SECNewgate

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Budget 2021.

SEC Newgate briefing

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Summary.

Chris White, Managing Director and Co-Head, Advocacy

Almost one year on from the start of the pandemic, the Chancellor delivered his Budget speech on the back of unprecedented levels of economic support. Taken together with the measures announced today, the total COVID-19 assistance package totals an eye-watering £409 billion. Rishi Sunak made it clear that whilst he would do whatever it takes to support the country through the crisis, he was blunt about the state of the public finances.

Many of the measures were trailed in advance of the speech – furlough ongoing until September, the continuing uplift in Universal Credit, and the stamp duty holiday extension for example. The UK economy is not out of the woods yet, and it will be a relief to both individuals and businesses that support is there for the next few months.

However, it is evident that the high levels of government borrowing, reaching 17% of the national debt in this year, is simply not sustainable in the medium term. While the generous support package is welcome, the Chancellor was surprisingly open about the pain to come. It was very much a 'buy now, pay later' Budget.

Corporation Tax, something Mr Sunak once called a 'tax on jobs' will go up to 25%, the first rise since Denis Healey's 1974 Budget, netting around £48 billion by 2025/6. Personal income tax levels will be frozen, meaning that 1.3 million people will pay income tax, and 1 million more will pay the higher rate, raising around £8 billion. Coupled with other measures, including the VAT threshold freeze, and the Capital Gains Tax (CGT) and pensions allowance freeze, this is around £70 billion raised by 2025/6.

Despite all of this, the Chancellor was keen to trumpet a range of measures to stimulate growth, and do it in a way that supports companies for the long term. The Future Fund successor will help a cohort of innovative companies fill the scale up gap, and help to grow measures around executive development and free digital training for SMEs are practical measures that will make a real difference on the ground. Eight new freeports, long trailed, finally made an appearance, but fit in with the Government narrative about supporting regeneration – how much of a difference they will make in practice remains to be seen.

On net zero, there were a smaller number of measures, the most eye catching being the first sovereign green savings bond for retail investors, yet it felt more like an adjunct rather than a green recovery theme running through the speech. Equally, there wasn't a single mention of Brexit throughout the Chancellor's speech, the only tangential mention being the freeports announcement stimulating trade. On both the trade and green recovery, it felt like opportunities missed to bring the country along with the Government's ambitious plans as it begins life outside of the EU and aims to hit net zero.

Overall, the Chancellor delivered a balanced budget that extended support to the economy but delayed the pain of tax rises until 2023. The Office for Budget Responsibility's forecasts suggest that the economy will rebound strongly, but the spectre of interest rate rises looms large over the country's finances. Whilst the Chancellor hopes to be on a surer footing by the end of this Parliament, he knows how treacherous the path to recovery is.

Labour response.

Christine Quigley, Director, Advocacy

Labour's response to the Budget focused on painting Chancellor Rishi Sunak as a short-term thinker who prioritised style over substance in spending decisions and aimed to showcase Labour as the real pro-business party. Opposition Leader Sir Keir Starmer called it a Budget that "papered over the cracks, rather than rebuilding the foundations", echoing comments earlier in the week from Shadow Chancellor Anneliese Dodds that securing the tax base and avoiding future cliff-edges from withdrawing support should be the Government's priorities.

Starmer began by criticising the Chancellor for not mentioning social care in his speech. Successive Governments, both Conservative and Labour, have failed to tackle the emerging crisis in social care funding, which the devastating impact of COVID-19 on care homes has put in sharp relief. Post-pandemic, this will be an even more pressing issue, and we would expect Labour to continue to go on the attack on support for families reliant on social care services and the workers that provide it.

Labour's response aimed to demonstrate that the party is economically responsible and both pro-business and pro-worker, key to winning back lost voters. While the Chancellor praised the furlough scheme as being among the most generous in the world, Labour this week has focused on Statutory Sick Pay, which is significantly less generous than other countries, making it financially challenging for many people to self-isolate during the pandemic. He welcomed the freeze in corporation tax during the pandemic, but criticised the Chancellor for pushing forward a £2bn rise in council tax. Starmer also decried the 95% mortgage proposals as fuelling a housing bubble and attacked the Government's record on council housing – again, the Government's record of treating the housing crisis as a demand-side rather than supply-side issue is likely to be a key part of the party's narrative in the coming months.

