

## Autumn Budget 2018 Highlights



Chancellor Philip Hammond unveiled his latest Autumn Budget today, where he announced that the Government will ‘turn on the spending taps’ to bring the era of austerity to an end.

However, this came with a stark warning that his public spending commitments and tax cuts would be put in jeopardy if the Brexit negotiations end with no deal.

His narrative was that the Budget is one for “Britain’s future” – an economy working not for the few, not even for the many, but for everyone – as he unveiled measures to invest in the NHS, schools and defence, as well as to back enterprise.

- The Budget document can be found [here](#).

### Key Announcements from the Statement:

#### Public Finances

- The OBR has amended its GDP forecasts, and now predicts the UK to grow by 1.6% in 2019, 1.4% in 2020, 1.4% in 2021, 1.5% in 2022 and 1.6% in 2022
- The OBR expects that there will be another 800,000 people in work by 2023
- The OBR is predicting sustained real wage growth in each of the next five years
- The OBR believes debt peaked last year at 85.2% of GDP, and then falls in every year of the forecast from 83.7% this year, to 74.1% in 2023-24
- The OBR expects that the deficit will fall to £31.8 billion in 2019-20, to £26.7 billion in 2021-22, to £23.8 billion in 2022-23, to £20.8 billion in 2023-24 and £19.8 billion in 2024-25

- This means that the deficit will fall to less than 1.5% this year and next, and to just 0.8% by 2023-24
- Next year the Government will conduct a full spending review

### **Brexit**

- The Government will continue to plan for all Brexit eventualities:
  - Government departments will receive £2 billion for Brexit preparations (with details to be announced shortly)
  - The Government will keep headroom in its fiscal rules to ensure there is buffer cash for Brexit
  - The Spring Statement in March could be upgraded to a full fiscal event if there is anything unexpected to come from Brexit

### **Business and Skills**

- A £695 million package to support apprenticeships was announced, including by reducing the apprenticeship levy for smaller firms taking on apprentices from 10% to 5%
- The annual investment allowance is being increased to £1 million for two years in 2019 and 2020
- To support British exports, the Government will increase UK Export Finance's direct lending facility by up to £2 billion
- A permanent tax relief will be introduced for non-residential structures and buildings
- People from the US, Canada, New Zealand and Japan will be able to use passport e-gates
- The new enterprise allowance to help benefit claimants get business ideas going will be extended
- Entrepreneur relief will be extended from 12 months to two years
- A £675 million fund will be created to help transform the high street
- Business rates for all retailers in England with a rateable value of under £51,000 will be cut by a third
- A new mandatory business rates relief for public toilets was also announced

### **Cost of Living**

- The National Living Wage will rise to £8.21 in April 2019
- The Government will engage responsibly with the TUC, High Pay Commission and employers to consult on the minimum wage
- The personal allowance will rise to £12,500 and the higher rate threshold to £50,000 from April 2019
- Fuel duty will be frozen for the ninth successive year
- Duty on beer, cider and spirits will be frozen
- The tobacco duty escalator will continue to rise at inflation plus 2%

### **Housing**

- The stamp duty relief will be extended to those buying shared ownership properties
- A further £500 million will be given to the housing infrastructure fund, to unlock 650,000 homes
- The Government will respond to Oliver Letwin's report on land and planning in the new year
- Hammond confirmed that the housing revenue account cap will be removed
- Family homes will be kept out of capital gains tax, but from April 2020 there will be more tax for homes where the owner does not normally live

**Tax Avoidance**

- The Government will introduce a UK digital services tax of 2%, which will be narrowly targeted at the UK generated revenues of specific tech giants and will come into effect in April 2020
- HMRC will be preferred creditor in insolvency

**Health and Welfare**

- In June, the Prime Minister announced a £84 billion five year deal for the NHS
- The NHS will shortly be publishing a ten year plan to set out how it intends to spend that funding
- Mental health funding will be increased by more than £2 billion per year by 2023-24
- The Government will shortly publish its Green Paper on the future of social care
- A further £650 million of grant funding will be given to English authorities for 2019-20 to support them with social care winter pressures
- The Government recognises concerns with the implementation of Universal Credit, and an additional £1 billion will be given over five years to help with the transition
- Work allowances in Universal Credit will be increased by £1,000 per annum

**Education**

- A one-off payment of £400 million will be made available to schools to help them “buy the little extras they need”, averaging £10,000 per primary school and £50,000 per secondary school
- The Government will create a £1.7 million fund for schools, to teach children about the holocaust

**Productivity, Infrastructure and Transport**

- £1.6 billion of funding was announced for new investments to support the Government’s industrial strategy, ranging from support for nuclear fusion to quantum computing
- An additional £420 million will be made available to local highways authorities to tackle potholes, bridge repairs and other minor repairs
- The Government will abolish the use of PFI and PF2 for future projects, and a centre for excellence will be established to manage current contracts
- Air passenger duty will be indexed in line with inflation, but there will be no change in the duty rate for short-haul flights
- The 26-30 railcard will be available by the end of the year

**Environment**

- £10 million will be given to deal with abandoned waste sites
- From April 2022, a new tax will be introduced on plastic packaging that is less than 30% recyclable
- The Government will carefully monitor the need for a disposal cup levy
- £12 million will be invested in cutting edge fisheries technology and safety measures over the next three years

**Defence and Policing**

- The Ministry of Defence will be given an additional £1 billion to cover 2018 and 2019 to boost investment in cybersecurity and Trident
- An additional £160 million will be invested into counter-terrorism policing for 2019-2020
- The provisional police funding settlement will be set out in December

- Marking the centenary of the First World War this year, Hammond made a number of commitments in commemoration, including £10m to the Armed Forces Covenant Fund Trust to support veterans with mental health needs

## Devolution and the Regions

- An additional £950 million will be given to the Scottish Government, including £150 million for a Tay Cities Deal
- An additional £550m will be given the Welsh Government, including £120 million for a North Wales growth deal
- An additional £320m will be given the Northern Ireland Executive, including £350 million for a Belfast City region deal
- The transforming cities fund will also be boosted

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