

## Budget, November 2017 – Flash Briefing

The media will be full of facts and deep analysis on the Budget that Philip Hammond just delivered, including the headline grabbing rabbit that escaped the chancellor's hat to abolish stamp duty for most first-time buyers in England and Wales. Out of the 88 pages which constituted the chancellor's second Budget, table 2.1 on pages 28-30 (see below) is once again the most revealing.

It shows plainly the impact on the public finances of each measure being announced: a (-) is a 'giveaway' or fiscal boost from Treasury to the economy, (+) takes money out of the economy and into the public finances. We call it "THE table" because it is the quickest way to gauge the reality of what has just been announced.

It identifies 69 specific policy decisions with either a positive or negative effect on the public finances. Taken together they represent a near £25 billion giveaway over the six years from 2017/18. This is pretty substantial when compared to the equivalent number in the Spring Budget, which indicated a mild tightening of £2bn over five years. The Autumn Statement last year was the greatest giveaway in recent years at £33 billion. So, taken together, the chancellor will have put £56 billion from the public purse into the UK economy in just over a year.

The table shows the detail in 414 entries across housing, the NHS, families and work, economic development, tax compliance, tax rates, air quality and other measures.

Budgets are one of the most important set-piece events in the national calendar. Markets move, careers are made and lost, the economy can be aided or hindered. And sitting behind the Budget is the independent forecast of the Office for Budget Responsibility (OBR).

The OBR published its November outlook for the economy and public finances as the chancellor sat down today. The economy and public finances are naturally very difficult to forecast but the point of trying to nail this particular jelly to a wall is to determine the projections for the health of the economy, the subsequent flow of tax revenues to the exchequer, and demands upon the same for spending. The performance of the engine of the economy is far more important than any one headline tax or spend measure.

At the core of those forecasts was the fact that this is the first time in modern history that the official UK GDP growth forecasts are below 2% every single year through to 2022. A sobering thought for us all as we look towards the festive season.

**Table 2.1: Autumn Budget 2017 policy decisions (£ million)<sup>1</sup>**

	Head	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 <sup>2</sup>
<b>Housing and Homeownership</b>							
1	Land Assembly Fund <sup>3</sup>	Spend	0	0	-220	-355	-355
2	Housing Infrastructure Fund: extend <sup>3</sup>	Spend	0	0	-215	-710	-1,185
3	Small sites: infrastructure and remediation	Spend	0	-275	-355	-120	0
4	Local Authority housebuilding: additional investment	Spend	0	0	-355	-265	-260
5	Stamp Duty Land Tax: abolish for First Time Buyers up to £300,000	Tax	-125	-560	-585	-610	-640
6	Right to Buy for Housing Association tenants: pilot	Spend	0	0	-85	0	0
7	Council Tax: increase maximum empty home premium to 100%	Tax	0	0	0	0	+5
<b>National Health Service</b>							
8	NHS: additional resource	Spend	-400	-1,900	-1,070	0	0
9	NHS: additional capital	Spend	-600	-420	-840	-1,020	-960
<b>Supporting families and working people</b>							
10	Fuel Duty: freeze for 2018-19	Tax	0	-830	-825	-845	-865
11	Alcohol Duties: freeze in 2018	Tax	-35	-225	-230	-230	-235
12	Air Passenger Duty: freeze for long-haul economy flights and raise business class multiplier	Tax	0	0	+25	+25	+25
13	Targeted Affordability Fund: increase	Spend	0	-40	-85	-95	-100
14	Universal Credit: remove 7 day wait and extend advances to 100%	Spend	-20	-170	-205	-195	-160
15	Universal Credit: run on payment for housing benefit recipients	Spend	0	-130	-125	-135	-110
16	Universal Credit: in-work progression trials	Spend	*	*	*	-5	-5
17	Private rented sector access schemes: support for households at risk of homelessness	Spend	0	-10	-10	-	-
18	Disabled Facilities Grant: additional resource	Spend	-50	0	0	0	0
19	Relationship Support: continue programme	Spend	0	-5	-10	-	-
<b>An economy fit for the future</b>							
20	Domestic spending: preparing for EU Exit	Spend	0	-1,500	-1,500	0	0
21	National Productivity Investment Fund <sup>3</sup>	Spend	0	0	0	0	-7,000
22	Research and Development: NPIF investment <sup>3</sup>	Spend	0	0	0	0	-2,300
23	Research and Development: increase R&D expenditure credit to 12%	Spend	-5	-60	-170	-175	-170
24	Oil and Gas: transferrable tax history	Tax	0	+5	+20	+10	+10
25	Patient Capital Review: reforms to tax reliefs to support productive investment	Tax	0	0	+45	+35	-15
26	Innovation: Ultra Low Emission Vehicles: plug in car grant	Spend	0	-50	-50	0	0
27	Innovation: tech, AI, and geo-spatial data	Spend	0	-70	-75	-	-

