

UK Budget 2020 Roundup

The Chancellor delivered his budget today and here are the topline from it:

Key announcements to CIMA:

- **Announcement of an Economic Crime Levy** – All firms subject to the Money Laundering Regulations 2019 will be within scope of the levy. In total, Home Office estimate £150m a year is needed to deliver the reforms in the Economic Crime Plan. The government intends for the levy to raise c.£100m a year to help meet these costs. It looks very possible that CIMA as a money laundering regulatory body will have to pay the levy. We are working to understand this policy better and the full implications. We expect a consultation on this which we will be responding to.
- **Apprenticeships** – There was not much mention at all during the Chancellors speech on this, but the budget documents say:

1.152 Apprenticeships also provide the opportunity for people to learn valuable skills and get good jobs. Since its introduction in April 2017, the Apprenticeship Levy has enabled the government to raise the standard of apprenticeships, supporting employers to make a long-term, sustainable investment in training. The government will now look at how to improve the working of the Apprenticeship Levy, to support large and small employers in meeting the long-term skills needs of the economy. In the meantime, the government will ensure that sufficient funding is made available in 2020-21 to support an increase in the number of new high-quality apprenticeships in small- and medium-sized businesses.

We got some press coverage on apprenticeships and the budget. Please see here:

[The Independent](#)
[FE News](#)

Digital Services Tax –

2.205 Digital services tax (DST) – As announced at Budget 2018, the government will introduce a new 2% tax on the revenues certain digital businesses earn from 1 April 2020. This will ensure the amount of tax paid in the UK reflects the value these businesses derive from their interactions with, and the contributions of, an active user base. Legislation will require businesses to pay the DST on an annual basis, consistent with the draft legislation published in July 2019. The government will continue to give consideration to how the legislation applies to marketplace delivery fees and whether that application is consistent with the policy rationale of the DST. The government remains committed to developing a multilateral solution to the challenges digitalisation has created for the corporate tax system and will repeal the DST once an appropriate global solution is in place. (50)

So, the government look set to press ahead with the DST, this is not a surprise and was to be expected.

Background:

This is the first budget since the Conservatives won a majority of 80, the largest Conservative majority since 1987. The Conservative Government have significant political capital. This is the first indication of the Government's economic approach and vision. However, 'events' (the coronavirus and the resignation of Mr Javid as Chancellor) forced the Government to alter its budget plans.

This Budget was really 2 Budgets in one announcement – the coronavirus response and a Budget to end austerity. This is one of two fiscal events this year, including an additional Budget this Autumn. There will also be a CSR. By the summer the impact of coronavirus and the progress in the Brexit negotiations will be better known.

On Coronavirus: The Budget was preceded by the Bank of England (BOE) cutting interest rates to 0.25% and the Chancellor coordinated the Budget with the BOE. A number of measures were announced, with a commitment to release more funds if the situation required it. The Government's temporary relief measures are included in the attachment.

On ending austerity: £30 Billion of spending increases were announced. The Budget could be termed a giveaway budget with duties being frozen and public spending increases across the board. However, there were only a few tax increases to red diesel, entrepreneurs' relief and keeping corporation tax at 19% to fund this.

There is little fiscal headroom if the economy deteriorates further and Mr Sunak continues to keep to the UK Government's fiscal rules. However, he will be helped by the fact that UK Government Bond Yields are now the lowest in history; they entered negative territory in some periods during this last week's trading.

Major Policy Announcements:

Borrowing and Economic Growth:

- Spending. £30bn of extra spending for this year.
- Borrowing. Borrowing as a percentage of GDP will be 2.1% this year then will rise to 2.4% in 2020-2021, 2.8% in 2021-22, then falls to 2.5%, 2.4% and 2.2% in the following years.
- Debt. Debt as a share of GDP is forecast to fall from 79.5% this year to 75.2% in 2024-25.
- Growth. Pre-coronavirus growth projected at 1.1% for 2020, then 1.8%, 1.5%, then 1.3% and 1.4% in the following years. Growth has been downgraded following the OBR forecast in March 2019, without coronavirus being considered.
- Fiscal rules. Keep the fiscal rules set in the manifesto. Review the fiscal framework – low and stable prices, fiscal sustainability and independent institutions are 'essential'. This will be consulted on and announced in Autumn.

Business:

- Business rates review launched. A call for evidence to be published in spring, with the review to be reported on in autumn.
- Reform of Entrepreneur's Relief. The lifetime limit on gains eligible for relief will be reduce to £1m.
- Increase the rate of Research & Development Expenditure Credit from 12% to 13%.
- Increase in the annual rate of the structures and buildings allowance to 3%.

Education and Skills:

- Increase public R&D investment to £22bn per 2024-25.
- Funding boost of up to £400m in 2020-21 for research, infrastructure and equipment for research institutes and universities.
- £300 million for experimental mathematical research which will double funding for new PhDs and boost the number of maths fellowships and research projects.
- The Government will not pursue additional sales of pre-2012 income-contingent student loans.
- £120 million to bring FE and HE providers in England together with employers to open up to 8 new Institutes of Technology.
- £95 million for providers in England to invest in facilities and equipment to support the rollout of T levels. Funding will support T level routes being delivered from autumn 2021.
- £1.5 billion for FE Colleges.
- £30m a year for PE sport in primary schools.

You can view the budget document here:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/871802/Budget_2020_Print.pdf