

BUDGET MARCH 2020 HIGHLIGHTS & ANALYSIS

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HK Wealth, founded in 2001 and led by managing director, Garry Hale, has built up a solid reputation for helping people build their wealth and secure their retirement.

Garry has been active in the world of financial services since 1990, originally with one of the UK's largest insurance companies advising clients both in Stirling and Edinburgh.

He is one of the best-qualified independent financial advisors in Scotland, holding a Chartered Wealth Manager qualification from the Chartered Institute For Securities & Investment (CISI) and Diploma in Financial Planning from the Personal Finance Society.



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GET IN TOUCH

WELCOME TO THIS GUIDE

In what felt like a historic Budget, recently appointed Chancellor Rishi Sunak presented the government's plans for taxation and spending.

There was also a robust fiscal response to the growing coronavirus crisis, designed to get individuals and businesses through the anticipated period of temporary disruption.

With only four weeks to gain his bearings in the new role, Sunak delivered a lively performance, packed with detail and with plenty of new measures to unpick.

Within this briefing note, we have described the main Budget announcements as they relate to Financial Planning.

As with every Budget and Autumn Statement, further details often come to light in the days and weeks after the event.

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CORONAVIRUS RESPONSE

Some dubbed this the coronavirus Budget, with an emergency interest rate cut this morning pre-empting a further package of measures designed to shore up the economy.

Chancellor Sunak presented a £30bn fiscal package designed to deliver stability and security in the face of a growing coronavirus outbreak. He described the virus as the key challenge we face today, but not the only challenge.

As a result of coronavirus, business rates in England will be axed for firms in the retail, leisure and hospitality sectors, where they have a rateable value of less than £51,000.

Nearly half of businesses will pay no rates, receiving a 100% discount. The Chancellor also announced he was launching a fundamental review of business rates.

The NHS was effectively given a blank cheque in this Budget to address the coronavirus. An initial £5bn emergency support fund was announced to provide support to the NHS and other public services tackling the epidemic.

For employees, statutory sick pay was already extended to be paid from day one instead of day four. Now, sick pay will be available to all those who choose to self-isolate to help prevent the spread of coronavirus, even if they are not displaying any symptoms of the disease.

Workers can obtain a sick note by calling 111, instead of visiting their GP.

Businesses with fewer than 250 employees will be able to reclaim statutory sick pay payments.

The minimum income floor for Universal Credit was removed in the Budget, and in-person Jobcentre Plus appointments replaced with a telephone and online claims system.

The timescale for claiming contributory employment support allowance was also cut, from one week to one day.

The Chancellor announced a £500m hardship fund, distributed via local authorities, designed to help vulnerable people during the outbreak.

And small businesses can tap into a new £1.2bn business interruption loans fund, designed to create a bridge for companies and see them through to the other side of the temporary economic shock.

Banks will provide these loans, of up to £1.2m per eligible business, with an 80% government guarantee backing the loans to deliver working capital.

Businesses and the self-employed can also access a dedicated HM Revenue & Customs helpline, manned by 2,000 staff, to discuss an additional time to pay taxes when faced with cash flow issues.

In perhaps the most generous Budget measure, Sunak announced the payment of a £3,000 grant to each small business which qualifies for rates relief, in a move costing the Treasury up to £2bn.

With up to one-fifth of workers expected to be off work sick at any one time during the epidemic, these measures will be welcomed by employers and employees.

ECONOMIC UPDATE

This was the final Budget for independent Office for Budget Responsibility (OBR) chairman Robert Chote.

It was noted that coronavirus would have a significant temporary impact on the British economy and public finances, against a backdrop of a slowing global economy.

The British economy is forecast to grow by 1.1% this year, but this growth forecast does not take into account the impact of the coronavirus. It reflects the slowest economic growth for the UK, if it materialises, since 2009.

The OBR then forecast economic growth of 1.8% in 2021/22, 1.5% in 2022/23, and 1.3% in 2023/24.

Price inflation this year is forecast at 1.4%, below the Bank of England target of 2%. Inflation is then forecast to rise to 1.8% in 2021/22.

