



COURTNEY HAVERS LLP
Independent Financial Advisers

Unit 5A Valley Industries, Cuckoo Lane, Tonbridge, Kent. TN11 0AG
T: 01892 544 233 F: 01892 542 046 E: advice@courtneyhavers.co.uk
www.courtneyhavers.co.uk

**SPRING
BUDGET
2020**

COVID-19 AND THE NHS

THE ECONOMY AND BUSINESS

PERSONAL TAXATION AND WAGES

INFRASTRUCTURE AND THE ENVIRONMENT

OTHER KEY POINTS

CLOSING COMMENTS

"WE WILL GET THROUGH THIS TOGETHER"

Spring Budget

March 2020

Newly appointed Chancellor of the Exchequer, Rishi Sunak, delivered his first Budget on 11 March, against a backdrop of uncertainty following the COVID-19 outbreak and subsequent financial losses. It was the first of two Budgets to be delivered in 2020, with the second to follow in the autumn.

COVID-19 and the NHS

The Chancellor wasted no time in diving into the heart of the issue on the minds of so many across the nation: the COVID-19 crisis. Taking an empathetic tone, he reassured the British public that *"we will get through this together"*, emphasising the temporary nature of the crisis and his firm belief in the ability of the British economy to weather the storm.

Mr Sunak then called on all parties across the House to support his £30bn fiscal stimulus, including welfare and business support, to *"keep this country and our people healthy and financially secure"*.

He pledged:

- £5bn emergency response fund to support the NHS and other public services
- Statutory Sick Pay (SSP) will be paid to all those advised to self-isolate even if they don't have symptoms
- To support businesses employing fewer than 250, the government would refund up to 14 days' SSP
- A Coronavirus Business Interruption Loan Scheme will support businesses experiencing increased costs or cashflow disruptions, providing access to £1bn of government-backed loans of up to £1.2m per business
- Business rates in England will be suspended for 2020-21 for firms in the retail, leisure and hospitality sectors with a rateable value below £51,000
- Any company eligible for small business rates relief will be allowed a £3,000 cash grant.

On the morning of Budget day, the Bank of England (BoE) had announced an emergency cut in interest rates to bolster the economy amid the COVID-19 outbreak. BoE base rate was reduced from 0.75% to 0.25%, returning it to its lowest level in history.



Mr Sunak promised an extra £6bn in NHS funding over the course of this Parliament, which would go towards hiring 50,000 more nurses and building 40 new hospitals.

The economy and business

On the morning of Budget day, the Bank of England (BoE) had announced an emergency cut in interest rates to bolster the economy amid the COVID-19 outbreak. BoE base rate was reduced from 0.75% to 0.25%, returning it to its lowest level in history. The BoE said it would also free up billions of pounds of extra lending to help banks support firms. Mark Carney, the Governor of the BoE, was keen to emphasise that COVID-19 was a temporary economic shock, stating: *"The Bank of England's role is to help UK businesses and households manage through an economic shock that could prove sharp and large, but should be temporary."*

Mr Sunak also revealed that, not taking into account the impact of COVID-19, the British economy is forecast to grow 1.1% this year, then 1.8% in 2021-22, 1.5% in 2022-23 and 1.3% in 2023-24, while inflation is forecast to be 1.4% this year, increasing to 1.8% in 2021-2022. Borrowing as a percentage of GDP will be 2.1% this year, rising to 2.4% in 2020-21 and 2.8% in 2021-22.

Personal taxation and wages

The Conservative manifesto promised that during the course of this five-year Parliament, there will be no rise in the rates of Income Tax, VAT or National Insurance. From April, the Personal Allowance will be frozen at £12,500 before we start paying 20% Income Tax. Also frozen is the £50,000 threshold at which people start to pay the higher 40% rate of Income Tax. (Rates and thresholds may differ for taxpayers in parts of the UK where Income Tax is devolved.) The National Insurance threshold will rise to £9,500 from April, saving some 30 million workers around £100 a year.

