the next five years.

The Office for Budget Responsibility (OBR) revised its growth predictions to 1.2% for this year, 1.4% next year and 1.6% for the following three years.

The deficit – the amount by which the Government's annual expenditure exceeds its income – for the current year is now expected to be £3 billion lower than forecast in the 2018 Autumn Budget. Looking forward, borrowing is expected to be £29.3 billion in 2019/20, then £21.2 billion in 2020/21, £17.6 billion in 2021/22, £14.4 billion in 2022/23 and finally £13.5 billion in 2023/24 (its lowest level in 22 years). No date has been set for achieving a surplus.

As the Government is still borrowing, the national debt will continue to increase in absolute terms. It is forecast to reach £1.8 trillion this year and to continue growing, hitting £1.9 trillion in 2023/24. As a percentage of GDP however, debt is falling and will continue to fall, from 82.2% of GDP next year, to 73% in 2023/24. This shows that in the world of economics, the same thing – in this case the national debt – can be going both up and down at the same time, depending on the measure being used.

Tax Announcements

Two papers were published on "*tackling tax avoidance, evasion and other forms of non-compliance*" and "*offshore tax compliance strategy*". The papers set out the government's achievements in tackling tax avoidance and evasion and are a clear statement that more action will follow.

On Making Tax Digital, the government confirmed that Making Tax Digital for VAT will be mandated as planned for all VAT registered businesses with turnover above the VAT threshold with effect from their first VAT period starting on or after 1 April 2019.

MTD for VAT will require businesses to use MTD compliant software to maintain their VAT records digitally and to file their VAT returns digitally using that software. The existing online filing process will be withdrawn. If you think you will be affected by this change but have not yet taken advice, please contact us as soon as possible so that we can help you comply with the new rules. We have experience of using the new MTD for VAT system with several leading brands of software.

The government has confirmed that HMRC will take a light touch approach to penalties in the first year of MTD for VAT where businesses are doing their best to comply.

The government also announced that it will not be mandating MTD for any other taxes in 2020, suggesting that MTD for Business has been deferred to at least April 2021.

Final Word

All of the Chancellor's plans assume that the UK leaves the EU with a deal. His plans could be very different if we do not.