ROTHESAY BENNETT

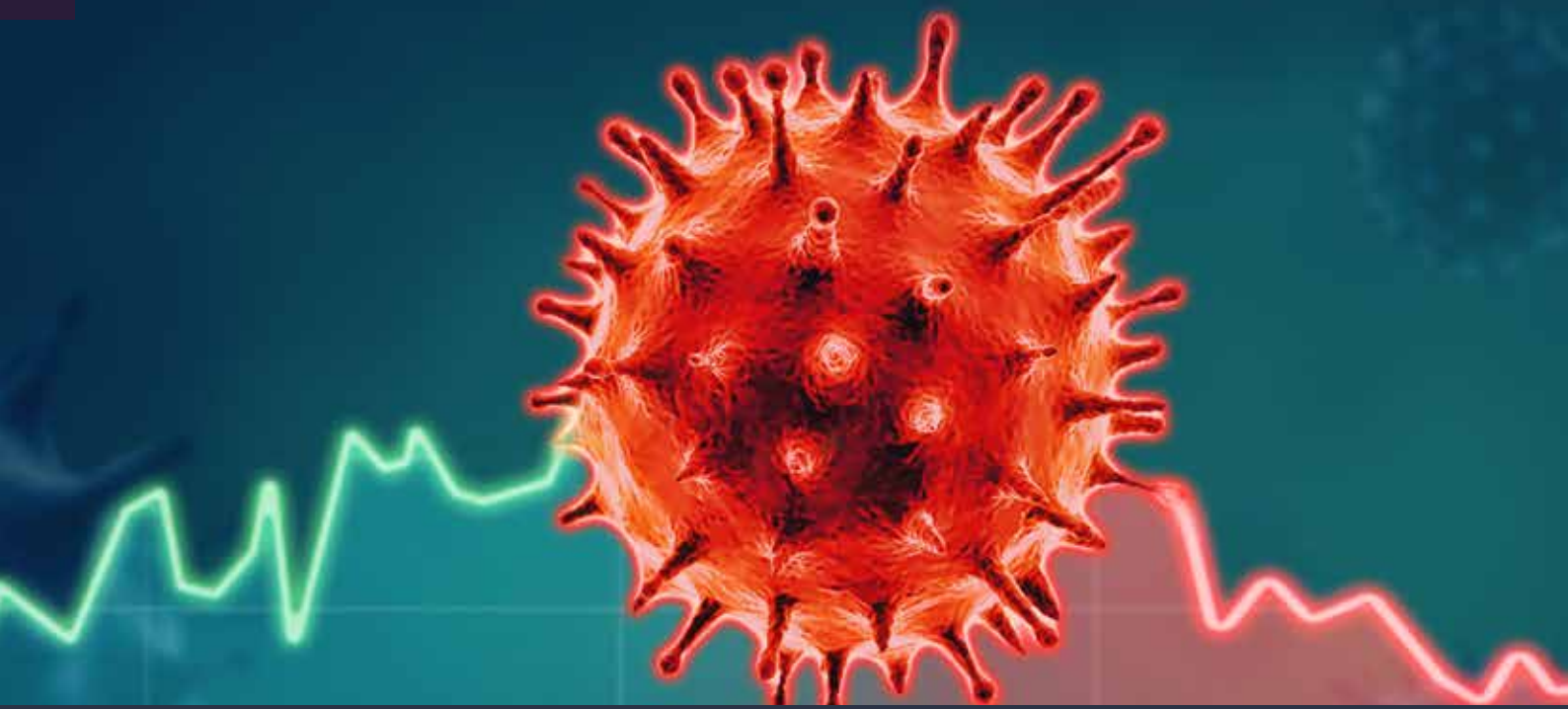
FINANCIAL PLANNING

GUIDE TO

‘MINI-BUDGET’ 2020 SUMMER STATEMENT

KEY ANNOUNCEMENTS FOR THE NEXT STAGE OF THE UK’S ECONOMIC RECOVERY

MINI-BUDGET 2020



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Mr Sunak said, 'The job of responding to the crisis has only just begun, and the Government will put the public finances back on a sustainable footing.'

Welcome

Emergency 'Mini-Budget' Summer 2020 Statement

The Chancellor of the Exchequer, Rishi Sunak, delivered his emergency 'Mini-Budget' Summer 2020 Statement to parliament on Wednesday 8 July, amid the backdrop of a growing threat to the economy from the global outbreak of coronavirus (COVID-19).