Public sector net borrowing is forecast by the OBR to rise to 2.1% of GDP this year, rising again in 2021/22 to 2.4%, and then to 2.8% in 2022/23.

Despite slowing economic growth and rising borrowing, debt as a percentage of GDP is forecast by the OBR to be lower by the end of the current parliament than it is today.

TAXATION

One of the most anticipated measures in this Budget was a reform of entrepreneurs' relief for capital gains tax.

The tax break, which reduces CGT from 20% to 10% on eligible business disposals, will now be subject to a lifetime limit of £1m of gains, down from £10m.

Many called for the tax relief, which is described as expensive, ineffective and unfair, to be scrapped altogether. Small business owners will be relieved to see entrepreneurs' relief still available, albeit subject to a lower lifetime limit.

It means 80% of small businesses will still be able to claim entrepreneurs' relief, should they sell in the future, but capping the lifetime limit at £1m will save around £6bn over the next five years.

The tax threshold for National Insurance contributions will rise from £8,632 to £9,500 in April, saving employees a little more than £100 a year.

The so-called tampon tax will be abolished, with the 5% VAT on women's sanitary products scrapped.

PENSIONS AND INVESTMENTS

In an effort to resolve a pensions crisis within the NHS, where consultants and GPs pay significant tax bills on accumulated pension benefits, the Chancellor has increased the pension annual allowance taper threshold.

The two annual allowance thresholds will rise by £90,000 from April 2020. Individuals earning less than £200,000 will not be subject to the tapered annual allowance.

Only those earning more than an adjusted income of more than £240,000 will see their annual allowance taper down.

Those earning the highest incomes will be subject to an annual allowance as low as £4,000, down from £10,000, from April 2020. This will only affect those with adjusted income (including pension accruals) exceeding £312,000.

Junior ISA and Child Trust Fund contribution limits will rise from £4,368 to £9,000 from 6th April 2020.

The Treasury said: “By saving towards their future, families can give children a significant financial asset when they reach adulthood – helping them into further education, training, or work.”

Other ISA limits remain unchanged.

HOUSING, TRANSPORT AND INFRASTRUCTURE

£1.1bn was allocated from the housing infrastructure fund to build nearly 70,000 new homes in the areas with the greatest demand.

The Budget announced a stamp duty surcharge of 2% from April 2021, levied on non-resident buyers of UK property.

Rough sleepers will be helped into permanent accommodation with a new £650m funding pot.

And £1bn was allocated to a new building safety fund, designed to remove dangerous cladding from tower blocks and other tall residential buildings, in the wake of the Grenfell Tower disaster.

On infrastructure, the Chancellor announced more funding for green transport solutions, funded by raising taxes on pollution by £1bn.

Tax relief on red diesel will be abolished in two years, affecting most sectors with exceptions for agriculture, rail, fishing and domestic heating.

A new 30,000-hectare forest, larger than Birmingham, will be planted during the life of this parliament, with 35,000 hectares of peatland restored too.

Flood defence investment will be double to reach £5.2bn during the next five years.

Drivers will welcome the £2.5bn commitment to fix potholes and resurface roads during the next five years.

On broader infrastructure issues, the Chancellor pledged to triple the average net investment in rail and road, affordable housing, broadband and research, when compared to the investment made during the past 40 years.

OTHER MEASURES

- In good news for motorists, fuel duty will be frozen for a tenth consecutive year.
- Duties on spirits, beer, cider, and wine are also frozen this year.
- £5bn was allocated to enabling gigabit-capable broadband in the hardest to reach parts of the UK.
- The Science Institute in Weybridge will receive an investment of £1.4bn.
- VAT on digital publications, the so-called 'reading tax', will be abolished from December. This will cover e-books, electronic newspapers and magazines, and journals.
- Scotland will receive an additional £640m of devolved funding, with £360m for Wales and £210m for the Northern Ireland Assembly.
- New Treasury offices will be opened in Wales and Scotland, with a new civil service hub employing 750 staff opened in the North of England.
- £900m of funding will be made available for new research into nuclear fusion, space and electric transport.
- Plastic packaging will be taxed from April 2022, with producers paying a new tax of £200 per tonne on packaging with less than 30% recycled content.



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