

INVEST SOUTHWEST

12 Hammet Street, Taunton TA1 1RZ

T: 01823 353970

E: info@investsouthwest.co.uk

W: www.investsouthwest.co.uk



INDEPENDENT FINANCIAL ADVISERS

SPRING STATEMENT 2019

ECONOMY

EMPLOYMENT AND WAGES

**PUBLIC SPENDING AND
TECHNOLOGY**

HOUSING

ENVIRONMENT

OTHER NEWS

CLOSING COMMENTS

**FORTHCOMING
CONSULTATIONS, REVIEWS AND
REGULATIONS**

PERSONAL TAXATION CHANGES

"WE HAVE HUGE OPPORTUNITIES AHEAD OF US"

Spring Statement

March 2019

Chancellor of the Exchequer Philip Hammond stood up in Parliament at 12.43pm on Wednesday, 13 March, to deliver his second Spring Statement at an inauspicious time following the House of Commons' dramatic rejection of the Government's Brexit deal the previous evening. He commented that: *"Last night's vote leaves a cloud of uncertainty hanging over our economy, and our most urgent task in this House is to lift that uncertainty"*. He spoke for 36 minutes before commending the statement to the House.

The Economy

The Chancellor reported the Office for Budget Responsibility's (OBR) forecast for the UK economy. The figures show nine consecutive years of growth in Gross Domestic Product (GDP) and forecast that this growth would continue for the next five years. They predict 2019 will see growth of 1.2%, 2020 1.4% and the following three years 1.6%.

At the same time, the country's cyclically adjusted budget deficit is predicted to fall to 1.3% of GDP next year and is estimated to continue to fall to 0.5% by 2023, whilst CPI inflation will remain close to its 2% target for the duration of the forecast period.

Borrowing is forecast to fall from £29.3bn in 2019/20, £21.2bn in 2020/21, falling to £13.5bn in 2023/24, its lowest level in 22 years if achieved.

The Chancellor announced it is the Treasury's policy to continue to take a *"balanced approach"*, maintaining high public capital investment whilst borrowing and debt fall. He will initiate a three-year Spending Review to be delivered alongside the Autumn Budget, assuming a Brexit deal is agreed.

Employment and wages

Official figures show that, over the past nine years, employment in the UK has grown by 3.5 million. The OBR believe this figure will increase by a further 600,000 by 2023. The unemployment rate now stands at 4.0% of the working population, which is the lowest recorded level since 1975. They go on to predict that this trend will continue for the next five years.



Further good news came as wage growth was recorded to be rising at its fastest rate for over a decade and is forecast to continue to grow faster than inflation.

Public spending and technology

Mr Hammond announced a number of important spending initiatives, which include an immediate commitment of £100 million to the Police forces in England and Wales, specifically to address the recent surge in knife crime; £79m investment in the 'ARCHER2' super-computer – providing researchers with a five-fold increase in computing capacity; £81m investment in a new Extreme Photonics Centre (state-of-the-art laser technology); £45m for 'Bioformatics' research in Cambridge (a genomics science). He commented: *"Technology does not stand still and neither can we"*.

He reiterated that the government's priority for public spending continued to be: *"putting the NHS first in-line – as the British public would expect"*. Although he didn't pledge any further funding, he emphasised the commitment of an additional £34 billion funding per year, announced previously.

Housing

The Chancellor was happy to announce that the government had overseen the building of 220,000 new homes in 2018, the highest level in all but one of the last 31 years. He confirmed the *"ambitious plan to restore the dream of home ownership to millions of younger people"* is already delivering. This includes a five year £44 billion housing programme, raising annual housing supply to 300,000 by the mid-2020s, the Help-to-Buy Equity Loan Scheme and the abolition of Stamp Duty for most first-time buyers. All of these measures have combined to restore the proportion of first-time buyers to above 50% of the market for the first time in a generation. The Chancellor announced a new £3 billion Affordable Homes Guarantee Scheme to support delivery of 30,000 homes.

Environment

"We lead the world" in climate change, boasted the Chancellor, as he announced the UK is reducing the carbon intensity of our

He reiterated that the government's priority for public spending continued to be:
"putting the NHS first in-line – as the British public would expect".

economy faster than any other G20 economy. The government intend to publish a call for evidence on whether all passenger carriers should be required to offer additional carbon offsets, giving customers the option for zero carbon travel.

He went on to add that he intends to introduce a Future Homes Standard that will ensure that new homes are not permitted to utilise fossil fuel heating systems from 2025.

Given that he believes biodiversity has an important link with economic growth, he wants to address the plague of plastic waste. A comprehensive global review of the link between biodiversity and economic growth is being launched this year. The forthcoming Environment Bill intends to ensure that delivery of infrastructure and housing will not be at the expense of biodiversity. He announced a Marine Protected Area of an additional 445,000 sq. km. of the South Atlantic Ocean around Ascension Island.

Other news

- Hammond introduced his concept of a 'deal dividend', which he described as the UK's increase in wealth in the event of an orderly exit from the EU
- £260 million for Borderlands Growth Deal and £60 million Transforming Cities Fund
- Paper landing cards to be ended for some countries and to replace that system with 'e-Gates' at all port entries (June)
- PhD qualified potential immigrants will be exempt from current visa rules (June)
- Free sanitary products in schools in England from the new school year
- Companies' audit committees to review late payments to suppliers
- Apprenticeship Levy – Budget 2018 announced the co-investment rate will be halved from 10% to 5%, and the amount employers can transfer to their supply chains would increase to 25% – these changes will now take effect from April 2019
- National Living Wage – the government confirmed the Low Pay Commission's remit for 2019, and later this year will set a new remit beyond 2020

Closing Comments

Philip Hammond closed his Spring Statement with these words:

"We have huge opportunities ahead of us: our capital is the world's financial centre; our universities are global powerhouses of discovery and innovation; our businesses are at the cutting edge of the tech revolution. And we have shown that we are not shy, as a nation, of the tasks that lie ahead."