Mr Sunak said, 'People are anxious about losing their jobs and rising unemployment, we're not just going to accept this.' He also announced a 'plan for jobs' to protect, create and support employment.

At the start of the crisis, the Government provided £160 billion to cushion the economic fallout from the COVID-19 crisis and lockdown. The Chancellor commented that Britain is now entering the second phase of the Government's economic response.

Mr Sunak said, 'The job of responding to the crisis has only just begun, and the Government will put the public finances back on a sustainable footing.'

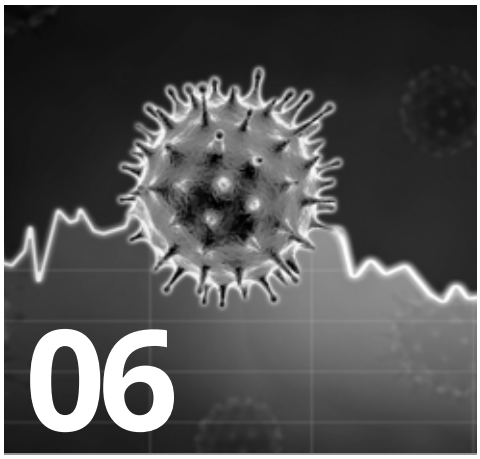
He confirmed the furlough scheme will wind down flexibly and gradually until the end of October. 'Leaving the furlough scheme open forever gives people false hope that it will always be possible to return to the jobs they had before,' said the Chancellor.

The launch of a new jobs retention bonus will help to wind down the scheme. Businesses will be paid £1,000 to retain furloughed staff. This will cost the Treasury more than £9 billion if every job furloughed is protected.

Amongst other announcements, the Chancellor talked about the 'kickstart' job creation scheme for young people, a Stamp Duty Land Tax holiday to reinvigorate the housing market, a Value Added Tax cut from the current rate of 20% to 5% for the next six months on food, accommodation and attractions, and an 'eat out to help out' discount to encourage consumers to spend at restaurants and cafes. ◂

All you need to know about the Chancellor's 'Mini-Budget' Summer 2020 Statement

To review what action you may need to take to keep your personal and business plans on track, or if you have any further questions following the Chancellor's 'Mini-Budget' Summer 2020 Statement, please contact us – we're here to help.



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‘Mini-Budget’ Summer 2020 Statement

Key announcements and takeaways at a glance

The Chancellor of the Exchequer, Rishi Sunak, unveiled to Parliament on Wednesday 8 July a package of measures to alleviate pressures on the UK’s economy as it looks to recover from the coronavirus (COVID-19) pandemic outbreak. The Chancellor announced a wave of sweeping measures to kickstart the UK economy in his ‘Mini-Budget’ – here’s the key takeaways from his speech.

Stamp Duty Land Tax holiday

Stamp Duty Land Tax (SDLT) holiday introduced immediately on homes selling for less than £500,000. This will run until 31 March 2021, and it is forecast that nine out of ten buyers are not expected to pay SDLT on their home purchase while this remains in place.

VAT cut for hospitality and tourism sectors

VAT cut from the current rate of 20% to 5% for the next six months on food (but not alcohol), accommodation and attractions. This lasts from Wednesday 8 July until 12 January 2021.

Eat Out To Help Out

New discount scheme provides a 50% reduction up to £10 per head for sit-down meals in participating cafes, restaurants and pubs from Monday to Wednesday every week throughout August 2020.

Green Homes Grant

Homeowners in England will receive vouchers worth up to £5,000 (the poorest households receive up to £10,000) to make energy-saving improvements to their properties. The Government says the move will create jobs as well as reduce emissions.

Jobs Retention Bonus

New Job Retention Bonus scheme launched to give UK employers a one-off £1,000 bonus payment for each worker they bring back from furlough and keep in their job through to January 2021.

Kickstart Jobs Scheme

£2 billion Kickstart Scheme to help young people at risk of long-term unemployment into new jobs. The scheme will subsidise six-month work placements for people on Universal Credit aged between 16 and 24.

