

Budget 2021: A Cicero/AMO Overview

Below is an overview of speculated Spring Budget 2021 announcements as made by the UK government and those rumoured in the press. It is expected that this Budget (3 March) will focus on Covid-19 spending measures with the Treasury preferring a second Budget in November with more substantial tax rises to take effect once the recovery is fully under way and with a general election expected in 2024 still safely in the distance.

It is noted that official announcements have been few due to market restrictions and the evolving nature of the Covid-19 pandemic.

The key broadly is:

- Yellow reflect a tax measure
- White is a spending measure
- Orange is for miscellaneous items

Confirmed

Tax/Spending	Measure	Background
Tax	Council Tax	In November 2020, The Treasury cut £13bn from day-to-day spending plans by cutting overseas aid and freezing public sector pay and grants to local authorities — forcing them to raise council tax bills by 5 per cent in April 2021. The increase does not mean councils have to raise taxes by 5% but gives them the option to do so if needed.

General

Tax	Corporation Tax	<p>It is widely reported that the Chancellor wants to increase corporation tax in March to help balance the books as one of the few “genuine revenue raisers” left.</p> <p>This could include reversing cuts by George Osborne which saw it fall from 28% to 19%. It also follows the scrapping of immediate plans to cut Corporation Tax further to 17%.</p> <p>A rate as high as 23 per cent would still be below the average headline rate of OECD countries of 23.5 per cent and would raise almost £14bn each year.</p>
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		Government officials are hinted to be minded for broader tax rises and are quoted in newspapers as saying: "There is likely to be some form of consolidation".
Tax	Capital Gains Tax	Last November a review of capital gains tax (CGT) ordered by the Chancellor recommended cutting the annual capital gains tax allowance and aligning rates more closely with income tax, a move that has the potential to raise £14bn a year for the Exchequer. The Office of Tax Simplification concluded in a report that current capital gains tax rules were "counter-intuitive" and created "odd incentives" in several areas.
Tax	Stamp Duty	The Treasury is minded to end the stamp duty holiday on the first £500,000 value of home purchases by the end of March. The measure is reported to cost the taxpayer an estimated at £3.3B. There is a backbench campaign called the Property Research Group which wants to scrap stamp duty altogether because it "hinders aspiration".
Tax	Property Tax	It is speculated that replacing council tax and stamp duty with 'national property tax', but not in the short term. The change would benefit residents in the Chancellor's Richmond, North Yorkshire, constituency by £650 a year according research by WPI Economics . This could be done through a national consultation.
Tax	Online Sales Tax or 'Amazon Tax'	Financial Secretary to the Treasury, Jesse Norman is said to be exploring the idea of an 'online sales tax' in addition to the existing Digital Services Tax. The new tax could raise an initial £2 billion extra a year for the Treasury and under the plan, a two per cent charge may be applied on all goods bought online in the UK. That could be accompanied by an extra charge on deliveries to bring in further cash. <i>Mr Norman told MPs: "When we thought about business rates in the recent consultation, we touched on the idea of an online sales tax and just put that out there for discussion and evaluation and we're still reflecting on that."</i>

Spending	Universal Credit	<p>There is widespread support for an extension of the “temporary” £1,000 annual uplift in universal credit, which was introduced at the start of the pandemic and is due to end on March 31. MPs argue that the proposed uplift which costs £6bn a year, should continue until the Covid-19 lockdown expires in England. The Treasury has reminded them that the annual cost of the policy is equivalent to 1p on income tax plus 5p per litre on fuel duty.</p> <p>It is suggested that instead of an annual rise, that the Chancellor could consider a one off payment to claimants of between £500 and £1,000 instead.</p>
Spending	Self Employed Income Support Scheme (SEISS)	<p>MoneySavingExpert’s Martin Lewis revealed that the Budget is likely to include news on the fourth self-employed income support scheme (SEISS) grant, despite the Budget taking place one month after the grant period begins. ‘The fourth grant period is to cover the months February, March and April,’ Mr Lewis said in a video posted on Twitter. ‘Yet the confirmation I’ve just had from the Treasury is that there will not be an announcement made on the amount of that grant, and who’s eligible for that grant, until the Budget, which is on the third of March.’</p>
Spending	Coronavirus Business Loans and Furlough Scheme	<p>The Times reports it expects the Chancellor to extend the furlough and business loan schemes on 3 March. The government’s Coronavirus Jobs Retention Scheme (CJRS), more commonly known as furlough, is due to end on April 30 as are the business loan schemes, after being extended last year. In light of the new lockdown restrictions that are currently in place – with millions of businesses forced to close – the Chancellor could be minded to extend the schemes again.</p>
Misc	Access to Cash	<p>In last year’s Budget, the government pledged to protect access to cash through new legislation. The legislation hasn’t been passed since then, so this year’s Budget could provide an update on progress.</p>
Misc	Infrastructure Bank	<p>The government announced the creation of an infrastructure bank in the Spending Review last year however, no further details have been announced. Earlier this year, the Treasury put out to tender a contract for the creation of the bank with details on the remit hoping to be announced in the Budget. There is also discussion around a separate green investment bank 2.0 but this doesn’t appear to be a worked-up policy yet.</p>

Misc	Bank of England remit	The Times reports the Bank of England will be asked to reflect climate change risks in their decision-making. The Chancellor is expected to introduce environmental clauses into the Bank's mandate when he updates it at the Budget in March. Treasury officials have been in talks with the Bank on the design of a green monetary policy but a final decision has yet to be taken. Climate change considerations are already in the Bank's financial stability mandate, which includes stress testing lenders against global warming risks, but monetary policy remains strictly focused on price stability and supporting economic objectives.
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Campaigns

These aren't speculated measures but calls from the industry/groups/newspapers.

Tax	Windfall Tax	The Times is calling on the government to introduce a one-off windfall tax on finance – an excess profit levy and super-tax on bonuses for asset managers and investment banks – to 'skim the froth from the market'. This isn't widely speculated or advocated for beyond the Times but to be noted.
Misc	Business Rates Holiday Extension	Following the Scottish Government announcing a three month business rates holiday extension, there are calls for the same measures to apply to England, or for support to avoid a cliff edge in April 2021. This campaign has become particularly pronounced following the collapse of high street retailers, Debenhams and the Arcadia group. Businesses including Waterstones are taking their calls for an extension public.
Tax	Wealth Tax	The Wealth Tax Commission has proposed a one-off wealth tax on individuals with assets worth more than £500,000, or £1m for a married couple. The commission has suggested this should include main residences and pension pots. However, there are some concerns that this could target households who are asset rich and not cash rich.

Spending	Leaseholder cladding	Pressure is on the government to help leaseholders who are struggling with sky-high bills to pay for dangerous cladding to be removed. A Sunday Times campaign has revealed that 700,000 people live in flats wrapped in flammable materials while millions of others are unable to sell their homes because they cannot prove their properties are safe.
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