## Protecting, creating and supporting jobs – EY comments on the budget.

Spokesperson Gareth Anderson, head of tax at EY in the south, comments on today's budget: "Today, Rishi Sunak set out his three-point plan, which he said aims to protect, create and support jobs, fix the public finances and build our future economy.

**Supporting jobs**

"Among the key highlights were his extension of the furlough scheme until September. This will be welcome news to the region's hospitality, leisure and tourism businesses, who will also be pleased to see extensions to the business rates holiday and VAT reduction for the sector. Many operators are relying on these measures to remain afloat while trading remains disrupted. The restart grants are also a significant move, which will help businesses to cover ongoing operating costs.

"Although we expect consumer demand to recover relatively quickly, it is important to note that outdoors service will only be profitable for a small portion of the hospitality sector and that, even after the scheduled May 17 full reopening, social distancing measures will likely continue to limit operating capacity in restaurants and pubs. Across all hospitality businesses, many operators also face increased debts and deferred rental obligations, which will need to be managed going forward.

“Hospitality businesses will need ongoing government support as long as these challenges remain in place, so it is encouraging to see the sector-specific support being offered.

“From speaking to sector leaders, only a minority wanted to see a restart of government-funded consumer discounts such as ‘eat out to help out’ so the sector is unlikely to be disappointed that this was not included.

“We would also note that for hotels, whilst the outlook appears positive for leisure demand, the extent and rate of recovery in business travel is uncertain. We expect many hoteliers to continue contending with reduced occupancies for at least the medium term.”

**Supporting the self-employed**

Anderson adds: “The chancellor also set out his plans to support the self-employed, including £33 billion in support, via the self-employed scheme. He said that over 600,000 more people would now benefit from this extension.

**The next generation**

Anderson continues: “Shifting the focus to better paid and higher value jobs – the chancellor confirmed an increase to national living wage to £8.91 from April 2021.

“For businesses looking to invest in the next generation, he confirmed that the Government will be doubling its financial support for apprentices, to £3,000 per apprentice, as part of a programme of investment worth £160m in traineeships. He also announced UK-wide training schemes, under ‘help to grow’ aimed at increasing productivity amongst smaller businesses.

“The first of these will launch in the Autumn and will focus on management. 90% of the cost of training will be contributed by the Government and realising the importance of building digital and technology skills, the programme will latterly be

extended with the launch of the help to grow – digital. Businesses will be able to access free training and will get a significant reduction in the cost of software.

“The chancellor also launched two consultations for R&D – with further details set to follow.

“As part of the chancellor’s £25b grant support for businesses, he announced that restart grants will be available from April. Businesses will be able to apply for between £6,000 and £18,000 of support per premises – based on giving those most affected and unable to open up immediately priority.”

**VAT**

Anderson says: “The chancellor's extension to the 5% reduced rate of VAT will be in place for a further six months to Sept 30, 2021. Thereafter, the VAT rate will be 12.5% for an additional six months before increasing again to 20% in April 2022. This is good news for the sectors affected and although the staggered changes will add some complexity and costs to the VAT position, this will bring another full year of VAT relief for these businesses until March 31, 2022.”

**Corporate tax – going back ten years**

Anderson says: “In a move that went further than many expected, the chancellor today set the UK’s corporation tax rate back a decade, with the rise in 2023 to 25% falling between the 2011 rate of 26% and 2012 rate of 24%. This firmly abandons the aspiration of former chancellors, going back to George Osborne, of having the lowest rate in the G20 in favour of the far less competitive challenge of the best in the G7. This is the single biggest tax rise in the Budget, raising over £17b a year by the end of the parliament and is almost 60% of the total tax increase.

“The chancellor has slightly tempered this for some by retaining the reduced rate of 19% for those with small profits of up to £50,000, and then tapering the relief up to £250,000. However, even in this area, the chancellor seems to be focusing on small rather than small and medium sized businesses, as the previous system of reduced

rates that existed until 2015 applied to business with profits of up to £1,500,000 per annum.

“Whilst there was some good news for those with losses, who can now carry up to £2m of losses back three years, larger businesses may prefer to use those losses against future profits which would otherwise pay tax at 25%.

“All in all, today was a tough day for larger businesses – with a six-percentage point increase in corporation tax rate leaving them funding 60% of today’s tax increases. Whilst there was some relief on losses and today’s 19% percent rate was kept for some, these were targeted at smaller companies.”

**Levelling up**

Anderson continues: “The chancellor reiterated the Government’s commitment to levelling up and changing the economic geography of the country. He confirmed the locations of eight new freeports – special economic zones, with low taxes, simpler planning and cheaper customs arrangements – that aim to stimulate investment and regional growth. The locations include the Thames Valley and Solent, which is a welcome boost to the investment prospects of these areas of the region.

“Manufacturing businesses in the region will welcome the super-deduction incentive for investing in new equipment and will be eager for more detail on what exactly this will cover. However, the two-year period for the relief is a little disappointing.

“There was a lack of wider investment stimulus. There was also no mention of the patent box regime and no extension of the current R&D tax relief regime, although the announced review of the latter is welcome.

“While the chancellor is understandably focused on Covid-19 relief, it’s important the UK is also positioned for long-term growth. A healthy and growing manufacturing industry could be the foundation for a post-pandemic recovery and a key part of the strategy for a post-Brexit world, while also creating skilled jobs throughout the supply

chain. The sector will be hoping the March 23 tax consultations announcement provides further encouragement."

**Stamp duty**

Anderson says: "The stamp duty holiday extension and the new mortgage guarantee scheme are good news items for the housing market as they are measures designed to stimulate demand. The monetary benefits will primarily flow to sellers rather than buyers as the increase in demand will inevitably push prices up.

"Otherwise, the tax changes announced in this budget have been fairly unremarkable for the property sector, with a short-term emphasis evident in the steps aimed at helping tenants through what we hope to be the last phase of the pandemic.

"With a number of key tax consultations deferred until March 23 and the final report on business rates deferred to the autumn, the chancellor's vision for the property sector is still to be revealed. With the economic recovery in sight, we need bold measures to create the right conditions for investment in our town and city centres. Meaningful tax reform and modernisation will need to play a key role but, for now, the property sector will have to keep waiting for the changes it wants to see."