Boost for apprenticeships

Initiative to help boost young workers’ chances of getting a job after being impacted by the coronavirus crisis. Firms will receive £2,000 for creating new apprenticeship roles, with a £1,500 bonus for apprentices aged over 25. ◂

A package of measures to alleviate pressures on the UK’s economy as it looks to recover from the coronavirus (COVID-19) pandemic outbreak.

Chancellor announces Stamp Duty Land Tax holiday

Nearly nine out of ten people buying a main home this year will not pay

The Chancellor of the Exchequer, Rishi Sunak, announced a Stamp Duty Land Tax (SDLT) holiday to take effect immediately for England and Northern Ireland aimed at reinvigorating the housing market. The SDLT holiday will run until 31 March 2021 and should give a much-needed boost to the housing market which has been impacted by the coronavirus (COVID-19) pandemic outbreak.

Buyers in England and Northern Ireland pay SDLT, while buyers in Scotland pay Land and Buildings Transaction Tax, and buyers in Wales pay Land Transaction Tax.

Mr Sunak said the country needs the housing market to be 'thriving' and people need to be 'confident' about the market. He told Parliament, 'The average stamp duty bill will fall by £4,500. And nearly nine out of ten people buying a main home this year will pay no SDLT at all.'

From Wednesday 8 July 2020 until 31 March 2021, SDLT will only be charged on properties costing £500,000 or more.

Prior to Wednesday 8 July 2020, all house buyers purchasing a residential property (for example, a house or flat in England and Northern Ireland) had to pay SDLT on properties over £125,000. The rate of SDLT buyers had to pay varied depending on the price and type of property.

Before the SDLT holiday announcement, first-time buyers were exempt from paying the tax on homes worth up to £300,000, but those who previously owned a property had to pay a rate of 2% on homes over £125,000.

The SDLT increased to 5% for properties worth between £250,001 and £500,000, with the higher charge made against the portion of the property above the £250,000 threshold.

The Government's action to support the housing market is aimed at protecting and creating jobs. In England and Wales, an estimated 240,000 people are directly employed by house builders and their

contractors, and between 500,000 and 700,000 employees are indirectly supported in the supply chain.

Moving house also boosts the economy, with estimates suggesting that doing so drives additional spending worth about 5% of the house value. ◂

'Eat out to help out' discount

Government scheme to eat in restaurants during this August

Diners who eat out in August will receive up to 50% off their food, the Chancellor of the Exchequer, Rishi Sunak, announced during his emergency 'Mini-Budget' which is forecast to cost the Treasury around £500 million.

The 'eat out to help out' scheme will see the Government offer 50% off, up to £10 per head, on meals out on certain days of the week during August. The discount will not apply to alcohol, but to food and soft drinks.

The scheme is designed to stave off a feared wave of hundreds of thousands of job losses in restaurants, cafes, pubs and hotels as the UK emerges from the coronavirus (COVID-19) crisis.

Mr Sunak unveiled the 'eat out to help out' discount as part of a series of measures to restart the economy which applies to individuals eating out between Monday and Wednesday.

As the Chancellor announced the discount, he said the UK was facing a 'unique moment' because of COVID-19, adding: 'We need to be creative.'

Mr Sunak said the eating out discount was something that has 'never been tried before in the UK'.

The scheme is aimed at getting 'customers back into restaurants, cafes and pubs' and protecting 'the 1.8 million people who work in them'. Everyone will be able to get discount

through the scheme, including children.

Businesses will need to register to be included in the scheme, and can do so online commencing Monday 13 July.

Each week in August, businesses can then claim the money back, with the funds in their bank account within five working days.

Overall, 2.4 million people (8% of the UK workforce) rely on hospitality, accommodation and attractions for employment, of whom 1.4 million have been furloughed in one of the sectors most affected by lockdown. ◂

Value Added Tax cut for hospitality

Kickstarting the UK economy part of a £30bn plan to prevent mass unemployment

The coronavirus (COVID-19) pandemic is the biggest threat the UK has faced in decades. The virus has caused tens of thousands of deaths, has affected the lives of everyone in the country, and has had a devastating effect on businesses.

During his emergency 'Mini-Budget' Summer 2020 Statement to parliament on Wednesday 8 July, Chancellor of the Exchequer Rishi Sunak said, 'The hospitality sector has been particularly badly hit.'

Mr Sunak said the Government will provide businesses in this sector with special relief to protect 2.4 million jobs, equating to 8% of the UK workforce which relies on hospitality, accommodation and attractions for employment.