"We are addressing the environmental challenges that threaten our planet; we are building the homes that the next generation desperately need. We are investing in our future, tackling the productivity gap and embracing technological change, rising to its challenges and seizing its opportunities."

"Our potential is clear; our advantages are manifest; we are the fifth largest economy in the world. A proud, successful, outward-looking nation, with no limit to our ambition and no boundaries to what we can achieve. A brighter future is within our grasp; a Britain the next generation will be proud to call their home."

Forthcoming consultations, reviews and regulations





- Consultation on preventing abuse of the R&D tax relief for small and medium-sized enterprises
- Insurance Premium Tax operational review
- Consultation on maturing Child Trust Funds (CTF)
- National Insurance Contributions Employment Allowance draft regulations
- VAT Simplification and the Public Sector policy paper
- Enterprise Investment Schemes (EIS) approved fund guidelines
- Capital Gains Tax (CGT) private residence relief consultation
- Stamp Taxes on shares consideration rules consultation
- Helping businesses to improve the way they use energy: call for evidence
- Energy efficiency scheme for small and medium-sized businesses: call for evidence
- Financial Services Legislation – following consultation later this year, the government will legislate to ensure the UK can maintain world-leading financial services regulatory standards, remain open to international markets, and realise new trading opportunities
- No Safe Havens 2019 policy paper setting out the government's achievements in tackling tax avoidance, evasion and other forms of non-compliance

Personal taxation changes announced at the Autumn 2018 Budget

- Personal Allowance rises to £12,500 (up from £11,850) from 6 April 2019
- Higher Rate Income Tax threshold rises to £50,000 (from £46,350) from 6 April 2019 (not Scotland)
- Personal Lifetime Allowance increases to £1,055,000 (up from £1,030,000) from 6 April 2019
- Individual Savings Account (ISA) investment limit for 2019/20 remains at £20,000
- Junior Individual Savings Account (JISA) and Child Trust Fund (CTF) investment limit rises from £4,260 to £4,368 from 6 April 2019, uprated in line with CPI
- Capital Gains Tax annual exempt amount rises from £11,700 to £12,000 for 2019/20
- First-time buyers purchasing shared equity homes of up to £500,000 eligible for first-time buyers' relief (immediate effect from 29/10/18)

Some Important Tax Rates for 2019/20

Tax-free Savings for Individuals

ISA allowance		£20,000
Junior ISA allowance		£4,368
Lifetime ISA		£4,000
Help to Buy ISA		£2,400 (monthly contributions of £200*)

* an extra £1,000 can be paid in the first month

Dividend Taxation

£2,000 tax-free Dividend Allowance



Dividends above this level will be taxed at;

7.5%	(basic rate)
32.5%	(higher rate)
38.1%	(additional rate)

Income Tax Allowances

Income Tax Personal Allowance increased to **£12,500** from 6/4/19

There is one Income Tax Personal Allowance, regardless of an individual's date of birth

Where your net adjusted income exceeds **£100,000**, the personal allowance reduces by £1 for every £2 of adjusted net income above **£100,000**

Personal Savings Allowance

- Up to **£1,000** of savings interest tax free to basic rate tax payers
- + and **£500** for those who pay higher rate tax

Pension Annual Allowance



The Annual Allowance is **£40,000** for 2019/20

£1 of annual allowance is lost for every £2 of adjusted income above **£150,000**

Pension Lifetime Allowance



The standard Lifetime Allowance has increased to **£1,055,000**



This is the amount of pension benefit that can be drawn from pension schemes without triggering an additional tax charge

State Pension

Flat rate State Pension to rise to **£168.60pw** from 6/4/19 applicable if you reach State Pension age after 6/4/16 (35 qualifying National Insurance years needed)

Old State Pension rises to **£129.20pw** from 6/4/19

Capital Gains Tax

Annual personal CGT exemption



£12,000



levied at **10%** for basic rate taxpayers or **20%** for higher rate taxpayers *

(Higher rates of 18% and 28% apply to sales of second homes)

*On gains in excess of the personal exemption, exclusions apply

Inheritance Tax

Nil-Rate IHT band **£325,000**

40% IHT payable above this threshold



or **36%** if you leave at least 10% of your assets to charity

Additional main Residence Nil-Rate band (RNRB): Allowance introduced from April 2017 when a residence is passed on death to a direct descendant. The maximum available amount of RNRB will increase yearly



For the 2019/20 tax year the allowance will be **£150,000**

Increasing to **£175,000** in 2020/21

This will be subject to a maximum estate value of £2m

Other IHT-free gifts, include;

Gifts between UK domiciled husband or wife or between civil partners;



Small gifts to other recipients up to **£250** each in a year



Total gifts up to **£3,000** in a year (can be carried forward one tax year)



Gifts in consideration of marriage or civil partnership ranging from **£5,000** from each parent of the couple, to **£1,000** from anyone else

Chargeable lifetime transfers and potentially exempt transfers attract taper relief, if made up to **seven** years before death on the amount of gift over the nil-rate band

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding of taxation and can be subject to change in future. It does not provide individual tailored investment advice and is for guidance only. **Some rules may vary in different parts of the UK;** please ask for details. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor.