AUTUMN STATEMENT BRIEF

Last Autumn Statement sets post-EU course for UK

Wednesday 23 November 2016

Today the Chancellor of the Exchequer, Philip Hammond, delivered the Autumn Statement; the first major economic review since the EU referendum. The Chancellor confirmed that he will maintain the commitment to fiscal discipline, while delivering "an economy that works for everyone", and recognised the need for investment to drive productivity gains. The Government announced a National Productivity Investment Fund: a £23bn investment in innovation and infrastructure over the next five years. Other key announcements include a rise in the national minimum wage, a freeze in fuel duty, confirmation that announced cuts to corporation tax will be delivered, and further devolution across the UK.

General economic indicators

- The Office for Budget Responsibility (OBR) upgraded growth forecasts to 2.1% in 2016 (from 2.0%), then downgraded to 1.4% in 2017, rising again to 1.7% in 2018, 2.1% in 2019 and 2% in 2021. Overall, growth will be 2.4% lower as a result of Brexit.
- The deficit forecast has been adjusted and will fall to 3.5% in 2016/17 from 4% last year, continuing to fall over this Parliament, reaching 0.7% in 2021-22.
- The unemployment rate is forecast to fall to 5% in 2016, rising to 5.2% in 2017, and 5.5% in 2018.
- RPI inflation is forecast at 0.7% in 2016, rising to 2.3% in 2017 and 2.5% in 2018.

Infrastructure Investments

- Major new investment in transport infrastructure, including £1.1 billion to reduce congestion and upgrade local roads and public transport, £220 million to tackle road safety and congestion on Highways England roads, and £27 million to develop an expressway connecting Oxford and Cambridge.
- There will be a £1 billion investment to support the full-fibre broadband and trialling of broadband and 5G networks, along with a new 100% business rate relief for new full-fibre infrastructure for a five-year period.
- More money for Scotland, Wales and Northern Ireland to spend on infrastructure projects. This will be an increase of over £800 million for the Scottish Government, over £400 million for the Welsh Government and over £250 million for the Northern Ireland Executive.
- A £390 million investment will go to future transport technology, and £450 million has been made available for trialling digital signalling technology on the railways.

Key points round-up

- **The Autumn Statement is to be scrapped**. From 2017, the annual Budget statement will be moved to the Autumn (there will be two in 2017). The Budget will be used for all tax and finance policy changes. A new 'Spring Statement' will be introduced in 2018, with a much reduced remit of updating on, and responding to, forecasts from the OBR. ABTA has spoken to HM Treasury to highlight the need, with the changed timetable, to maintain a minimum one-year lead in time for APD changes.

- On APD, the Government published a summary of responses to the consultation on how to support regional airports in England from the potential effects of devolution; no measures are planned, but HMT will review after Brexit. No changes to APD levels were announced.
- The Chancellor introduced **three new fiscal rules**:
  - Public finances must be returned to balance as early as possible in the next Parliament - borrowing below 2% by end this Parliament.
  - Public sector net debt must be falling by the end of this Parliament.
  - Welfare spending cap to be set by Government and monitored by OBR.
- **Fuel duty rise cancelled** for the seventh successive year.
- The Government will legislate in early 2017 **to reduce whiplash compensation claims.** There is a proposal being consulted on currently, which includes all personal injury claims.
- **Departmental spending limits** set out at the 2015 Autumn Statement will remain in place, before rising with inflation in 2021-22.
- The 2017 Budget will set out details for **access to licences or services** for businesses conditional on them being registered for tax. This will impact the sharing economy.
- The government will consult on **VAT grouping** and provide funding with a view to digitising fully the Retail Export Scheme to reduce the administrative burden to travellers.
- There will no longer be tax breaks for some **employment benefits**, such as salary sacrifice schemes including gym memberships and mobile phones (however this does not include schemes such as cycle to work, childcare, and pensions).
- **Personal tax allowance thresholds** will rise to £12,500 by 2020 and the 40p tax threshold will rise to £50,000.
- The **national minimum wage** will rise to £7.50 from April.
- **Rural rate relief will increase** from 50 to 100% in April 2017, saving a business up to £2,900 a year.

For more information: Full details on of the Autumn Statement can be found here. If there are any questions please contact ABTA's Public Affairs Manager, Luke Petherbridge, on lpetherbridge@abta.co.uk or 0203 117 0578.

CHANCELLOR INTENT ON WRITING NEW CHAPTER IN UK'S HISTORY

Luke Petherbridge, ABTA's Public Affairs Manager

Unsurprisingly the main theme of Chancellor, Philip Hammond's, Autumn Statement was preparing for life after leaving the EU, making sure the British economy is "match-fit" for Brexit. As such, with growth forecasts projected to slow, there were no big giveaways or spending commitments announced. While the lack of action on APD, in particular, is disappointing, the spate of infrastructure investments announced is to be welcomed. There will be a particular focus on improving road networks, especially across the North, as well as moves to digitalise the rail network. The Chancellor is clear that the Budget, and not this half-year update which will move to the Spring in 2018, will now be the set-piece for all tax and finance announcements. This is where the industry must now focus our lobbying efforts to deliver further APD reductions.