

Political Intelligence's top takeaways

The Spring Statement 2018



Spring Statement 2018

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Contact

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Overview

Today, the Chancellor of the Exchequer Philip Hammond MP delivered his first Spring Statement, following the announcement, in November 2016, that the annual Budget will be shifted to autumn.

Under law, the Government is mandated to provide two forecasts for borrowing and growth a year. The Treasury sought to manage expectations from the outset with Treasury Minister Liz Truss MP saying beforehand that there would be “no red box, no rabbits out of the hat and no tax changes”.

The Spring Statement saw the Chancellor announce better than expected growth forecasts for this year and borrowing due to fall in every year of the forecast, later adding that there was “light at the end

of the tunnel”. The Chancellor did however highlight that growth forecasts have been downgraded for both 2021 and 2022. A range of policy consultations were also announced – on topics as diverse as the digital economy to plastic waste.

The Chancellor ultimately decided to resist calls from the opposition and some of his own party colleagues to use extra tax receipts to loosen the Government’s purse strings. The Shadow Chancellor John McDonnell accused Hammond of “astounding complacency”, later adding that “austerity was a political choice not an economic necessity”.

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Headline Forecasts

- The OBR revised their growth forecast up for 2018 from 1.4% to 1.5%. Forecast growth then remains unchanged at 1.3% in 2019 and 2020, then increasing to 1.4% in 2021 and 1.5% in 2022 (both downgraded from the Autumn Budget).
- Inflation, currently at 3%, is expected to fall to the target rate to 2% by the end of 2018.
- Borrowing as a percentage of GDP will fall to 1.8% in 2018-19, 1.6% in 2019-20, then 1.3%, 1.1% and finally 0.9% in 2022-23.
- Borrowing for the 2017-18 fiscal year was revised down from £49.9bn to £45.2bn and is forecast to continue falling from 2018-19, with the deficit dropping below 2% of GDP next year and below 1% of GDP in the final year of the forecast.
- The Chancellor stated that he will continue to adopt a 'balanced approach' to public spending and believed this approach would "enable further increases in public spending and investment in the years ahead".



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Policy Consultations

The Spring Statement announced:

- A range of consultations on **tax and the digital economy** – including: an updated Government position paper on the challenges posed by the digital economy to the international corporate tax framework, proposals on alternative methods of VAT collection, a call for evidence on online platforms and their role in tax compliance, and a call for evidence on cash and digital payments in the new economy.
- A summary of responses to a consultation on **business rates and more frequent revaluations**
- An open consultation on using the tax system to **tackle single-use plastic waste**.
- An open consultation into the **impact of VAT and APD** on the tourism sector in Northern Ireland.
- An open consultation on **self-funded training** to explore extending the scope of tax relief currently available for work-related training costs.
- A consultation on the **VAT registration threshold** and how to better incentivise small business growth and another to understand how to **improve business productivity**.
- Tax avoidance and compliance-based consultations on **off-payroll work, profit fragmentation**, and how best to make **taxation of trusts** simpler and more transparent.



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Key Announcements

The Spring Statement also updated Parliament on a number of initiatives and investments previously announced by the Government, including:

- Investments in **skills**, with £80m to support small businesses engage with apprentices and £50m to be made available to help employers prepare for the roll-out of T-Level work placements.
- £20m of funds would be made available now to businesses and universities to develop rapid solutions to **reducing plastic waste** along with a consultation on the subject of tackling the issue.
- The first £95m allocation of the £190m Local Full Fibre Challenge Fund was announced and will be used to help roll out **high-speed broadband** to local areas.
- The next **business rates revaluation** was brought forward by the Chancellor from 2022 to 2021.
- Announcements on **housing**, with the Government committing to deliver 215,000 homes in the West Midlands by 2030-31 and an additional £1.7bn to deliver a further 26,000 affordable homes in London. Housing growth partnership will be more than doubled to £220m.