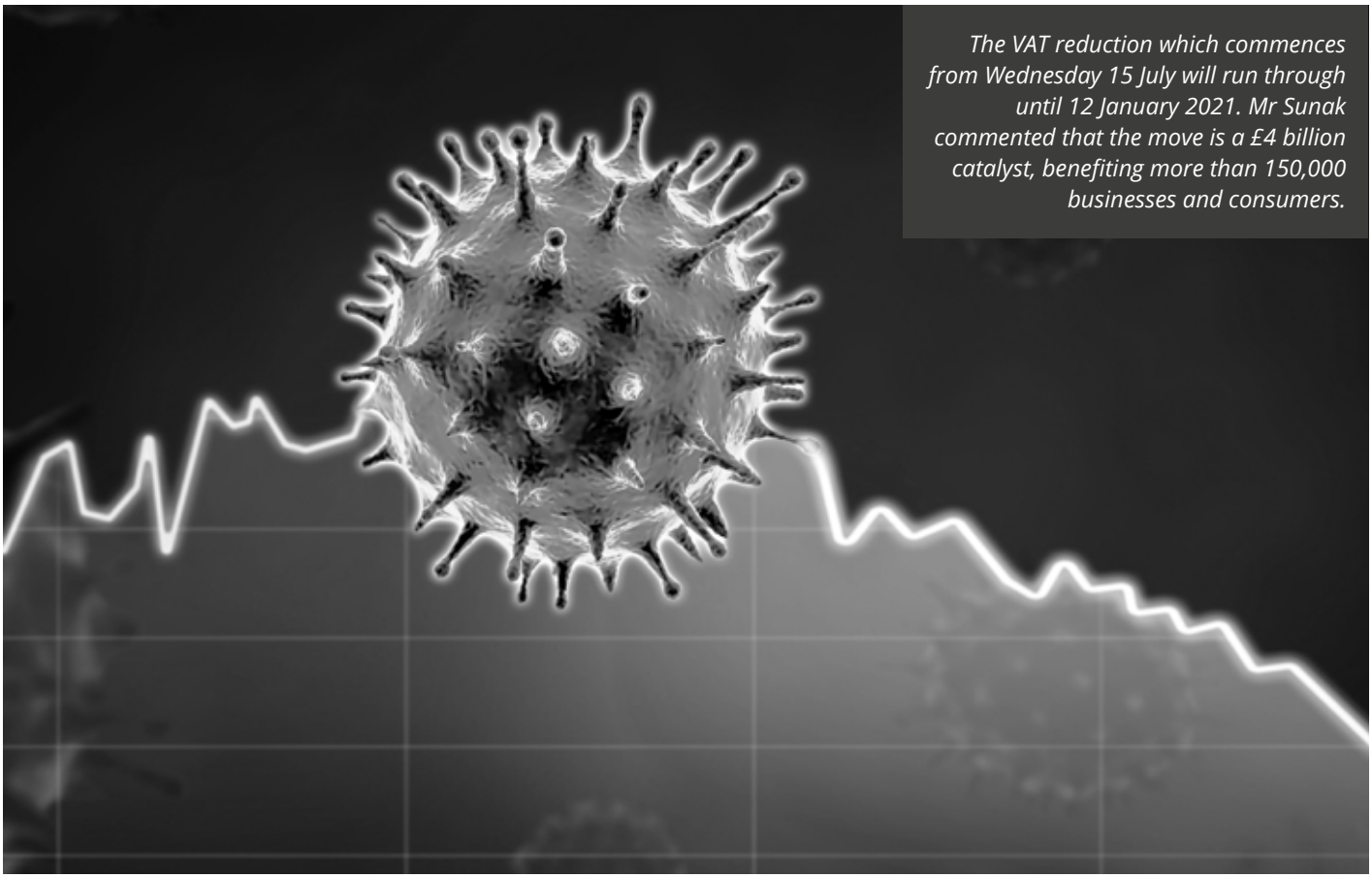
He announced a temporary Value Added Tax (VAT) reduction for hospitality to help kickstart the UK economy. This is part of a £30 billion plan to prevent mass unemployment resulting from the COVID-19 outbreak.

The VAT reduction which commences from Wednesday 15 July will run through until 12 January 2021. Mr Sunak commented that the move is a £4 billion catalyst, benefiting more than 150,000 businesses and consumers. It is the first time VAT has been cut since it was raised to its current rate in January 2011.