Yesterday's Budget also showcased how the Conservatives and Labour are competing to demonstrate their green credentials. Starmer argued that the Budget should have included a "major green stimulus", instead of supporting a new coal mine, and criticised the introduction of green savings bonds as being nowhere near ambitious enough. The Budget also froze fuel duty, just days after the Government confirmed next year's annual rise in rail fares. These decisions have attracted criticism both from Labour and from commentators over whether the Government is really serious about its Net Zero targets. Decarbonising steel, mentioned briefly by Starmer yesterday, is a key area of interest for Labour, as it brings together the party's environmental aims with the ability to support communities dependent on manufacturing.

Starmer's response to yesterday's Budget was competent and assured. While he faced criticism from elements of the left, particularly on his stance on corporation tax, overall his comments have been well-received. Time will tell whether this leads to a bounce in Labour's poll numbers, which need to rise significantly to end more than a decade in opposition.

Business environment.

Policy Announcements

Tax

Corporation Tax

- Corporation Tax will be raised from 19% to 25% by the end of the current Parliament in 2023.
- The rate of small profits under £50,000 will remain at 19% and there will be relief for businesses with profits under £250,000 so that they pay less than the main rate.
- In line with the increase in the main rate, the Diverted Profits Tax Rate will rise to 3% from April 2023.
- Only 10% of companies will pay full rate.

Inheritance Tax (IHT)

- The IHT nil-rate bands will remain at existing levels until April 2026.
- The nil-rate band will continue at £325,000, the residence nil-rate will continue at £175,000, and the residence nil-rate band taper will continue to start at £2 million. Qualifying estates can continue to pass on up to £500,000 and the qualifying estate of a surviving spouse or civil partner can continue to pass on up to £1 million without an inheritance tax liability.

Capital Gains Tax

- The value of gains that a taxpayer can realise before paying CGT, the annual exempt allowance, will be maintained at its present level until April 2026. It will remain at £12,300 for individuals, personal representatives and some types of trusts and £6,150 for most trusts.

Income Tax

- The Personal Allowance for Income Tax will rise with Consumer Price Index (CPI) as planned to £12,570 from April 2021, and will remain at this level until April 2026.
- The higher rate of Income Tax will rise as planned to £50,270 from April 2021 and will remain at this level until April 2026.

National Insurance Contributions (NICs)

- As legislated in February 2021, in 2021-22 NICs thresholds will rise with CPI, bringing the NICs Primary Threshold/Lower Profits Limit to £9,569 and the Upper Earnings Limit (UEL)/Upper Profits Limit (UPL) to £50,270, in line with the income tax HRT. The UEL/UPL will then remain aligned with HRT at £50,270 until April 2026.

VAT

- The Government will extend the temporary reduced rate of 5% VAT for goods and services supplied by the tourism and hospitality sector until 30 September 2021.
- Interim rate of 12.5% for another six months, returning to original rate in April 2022.
- No increase to rate of VAT registration threshold until April 2026.

Future tax changes

- Government is to launch round of consultations on potential tax changes on 23 March.
- The Government will invest over £100 million in a Taxpayer Protection Taskforce of 1,265 HMRC staff to combat fraud within COVID-19 support packages including the Coronavirus Job Retention Scheme and Self-Employment Income Support Scheme.

Super-deduction

- From 1 April 2021 until 31 March 2023, companies investing in qualifying new plant and machinery assets will benefit from a 130% first-year capital allowance.
- This upfront super-deduction will allow companies to cut their tax bill by up to 25p for every £1 they invest.

Duties

- Planned increase in alcohol duties will be frozen
- Planned increase in fuel duty cancelled

Business Support

Business rates

- The Government will continue to provide eligible retail, hospitality and leisure properties in England with 100% business rates relief from 1 April 2021 to 30 June 2021.
- This will be followed by 66% rates relief from the period from 1 July 2021 to 31 March 2022, capped at £2 million per business for properties that were required to close on 5 January 2021, or £105,000 per business for other eligible properties.
- When combined with Small Business Rates Relief, this means 750,000 retail, hospitality, and leisure properties in England will pay no business rates for 3 months from 1 April 2021.
- The Government will legislate to ensure that the business rates relief repayments that have been made by certain businesses deductible for Corporation Tax and Income Tax purposes.

Restart Grants

- The Government will provide Restart Grants in England of up to £6,000 per premises for non-essential retail businesses and up to £18,000 per premises for hospitality, accommodation, leisure, personal care and gym businesses.

- The Government is also providing all local authorities in England with an additional £425 million of discretionary business grant funding, in addition to the £1.6 billion already allocated.
- This support will cost £5 billion, and brings the total cost of cash grants provided by the Government to £25 billion.

