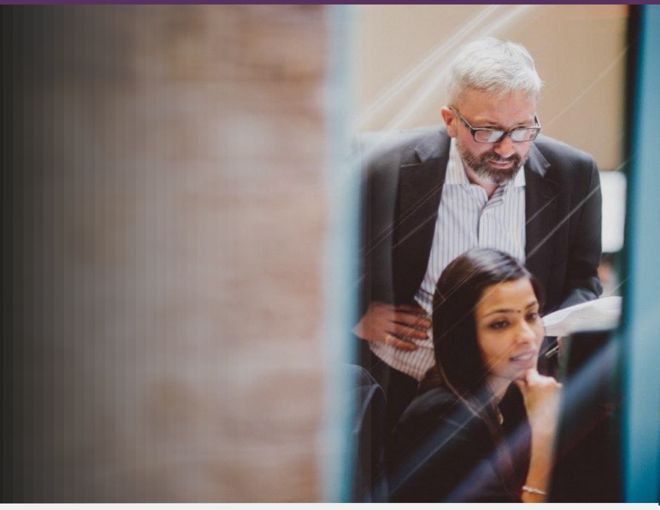
RIAA Barker Gillette

Always Available

Chancellor's anti-austerity spending spree has few surprises



November 2018

An anti-austerity package of £30 billion of government spending was announced in the Chancellor's Autumn Statement, drawing on improved public finance projections to support a range of new initiatives.

Predicted growth for 2019 now stands at 1.6%, up from 1.3% forecast in spring and the Office for Budget Responsibility has said that the upward revision to GDP growth is giving the Chancellor a £11.9 billion windfall this year, rising to £18.1 billion in 2022.

Spending announced by Philip Hammond included an additional £500m for Brexit preparations, making a total commitment of over £4 billion since 2016. Another Brexit promise came in the shape of a 50p commemorative coin to mark the country's exit from the European Union; a proposal that has since minted a wealth of design suggestions on social media, although none likely to pass approval by the Bank of England.

Tax savings for individuals were announced, with the basic-rate income tax threshold rising to £12,500 in April 2019, and the higher rate threshold increased to £50,000. Alongside, the National Living Wage, paid to those aged 25 and over, will increase to £8.21 per hour from April 2019.

For business, the Annual Investment Allowance will increase to £1 million for all qualifying investment in plant and machinery during a two-year period from 1 January 2019 until 31 December 2020, to help stimulate business investment. And construction of new non-residential structures and buildings will be eligible for a 2% capital allowance where all the contracts for the physical works are entered into from 29 October 2018 onwards.

There will also be a reduction in the apprenticeship levy for smaller firms, reducing the contribution from 10% to 5%, and larger firms will be able to invest up to 25% of their levy to support apprentices in their supply chain.

Alongside, a change in the qualifying period for Entrepreneurs' Relief will focus on encouraging longer-term investment. In future, individuals will need to meet the qualifying conditions for a minimum of two years, up from the 12 months currently required, to benefit from a reduced rate of capital gains tax on gains made on disposal of assets. This will come into effect for disposals made on or after 6 April 2019.

On the high street, from April 2019 the government is cutting business rates by one-third for retail properties with a rateable value below £51,000, in a move designed to support small independent shops.

Those getting on the property ladder through shared ownership also stand to gain, with the announcement that stamp duty land tax (SDLT) relief for first-time buyers is to be extended to shared ownership homes and backdated to include transactions from 22 November 2017. The detail of the proposed changes are complex, so it makes sense to get advice. Speak to property solicitor Simon Levi today.

But overseas property buyers face an increase in stamp duty. The Government will publish a consultation in January 2019 on a SDLT surcharge of 1% for non-residents buying residential property in England and Northern Ireland.

Other losers on the property front are those who have become landlords of what was previously their main home, for example when moving away to work, with the announcement that from April 2020 lettings relief on capital gains tax will apply only where the owner of the property is in shared occupancy with the tenant. The final period exemption will also be reduced from 18 months to nine months although there will be no change to the 36-month final period exemption available to disabled people or those in a care home.

Overall there were few surprises, as many announcements had been made before the day, and while there are some big figures, there was a cautious note from Mr Hammond as he spoke of austerity 'coming to an end'. We are not there yet, was the message.

Alongside, there were some measures likely to draw positive headlines – whether an end to PFI contracts, a controversial funding model which hit the headlines earlier this year with the collapse of construction company Carillion, or the announcement of a 2% tax on income made by tech giants from UK users, in a move designed to target companies like Amazon and Google.

And finally, the sting in the tail is that the budget is dependent upon a satisfactory Brexit deal being reached, with Hammond saying that a no-deal departure would see this game plan being set aside and the interim Spring statement becoming a full budget to tackle the situation. We can safely assume that the Chancellor doesn't think it's going to be resolved by an extra run of commemorative Brexit 50p coins…

Speak to one of our lawyers today to find out how this year's budget could affect you.

020 7636 0555
UK@riaabg.com
www.riaabarkergillette.com