This VAT reduction will apply to eat-in or hot takeaway food and non-alcoholic drinks from restaurants, cafes and pubs; accommodation in hotels, B&Bs, campsites and caravan sites; and attractions like cinemas, theme parks and zoos.

It is hoped that, by cutting VAT, it will encourage more consumers to buy goods and services and to take advantage of the lower prices. This announcement could help many businesses to recover after suffering during the COVID-19 outbreak.

Some 80% of businesses in the hospitality sector are believed to have shut their doors since March, with many not reopening until Prime Minister Boris Johnson relaxed the lockdown restrictions on 4 July.◂



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The Chancellor said it was vital people were not returning to jobs 'for the sake of it' and must be doing 'decent work' to qualify.

New job retention bonus

Getting as many people as possible off furlough and back into their jobs

The Government's Coronavirus Job Retention Scheme is set to end in October, having originally been intended to end in July, and from August employers will have to start contributing towards paying those employees currently furloughed under the scheme.

Chancellor of the Exchequer, Rishi Sunak, said, 'Leaving the furlough scheme open forever gives people false hope that it will always be possible to return to the jobs they had before. And the longer people are on furlough, the more likely it is their skills could fade, and they will find it harder to get new opportunities.'

But the Chancellor said it was vital people were not returning to jobs 'for the sake of it' and must be doing 'decent work' to qualify.

He added, 'Our message to businesses is clear: if you stand by your workers, we will stand by you.'

He announced a £9 billion bonus scheme which will reward employers who bring back furloughed employees when the Government's Coronavirus Job Retention Scheme ends. Businesses will be paid £1,000 to retain furloughed staff.

Mr Sunak said, 'One of the most important things we can do is to get as many people as possible off furlough and back into their jobs.

'So today we are introducing a new policy to reward and incentivise employers who successfully bring furloughed staff back – a new job retention bonus.

'If you are an employer and you bring someone back who was furloughed, and you continuously employ them through to January, we will pay you a £1,000 bonus per employee.'

In order to be eligible, employees must earn above the lower earnings limit (£520 per month) on average between the end of the Coronavirus Job Retention Scheme (31 October 2020) and January 31 2021.

Mr Sunak confirmed the bonus payments will be made commencing from February 2021, with further details about the scheme to be announced by the end of July. ◂

Government £2bn 'Kickstart Scheme'

Job funding available will cover 100% of the relevant National Minimum Wage

The Chancellor of the Exchequer, Rishi Sunak, unveiled the Government's £2 billion 'Kickstart Scheme' during his emergency 'Mini-Budget' Summer 2020 Statement to parliament on Wednesday 8 July.

A £2 billion Kickstart scheme will subsidise six-month work placements for people on Universal Credit aged between 16 and 24 who are at risk of long-term unemployment.

As part of the 'Mini-Budget,' the Chancellor said over 700,000 people are leaving education this year, and many more are just starting out in their careers. He warned 'significant increases in unemployment' had been predicted, particularly among young people, adding, 'We don't want that generation left behind.'

But the coronavirus has hit them hard, with under-25s being two and a half times as likely to work in a sector that has been closed. The Chancellor emphasised, 'We don't want that generation left behind, and that is what today's economic update will focus upon.'

Young people are more likely to be furloughed under the job retention scheme which is being wound up and is due to end in October, so a 'kickstart scheme' aims to create hundreds of thousands of jobs.

Funding is available for each job and will cover 100% of the relevant National Minimum Wage for 25 hours a week across Great Britain, plus the associated employer National Insurance contributions and employer minimum automatic enrolment contributions. ◂

Green Homes Grant

£5,000 per household and up to £10,000 for the poorest households

The Chancellor of the Exchequer, Rishi Sunak, announced the introduction of a £2 billion Green Homes Grant, providing at least £2 for every £1 homeowners and landlords spend to make their homes more energy-efficient, up to £5,000 per household.

For those on the lowest incomes, the scheme will fully fund energy efficiency measures of up to £10,000 per household. In total, this could support over 100,000 green jobs and help strengthen a supply chain that will be vital for meeting the target of net zero greenhouse gas emissions by 2050.

The move is part of a £3 billion green investment package and aims to upgrade over 600,000 homes across England, saving households hundreds of pounds per year on their energy bills.

