AUTUMN BUDGET

The Chancellor of the Exchequer, Rishi Sunak, stood up on 27 October and presented both the annual Spending Review and the Autumn Budget.

A number of the announcements regarding spending had been released well before the Chancellor stood up resulting in the deputy speaker admonishing the Chancellor for not following correct protocol. The Chancellor still had plenty to say with a speech lasting over an hour, with much of the speech focusing on delivering a 'stronger economy for the British people.'

Economy and Public Finances

Thanks to demand outstripping production, inflation in September had reached 3.1% and is predicted to rise further to an average of 4% over the coming year. With a target inflation rate of 2%, the Chancellor stated that 'where the government can ease these pressures, we will act' and noted that he had written to the governor of the Bank of England 'to reaffirm their remit to achieve low and stable inflation' but gave no details on how this would be achieved.

The Office for Budget Responsibility is predicting that the UK economy will return to pre-Covid levels by 2022 and expects growth to hit 6.5% for the current year, 6% in 2022 and drop back to 2.1%, 1.3% and 1.6% for the following three years.

Unemployment is at a much lower level than the OBR predicted during the pandemic and is expected to peak at 5.2% next year in comparison to the original prediction of 11.9%.

Although the Chancellor was able to put a positive spin on the UK borrowing levels, noting that borrowing as a percentage of Gross Domestic Product is forecast to fall from 7.9% this year to 3.3% next year and 1.5% thereafter, our total debt continues to increase in absolute terms and amounts to over £2.2 trillion.

Covid measures

Unlike the Spring Budget there was very little reference to the pandemic and support measures were more focused on longer term assistance to help build a 'stronger economy' rather than temporary Covid-19 related assistance.

Taxation and Spending

Throughout his speech the Chancellor announced increased spending for government bodies, schools, young families, infrastructure, courts, policing and more. Indeed, the list seemed to be endless however very few measures were announced in respect of how the UK public would be paying for all of these items.

The Budget was in fact extremely light on taxation announcements and those declared were more about spending than raising taxes. Measures announced included a freeze on fuel duty, a lower rate of Air Passenger Duty for UK internal flights, cancellation of a planned rise in duty on spirits, cider and beer and a simplification of alcohol duties.

Business Tax Announcements

A temporary 50% business rates relief for retail, hospitality and leisure properties will be implemented for the next year. The Chancellor also announced further changes to include more frequent revaluations, relief for those adopting solar panels and a 12-month business rate holiday on property improvements.

From April 2023 Research and Development tax relief will be extended to include modern research methods, including data and cloud costs, and will refocus support towards innovation in the UK.

The temporary £1million Annual Investment Allowance will be extended until 31 March 2023 with the aim of continuing to encourage businesses to invest in capital equipment.

The National Living Wage will rise from £8.91 to £9.50 for those aged 23 and over from April 2022.

Personal Tax Announcements

Although not within the speech, the new Health and Social Care Levy is included in the full Autumn Budget and Spending Review text. The 1.25% levy will apply to employees, employers and the self-employed, and will be introduced from April 2022. For the first year the levy will be applied as an increase in the National Insurance rates, but from April 2023 the Levy will be formally separated out and will also apply to individuals working above state pension age.

The increase in the dividend tax rate was also missing from the speech but from April 2022 the rate of income tax on dividends will also increase by 1.25%, resulting in dividend tax rates of 8.75% for dividends falling in the basic rate tax band, 33.75% for dividends falling in the higher rate tax band and 39.35% for dividends falling in the additional rate band.

The conclusion of the Chancellor's speech included a significant change to the Universal Credit taper rate which will be cut by 8% bringing it down from 63% to 55% from no later than 1 December 2021.

Property Tax Announcements

Continuing the pattern of measures that weren't in the Chancellor's speech, the full text noted that the deadline for reporting and paying Capital Gains Tax on residential property has been extended to 60 days for all completions taking place on or after 27 October 2021. The change was recommended by the Office of Tax Simplification following significant numbers of people struggling to meet the original 30 day deadline.

What Else …..

For many, the budget felt fairly empty – focusing more on the spending review and announcing very little in terms of a traditional Budget which was a surprise when it had been labelled as a '**Budget** and Spending Review'.

Perhaps we have become accustomed to fast pace change, as many of the announcements made in the Spring Budget are either not yet in place or have only been in place for a short time and therefore further change was not considered necessary.

Let's not forget that in March of this year the Chancellor made some significant tax announcements including; An increase in the main rate of Corporation Tax to 25% from 1 April 2023. A temporary 130% super-deduction for new capital equipment running for 2 years from April 2021. An extended three year carry back of trading losses for accounting periods ending in the period 1 April 2020 to 31 March 2022 for companies, or 6 April 2020 to 5 April 2022 for unincorporated traders. A staged return to the standard rate of VAT on food, attractions and accommodation which started with an increase from 5% to 12.5% on 1 October 2021 and will revert to the standard rate of 20% on 1 April 2022 and a freeze on allowances and thresholds until 2025/26.

Perhaps, on reflection, we should be grateful for a little less change and a little more stability.