Recovery Loan Scheme

- From 6 April 2021, the Recovery Loan Scheme will provide lenders with a guarantee of 80 % on eligible loans between £25,000 and £10m.
- The scheme will be open to all businesses, including those who have already received support under the existing COVID-19 guaranteed loan schemes.

Support for jobs and income

Furlough

- The furlough scheme has been extended until the end of September 2021. Terms for employees will not change.
- Between now and June, the Government will continue to pay 80% of wages for furloughed employees up to £2,500 a month.
- From 1 July, this support will taper off, with the Government then paying 70% of wages up to a cap of £2,187.50, and employers picking up the rest.
- From 1 August, the Government will pay 60% of wages up to £1,875 with employers picking up the remaining 20%.

Self-Employment Income Support Scheme

- Fourth grant covering February to April, 3 months of support at 80% average income.
- Fifth grant from April onwards - open for claims from late July.
- For people whose turnover fallen by 30% or more, support will continue at 80%
- For people whose turnover has fallen by less than 30%, they will receive 30% grant
- The support scheme for the self-employed is to be expanded, with 600,000 additional self-employed able to access the scheme. Provided a tax return has been filed by last night.

Apprenticeships

- Government will provide an additional £126 million in England for work placements and training for 16-24 year olds in the 2021/22 academic year. Employers who provide trainees with work experience will continue to be funded at a rate of £1,000 per trainee.
- The Government will extend and increase the payments made to employers in England who hire new apprentices. Employers who hire new apprentices between 1 April 2021 and 30 September 2021 will receive £3,000 per new hire, compared with £1,500 under the previous scheme.
- This is in addition to the existing £1,000 payment the Government provides for all new 16-18 year old apprentices and those under 25 with an Education, Health and Care Plan.

- The Government will introduce a £7 million fund from July 2021 to help employers in England set up and expand portable apprenticeships. This will enable people who need to work across multiple projects with different employers to benefit from the high quality long-term training that an apprenticeship provides.

Minimum wage

- The National Minimum Wage is increasing to £8.91 from April 2021

Welfare

- The Universal Credit uplift of £20 will continue for another six months.
- Government is making a one-off payment of £500 to eligible Working Tax Credit claimants to provide continued extra support over the next six months.

Future investment

UK Infrastructure Bank

- The Government announced the creation of a UK Infrastructure Bank, which will provide financing support to private sector and local authority infrastructure projects across the UK.
- The Bank will be able to deploy £12 billion of equity and debt capital and issue up to £10 billion of guarantees to support private infrastructure projects.
- It will also offer a range of financing tools including debt, hybrid products, equity and guarantees to support private infrastructure projects.
- It will begin operating in an interim form later in Spring 2021, and will be headquartered in Leeds.

Help to Grow

- Government will offer a new UK-wide management programme to upskill 30,000 SMEs in the UK over three years.
- The Government will launch a new UK-wide scheme in the autumn to help 100,000 SMEs save time and money by adopting productivity-enhancing software, transforming the way they do business.

Introduction of new visas

- Government is to modernise the immigration system to help the UK attract the most highly skilled, globally mobile talent in academia, science and technology.
- This will be done through the introduction of an elite points-based visa, reforming the Global Talent visa, reviewing the Innovator visa, and launching the new Global Business Mobility visa by Spring 2022.

Future Fund: Breakthrough

- Building on the Future Fund, the Government will commit £275 million to introduce Future Fund: Breakthrough.
- This is a new direct co-investment product to support scale up for innovative, R&D intensive businesses.
- The British Business Bank will take equity in funding rounds of over £20 million led by private investors to ensure companies have access to the capital they need.

R&D tax reliefs

- The Government will carry out a review of R&D tax reliefs, with a consultation published alongside the Budget.

Pensions regulation

- Government will consult in the next month on whether certain costs within the charge cap affect pension schemes' ability to invest in a broader range of assets.

Financial Services.

Policy Announcements

Corporation Tax

From April 2023 the rate of Corporation Tax levied on company profits will rise from 19% to 25% for businesses with profits of £250,000 or greater. Small businesses – with profits of £50,000 or less - will remain at 19% by introducing a new Small Profits Rate. This means approximately 70% of companies will be unaffected by the increased Corporation Tax. A taper above £50,000 will be introduced so that only businesses with profits greater than £250,000 will be taxed at the full 25% rate (approximately 10% of businesses in total).

The Chancellor also announced more generous measures for the treatment of business losses. Businesses will now be allowed to carry back losses of up to £2 million, for a period of three years.