Continued

	Head	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 <sup>1</sup>	
28	Transport: accelerate capital investment for intra-city transport (Transforming Cities Fund)	Spend	0	-10	-240	-285	+525	-
29	Transport: additional investment in local roads	Spend	-55	0	0	0	0	0
30	Public Works Loan Board: new local infrastructure rate	Spend	0	*	-5	-5	-5	-5
31	Skills: National Retraining Scheme initial investment	Spend	0	-20	-45	-	-	-
32	Skills: investment in computer science teachers and maths	Spend	0	-30	-50	-	-	-
33	Skills: teacher premium pilot	Spend	0	-10	-15	-15	-5	0
34	Business Rates: bring forward CPI uprating to 2018-19	Tax	0	-240	-530	-525	-520	-520
35	Business Rates: extend pubs discount to 2018-19	Tax	0	-30	0	0	0	0
36	Competition and Markets Authority: additional enforcement	Spend	0	-5	-5	+5	+15	+10
37	Aggregates Levy: freeze in 2018-19	Tax	0	-15	-10	-10	-10	-10
38	HGV VED and Road User Levy: freeze in 2018-19	Tax	0	-15	-10	-15	-15	-15
<b>Avoidance, Evasion, Fraud and Error</b>								
39	Avoidance and Evasion: additional compliance resource	Tax	-10	+10	+170	+585	+580	+740
40	Corporation Tax: tackle related party step up schemes	Tax	+15	+45	+45	+45	+45	+45
41	Corporation Tax: deprecatory transactions	Tax	+5	+10	+10	+10	+10	+10
42	Royalty payments made to low tax jurisdictions: withholding tax	Tax	0	0	+285	+225	+160	+130
43	Online VAT fraud: extend powers to combat	Tax	0	+10	+20	+40	+50	+45
44	Offshore Time Limits: extend to prevent non-compliance	Tax	0	*	*	*	+5	+10
45	Carried Interest: prevent avoidance of Capital Gains Tax	Tax	0	+20	+170	+165	+150	+145
46	Insolvency use to escape tax debt	Tax	0	-5	+70	+135	+150	+150
47	Dynamic coding-out of debt	Tax	0	0	+55	+30	+20	+20
48	Construction supply chain VAT fraud: introduce reverse charge	Tax	0	0	+90	+135	+105	+75
49	Waste crime	Tax	0	+30	+45	+45	+50	+45
50	Fraud, Error, and Debt: greater use of real-time information	Spend	0	+85	+75	+65	+40	+40
<b>A fair and sustainable tax system</b>								
51	Corporation Tax: freeze indexation allowance from January 2018	Tax	+30	+165	+265	+345	+440	+525
52	Capital Gains Tax: extend to all non-resident gains from April 2019	Tax	+5	+15	+35	+115	+140	+160
53	Non-resident property income: move from Income Tax to Corporation Tax	Tax	0	0	0	+690	-310	-25
54	Capital Gains Tax payment window reduction: delay to April 2020	Tax	0	0	-1,200	+950	+235	+10
55	VAT registration threshold: maintain at £85,000 for two years	Tax	0	+15	+55	+105	+145	+170

Continued

	Head	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 <sup>1</sup>
56 Tobacco Duty: continue escalator and index Minimum Excise Duty	Tax	+45	+35	+40	+45	+40	+35
<b>Other public spending</b>							
57 Adjustments to DEL spending	Spend	+1,000	0	-1,135	0	0	0
58 Official Development Assistance: meet 0.7% GNI target	Spend	0	+375	0	0	0	0
59 Scotland police and fire: VAT refunds	Tax	0	-40	-40	-40	-45	-45
<b>Air Quality</b>							
60 Air Quality: increase Company Car Tax diesel supplement by 1ppt from April 2018	Tax	0	+70	+35	-30	+130	+90
61 Air Quality: First Year Rate increased by one VED band for new diesel cars from April 2018	Tax	0	+125	+50	+10	*	*
62 Air Quality: funding for Air Quality Plan and Clean Air Fund	Spend	-20	-180	-215	-80	-	-
<b>Previously announced policy decisions</b>							
63 Tuition Fees: raise threshold to £25,000 in April 2018	Tax	0	-50	-100	-175	-235	-295
64 Tuition Fees: freeze fees in September 2018	Tax	0	-5	-15	-25	-35	-45
65 Oil and Gas: funding for UK continental shelf exploration projects	Spend	0	-5	0	0	0	0
66 NICs: maintain Class 4 NICs at 9% and delay NICs Bill by one year	Tax	-10	-125	-645	-685	-565	-525
67 Making Tax Digital: only apply above VAT threshold and for VAT	Tax	*	*	-65	-245	-515	-585
68 City Deals: Swansea and Edinburgh	Spend	0	-30	-30	-30	-	-
69 Social rented sector: maintain current rent policy without Local Housing Allowance cap	Spend	0	0	-155	-205	-255	-320
<b>Total policy decisions<sup>2</sup></b>		<b>-230</b>	<b>-6,045</b>	<b>-9,915</b>	<b>-3,315</b>	<b>-2,960</b>	<b>-2,520</b>
<b>Total spending policy decisions</b>		<b>-150</b>	<b>-4,460</b>	<b>-7,190</b>	<b>-3,625</b>	<b>-1,450</b>	<b>-1,105</b>
<b>Total tax policy decisions</b>		<b>-80</b>	<b>-1,585</b>	<b>-2,725</b>	<b>+310</b>	<b>-1,510</b>	<b>-1,415</b>

\* Negligible

<sup>1</sup> Costings reflect the OBR's latest economic and fiscal determinants.

<sup>2</sup> At Spending Review 2015, the government set departmental spending plans for resource DEL (RDEL) for the years up to and including 2019-20, and capital DEL (CDEL) for the years up to and including 2020-21. Where specific commitments have been made beyond those periods, these have been set out on the scorecard. Where a specific commitment has not been made, adjustments have been made to the overall spending assumption beyond the period.

<sup>3</sup> These figures do not feed into the Total policy decisions line. In 2021-22 and 2022-23, funding for these measures has been allocated from the aggregate total for capital spending. This includes the National Productivity Investment Fund. The NPIF will extend into 2022-23 at £7bn in that year.

*This document is provided strictly for information only and is based on our understanding of law and HM Revenue & Customs practice as at November 2017. Always seek professional advice before acting.*