As part of this package, homeowners and landlords in England will be able to apply for vouchers from the Green Homes Grant scheme to pay for green improvements such as loft, wall and floor insulation.

The vouchers will fund two thirds of work done. These improvements could save some households hundreds of pounds a year on their energy bills while creating thousands of jobs for tradespeople.

The remaining £1 billion of the £3 billion programme will make public buildings (including schools and hospitals) greener, helping the country meet its ambitions of achieving net zero by 2050.

The Green Homes Grant will launch in September 2020, with online applications for recommended energy-efficiency measures and details of accredited local suppliers. ◂

Jobs focus

Strengthening existing employment and skills support

Unemployment can have long-term impacts on individuals and families, with young people particularly vulnerable due to their lack of experience in work.

The Chancellor of the Exchequer, Rishi Sunak, said, 'It is important that the Government moves quickly to build on its initial response to the pandemic by strengthening existing employment and skills support to help those who unfortunately lose their jobs back into the labour market quickly.'

To address these challenges, the Government has announced a large-scale, ambitious plan to support people in finding jobs, enable them to gain the skills they need to get jobs, and provide targeted help for young people to get into work.

New funding for National Careers Service

The Government is providing an additional £32 million funding over the next two years for the National Careers Service so that 269,000 more people in England can receive personalised advice on training and work.

High-quality traineeships for young people

There is provision for an additional £111 million this year for traineeships in England to fund high-quality work placements and training for 16–24 year olds. This funding is enough to triple participation in traineeships. For the first time ever, the Government will fund employers who provide trainees with work experience, at a rate of £1,000 per trainee.

The Government will improve provision and expand eligibility for traineeships to those with Level 3 qualifications and below to ensure that more young people have access to high-quality training.

Payments for employers who hire new apprentices

The Government is also introducing a new payment of £2,000 to employers in England for each new apprentice they hire aged under 25, and a £1,500 payment for each new apprentice they hire aged 25 and over, from 1 August 2020 to 31 January 2021.

These payments will be in addition to the existing £1,000 payment the Government already provides for new 16-18-year-old apprentices, and those aged under 25 with an Education, Health and Care Plan (where that applies).

High-value courses for school and college leavers

£101 million is being allocated for the 2020/21 academic year to give all 18-19-year-olds in England the opportunity to study targeted, high-value Level 2 and 3 courses when there are no employment opportunities available to them.

Expanded Youth Offer

The Government is expanding and increasing the intensive support offered by the Department of Work and Pensions in Great Britain to young jobseekers to include all those aged 18–24 in the Intensive Work Search group in Universal Credit.

Enhanced work search support

£895 million is being provided to enhance work search support by doubling the number of work coaches in Jobcentre Plus before the end of the financial year across Great Britain.

Expansion of the Work and Health Programme

The Government will provide up to £95 million this year to expand the scope of the Work and Health Programme in Great Britain to introduce additional voluntary support in the autumn for those on benefits that have been unemployed for more than three months. This expansion will have no impact on the existing provision for those with illnesses or disabilities in England and Wales.

Job-finding support service

£40 million is being provided to fund private sector capacity to introduce a job-finding support service in Great Britain in the autumn. This online one-to-one service will help those who have been unemployed for less than three months increase their chances of finding employment.

Flexible Support Fund

There is an increase in funding for the Flexible Support Fund by £150 million in Great Britain, including to increase the capacity of the Rapid Response Service. It will also provide local support to claimants by removing barriers to work such as travel expenses for attending interviews.

New funding for sector-based work academies

The Government will provide an additional £17 million this year to triple the number of sector-based work academy placements in England in order to provide vocational training and guaranteed interviews for more people, helping them gain the skills needed for the jobs available in their local area. ◂

‘Mini-Budget’ Summer 2020 Statement – it’s good to talk

Following the announcements during the ‘Mini-Budget’ Summer 2020 Statement, if you would like to discuss any issues relating to your financial plans pertinent to you, your family and your business, we’re here to help.

For any further information, please contact us.

The content of this ‘Mini-Budget’ Summer 2020 Statement summary was produced on 8 July 2020 and is for your general information and use only and is not intended to address your particular requirements. The content should not be relied upon in its entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of the content. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change, and their value depends on an individual’s personal circumstances.

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