As previously pledged, the new single-tier State Pension will increase from £168.60 a week to £175.20 in April. For pensioners receiving the older basic State Pension, this will increase from £129.20 to £134.25 per week (3.9% increase). The rise is the result of the triple-lock system, which means that the State Pension rises in line with inflation, earnings or 2.5%, whichever is



the highest. The Conservatives have vowed to keep this in place for this term of Parliament.

Looking at Inheritance Tax (IHT), the main residence nil rate band will increase from £150,000 to £175,000 in 2020–21, as previously scheduled.

To support the delivery of public services, particularly in the NHS, the two tapered Annual Allowance thresholds for pensions will each be raised by £90,000. So, from 2020-21 the threshold income will be £200,000, meaning individuals with income below this will not be affected by the tapered Annual Allowance and the Annual Allowance will only begin to taper down for individuals who also have an adjusted income above £240,000.

For very high earners the minimum level to which the Annual Allowance can taper down will reduce from £10,000 to £4,000 from April 2020. This reduction will only affect individuals with total income over £300,000.

The 2020–21 tax year ISA (Individual Savings Account) allowance will remain at £20,000.

The JISA (Junior Individual Savings Account) allowance and Child Trust Fund annual subscription limit will be significantly increased from £4,368 to £9,000 in 2020–21.

The Lifetime Allowance for pensions will increase in line with the Consumer Prices Index (CPI) for 2020–21, rising to £1,073,100.

From 11 March the lifetime limit on gains eligible for Entrepreneurs' Relief is reduced from £10m to £1m, in response to evidence that the costly concession has not been a major incentive to entrepreneurial activity.

Infrastructure and the environment

Mr Sunak announced a huge £600bn package, claimed to be the biggest investment in transport and infrastructure since 1955. Outlining the proposed spending on roads, rail including HS2, gigabit-capable broadband and housing by mid-2025, he said, in short: "if the country needs it, we will build it." The package includes:

- £2.5bn available to fix potholes and resurface roads over five years
- £27bn to build or improve motorways and other arterial roads
- Up to £510 million in shared rural network to improve 4G coverage
- Allocation of £1bn from the Transforming Cities Fund
- Flooding – £5.2bn over six years investment programme for flood defences and £120m in emergency relief for communities affected, £200m for flood resilience.

Environmental measures announced include:

- Nature for Climate Fund – investing £640m in tree planting and peatland restoration
- New plastic packaging tax from April 2022
- Fuel subsidies for red diesel users will be abolished in two years, apart from agriculture, rail, fishing and domestic heating sectors.

Other key points

- Priority to ensure people have affordable and safe housing – extending the affordable homes programme with £12.2bn funding
- Supporting local authorities to invest in their communities by cutting interest rates on lending for social housing by 1%
- £1.1bn allocation from the Housing Infrastructure Fund to build 70,000 new homes in high-demand areas
- From April 2020, minimum wages will rise; for example, the National Living Wage for those aged 25 and above, will increase 6.2% to £8.72 per hour, and to a projected £10.50 by 2024
- The 5% VAT on sanitary products will be abolished from 2021
- Corporation Tax will remain at 19%
- Fuel duty frozen for tenth consecutive year
- Duties on all spirits, beer and wine frozen
- The government will introduce a 2% Stamp Duty Land Tax surcharge on non-UK residents purchasing residential property in England and Northern Ireland from 1 April 2021
- R&D investment of £22bn a year by 2024–25.

Closing comments

The Chancellor signed off his first Budget with these words: "We're at the beginning of a new era in this country. We have the freedom and the resources to decide our own future. A future where we unleash the energy, inventiveness and creativity of all the British people. And a future where we look outwards and are confident on the world stage. That starts right now with our world-leading response to the coronavirus. This is a Budget delivered in challenging times. We will rise to this moment. We will get through this together."

2020 VISION

Your Financial Planning Tips



A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation.

The value of investments and income from them may go down. You may not get back the original amount invested.

A mortgage is a loan secured against your home or property. Your home or property may be repossessed if you do not keep up repayments on your mortgage or any other debt secured on it.

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.