

## BUDGET 2016 – KEY HIGHLIGHTS

### ECONOMY

- UK growth will be slower than predicted, according to OBR.
- GDP will grow 2% this year, down from a previous expectation of 2.4%. Growth revised down for each subsequent year until 2020. Was still set to grow faster than any other major advanced economy. Record levels of UK employment.
- Outlook for the global economy was weak while there was turbulence in financial markets and low productivity in Western nations
- The outlook will weigh on public finances. Debt as a proportion of GDP will be higher over coming years than previously thought.
- Annual borrowing for 2015/16 has been revised downwards to £72.2bn compared to a previous forecast of £73.5bn but it will be higher in subsequent years. The Chancellor said that there would still be a surplus by 2019/20
- reforming public sector pensions will be extended to hike employer contributions..

### EDUCATION

- Every primary and secondary school in England will be or will be in the process of becoming an academy by 2020. The Government will fund longer school days for those that want to offer more activities including extra sport.

### EUROPE

- Chancellor warning on what he sees as the risks of leaving the European Union.

### FISCAL COMPLIANCE

- Chancellor has asked Treasury ministers to launch a new drive for "efficiency and value for money" to save a further £3.5bn in the fiscal year 2019/20 – cuts that are "more than achievable" while maintaining protections for areas such as the NHS,
- The disability budget will be "better targeted at those who need it most" under plans already set out – while still rising overall.

### OIL AND PETROL

- The beleaguered North Sea energy industry – pummelled by plunging crude prices – will be helped as the tax charges they face are cut sharply or scrapped.
- Fuel duty is to be frozen for the sixth year.

### OTHER

- Flood defence spending to be increased by £700m funded by a 0.5% point increase in the insurance premium tax.
- The Government gives a green light to an HS3 rail line between Manchester and Leeds, is finding money for a new four-lane M62
- A package of £115m will support those who are homeless

### SAVERS

- From April 2017, a new lifetime ISA designed to help those struggling to save for a home and for their retirement will be available to anyone under 40 - with the Government contributing £1 for every £4 saved.
- The wider limit for ISA savings is going up from £15,000 to £20,000 a year for all at the same time.

## SMALL BUSINESS

- The introduction of a £7bn tax cut for "our nation of shopkeepers".
- Small business rate relief is being more than doubled permanently from £6,000 to £15,000. The threshold is also being raised for the higher rate.
- The changes will see 600,000 small businesses paying no business rates at all from April next year, saving them nearly £6,000 a year while a further quarter of a million will see their rates cut, the Chancellor said.
- Corporation tax is to fall to 17% from April 2020. "
- Commercial property stamp duty is to be reformed along the lines of the previous shake-up of residential property stamp duty.

## SUGAR

- Amid the growing crisis in childhood obesity, **a new sugar tax** will be introduced in two years with one band affecting products containing > 5g of sugar per 100ml and a second higher band will target those with > 8g.
- Pure fruit juices and milk-based drinks will be excluded and the smallest producers are to be shielded from the measures.

## TAX AVOIDANCE

- Measures will target multinationals that overborrow abroad and deduct the interest bills against UK profits to reduce their tax bills, as well as other tax loopholes.
- Public sector companies will have to ensure employees pay the correct tax rather than allowing an advantage to those paid through personal service companies.
- Further measures on tax avoidance included shutting down disguised remuneration schemes, ensuring UK tax will be paid on UK property development, and changing the treatment of remote gaming providers. Together the measures are expected to raise £12bn over the Parliament.

## TAX

- The threshold at which people pay the higher rate of income tax is being increased from £42,385 to £45,000 from April next year, a cut of more than £400 annually and taking half a million people out of the higher tax band altogether.
- The personal tax free allowance is rising to £11,500 at the same time – a tax cut for 31 million people. Mr Osborne said the move would also take 1.3 million of the lowest paid out of tax altogether.
- The headline rate of capital gains tax is being cut from 28% to 20% and for basic rate taxpayers from 18% to 10%.
- A band of national insurance affecting three million self-employed people is to be abolished resulting in a tax cut of £130 for each of them.
- Taxes on tobacco will go up but for beer and cider as well as scotch whisky and other drinks will be frozen, the Chancellor said.
- International aid has met a target of 0.7% of national income and the budget will be readjusted resulting in a saving of £650m in 2019/20. [Source: vahoo finance](#)