

Information about the Autumn Budget 2021

Haywards Heath & District Probus Club



The Chancellor of the Exchequer

Rishi Sunak (below) has served as **Chancellor of the Exchequer** since 13 February 2020. A member of the **Conservative Party**, he was previously **Chief Secretary to the Treasury** from July 2019. He has been the Member of Parliament (MP) for Richmond in North Yorkshire since 2015.



Official portrait 2020

Responsibilities

The Chancellor of the Exchequer is the Government's chief financial minister - something akin to a Financial Director. He is responsible for raising revenue through taxation or borrowing and controlling public spending. He has overall responsibility for the work of the Treasury, and cover:

- fiscal policy (including the presenting of the annual Budget)
- monetary policy, setting inflation targets
- ministerial arrangements (in his role as Second Lord of the Treasury)
- overall responsibility for the Treasury's response to COVID-19

What is the Budget?

Each year, the Chancellor of the Exchequer - who is in charge of the Government's finances - makes a Budget statement to MPs in the House of Commons. It outlines the Government's plans for raising or lowering taxes. It also includes big decisions on what the Government will spend money on - including health, schools, police and other public services. The 2021 Autumn Budget is unusual for two reasons:

- It is the second one of the year - there was a Budget in March 2021.
- It comes on the same day as **the results of a spending review**, which details how the Government will fund public services for the next three years.

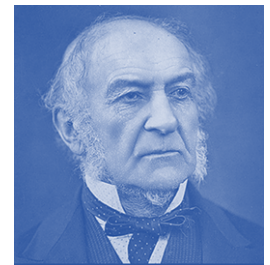
The Government published the Budget and Spending Review in full: you can read it [HERE](#). The Chancellor took 70 minutes to deliver his package of fiscal measures. After the Chancellor's speech, the independent Office for Budget Responsibility (OBR) - which monitors government spending - published a report on how the economy is doing. You can read the Executive Summary [HERE](#).

Prior Announcements: giving the game away or testing the waters?

HM Treasury had already released a deluge of funding announcements, days before the Chancellor delivered his Budget on 27 October 2021. Statements from the Government setting out spending for transport, health and education were issued to the media in the few days before Autumn Budget day.

The Long and Short of it

The Chancellor of the Exchequer usually takes about an hour to deliver a Budget speech. The longest Budget delivery in history was by William Gladstone in 1853 (below) - his speech lasted four hours and 45 minutes.



For brevity, you need to look to Benjamin Disraeli (below) whose Budget speech in 1867, took only 45 minutes.



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Autumn Budget 2021: Key points at-a-glance

Some parts of the Budget, such as defence spending, affect the whole of the UK. Others, such as education, only affect England. Scotland, Wales and Northern Ireland make their own decisions. Scotland has income tax-raising powers, which means its rates differ from the rest of the UK. The Scottish government will publish its Budget on 9 December 2021.

The Chancellor painted a positive picture of the health of the UK economy as it emerges from the pandemic - in an upbeat Budget speech, he said the UK economy had not been hit as hard by the Covid pandemic as expected. He promised more money for schools, business rate cuts and took 3p off the price of a pint of beer.

Quick overview

- A rise in spending for every government department
- A freeze on fuel duty
- Funding per pupil in England's schools is to be restored to 2010 levels over the next three years
- A 5% cut to the extra corporation tax banks have to pay to "maintain competitiveness."
- An extra £2.2bn for courts, prisons and probation services, including £500m to reduce courts backlogs
- A cut in air passenger duty for internal UK flights - and a tax rise on "ultra long haul" flights
- More support for industrial research and development
- The teetotal Chancellor also announced plans to "radically simplify" alcohol tax, so that it was based purely on the strength of the drink.
- Taxes on sparkling wine, draught beer, and cider will be cut but will rise for stronger drinks such as red wine and "white ciders" from 2023.
- The planned increase in duty on spirits, wine, cider and beer due to take effect from midnight on 27 October 2021 has been cancelled.
- Also scrapped is next year's planned increase in business rates in England. The Chancellor promised more frequent revaluations and tax breaks for firms that improve their properties, from 2023.
- In further moves to boost the leisure industry as it emerges from the pandemic, he announced a 50% business rate discount for pubs, cinemas, restaurants, gyms and other venues.

State of the economy and public finances

- Inflation in September 2021 was 3.1% and is likely to rise to an average of 4% over next year, OBR says
- UK economy forecast to return to pre-Covid levels by 2022
- Annual growth is set to rebound by 6.5% this year, followed by 6% in 2022
- Unemployment is expected to peak at 5.2% next year, lower than 11.9% previously predicted
- Wages have grown in real terms by 3.4% since February 2020
- Borrowing as a percentage of GDP is forecast to fall from 7.9% this year to 3.3% next year
- Borrowing as a percentage of GDP will then fall in the following four years to 1.5%
- Foreign aid spending is projected to return to 0.7% of GDP by 2024-25

Cost of Living

The cost of living could rise at its fastest rate for 30 years, the Government's forecaster has warned. Its latest forecast says inflation, which measures the change in the cost of living over time, is set to jump from 3.1% to an average of 4% in 2022. However, the Office for Budget Responsibility (OBR) says figures released since its report was compiled suggest inflation could hit almost 5%.

The Chancellor acknowledged that household budgets are strained.

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Taxation and wages

- Universal Credit taper rate will be cut by 8% no later than 1 December 2021, bringing it down from 63% to 55% - allowing claimants to keep more of the payment
- Business rates are to be retained and reformed
- A 50% business rates discount for the retail, hospitality, and leisure sectors in England in 2022-23, up to a maximum of £110,000
- The planned rise in fuel duty to be cancelled amid the highest pump prices in eight years
- Consultation to take place on an online sales tax
- National Living Wage to increase in 2022 by 6.6%, to £9.50 an hour

Shops, restaurants and gyms get Budget boost

Bricks and mortar firms have long complained that they are at an unfair disadvantage compared with online retailers, which do not have to pay business rates. They want to see an online sales tax being applied.

In his Budget speech, the Chancellor said that in the 2022-23 tax year, pubs, music venues, cinemas, restaurants, hotels, theatres and gyms would be able to claim a discount on their bills of 50%, up to a maximum of £110,000. He said that was a tax cut worth almost £1.7bn. In conjunction with the existing Small Business Rates Relief, the move meant more than 90% of all retail, hospitality and leisure businesses would see a discount of at least 50%.

Business rates in the retail and leisure sectors have already been reduced during the current financial year following the rates holiday during the pandemic.

Acknowledgement

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The Devil is in the Detail

The government is committed, where possible, to publishing most tax legislation in draft for technical consultation before the relevant Finance Bill is laid before Parliament. The consultation on draft clauses is intended to make sure that the legislation works as intended.

The government has published explanatory notes on resolutions ([HERE](#)), which give a brief description of each of the Finance Bill resolutions. As is generally said, the 'devil is in the detail' meaning that what has been published so far are simply proposals to be enshrined in the Finance Bill and later, the Finance Act. The Finance Bill will be

published on 4 November 2021. The government has also announced that it will bring forward a further set of tax administration and maintenance announcements later in the autumn.

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