Sunak further announced the super-deduction measure, which he described as a significant tax cut for businesses and as a key measure to encourage and stimulate UK investment. Beginning in April 2021, the new super-deduction will cut companies' tax bill by 25p for every pound they invest in new equipment. This is worth around £25 billion to UK companies over the two-year period the super-deduction will be in full effect.

In other words, for the next two years, when companies invest, they can reduce their tax bill not just by a proportion of the cost of the investment, but by 130% of the cost.

Bank surcharge

Without any other action, due to the additional bank surcharge of 8%, the increase in the main corporation tax rate to 25% would make UK taxation of banks uncompetitive and damage one of the UK's key exports.

The Chancellor argued that the combined level of bank taxation would be too high, and therefore announced that the Government will review the bank surcharge.

In the autumn, the Government will set out how it intends to ensure that the combined rate of tax on banks' profits does not increase substantially from its current level, that rates of taxation here are competitive with the UK's major competitors in the US and the EU, and that the UK tax system is supportive of competition in the UK banking sector. These changes will be legislated for in the Finance Bill 2021-22.

Inheritance tax

Government is maintaining the current levels of the IHT threshold until April 2026. The inheritance tax nil-rate bands will remain at existing levels until April 2026. The nil-rate band will continue at £325,000, the residence nil-rate band will continue at £175,000, and the residence nil-rate band taper will continue to start at £2 million.

Qualifying estates can continue to pass on up to £500,000 and the qualifying estate of a surviving spouse or civil partner can continue to pass on up to £1 million without an IHT liability.

ISAs

The adult ISA annual subscription limit for 2021-22 will remain unchanged at £20,000. The annual subscription limit for Junior ISAs and Child Trust Funds for 2021-22 will also remain unchanged, at £9,000.

To help individuals access savings if needed during the pandemic, the Government temporarily reduced the Lifetime ISA (LISA) withdrawal charge from 25% to 20% for unauthorised withdrawals made between 6 March 2020 and 5 April 2021 across the UK. This means that LISA investors can withdraw their money for any reason over this period, only losing the government bonus earned on the amount they withdraw.

Pensions

The Chancellor announced that the Government will be maintaining the Pensions Lifetime Allowance at its current level of £1,073,100 until April 2026.

It was also announced that the Government plans to consult within the next month on whether certain costs within the charge cap affect pension schemes' ability to invest in a broader range of assets.

The purpose of this is to ensure pension schemes are not discouraged from such investments, and are able to offer the highest possible returns for savers. The Department for Work and Pensions (DWP) will also come forward with draft regulations to make it easier for schemes to take up such opportunities within the charge cap, by smoothing certain performance fees over a multi-year period.

Investment

The Chancellor announced a new initiative called the Future Fund: Breakthrough, which will involve the Government investing up to £375 million in fast-growing UK technology companies. Under this scheme, Government investment will be matched by private sector venture capital.

The goal of this new scheme is to fill the 'scale-up funding gap' often experienced by high-growth UK companies. Sectors of particular interest highlighted by the Chancellor include life sciences, computing and clean energy technology.

UK Listing Review

The UK Listing Review, led by Lord Hill, was launched by Chancellor Rishi Sunak in November last year to further enhance the UK's position as an international destination for equity listings.

The Review – published today (3 March) – examined how companies raise equity capital on UK public markets and makes a series of recommendations to improve the process, whilst maintaining the high standards of corporate governance, shareholder rights and transparency for which the UK is known.

Broad recommendations of the Review include:

- the publication by the Chancellor of a short annual report to Parliament on the state of the City that sets out the progress that has been made in improving the UK's competitive position over the previous period;
- internal reform of the Financial Conduct Authority (FCA), including better resourcing and staffing within the part of the authority that deals with the listings regime, and increasing the number of secondments from the private sector to bring in different perspectives and industry knowledge.

More specifically, the Review also recommends:

- modernising listing rules to allow dual class share structures in the London Stock Exchange's premium listing segment. This would give directors, and founders in particular, voting rights on certain decisions, with safeguards to maintain high corporate governance standards;
- reducing free float requirements from 25% to 15% and allowing companies to use other measures to demonstrate liquidity, to make the listing process more flexible;
- rebranding and repositioning the London Stock Exchange's standard listing segment to increase its appeal to a broader range of companies and offer companies greater choice;
- a "complete rethink" of the prospectus regime so that - in future - admission to a regulated market and offers to the public are treated separately, to better reflect the breadth and maturity of UK capital markets and the evolution in the types of business coming to market. As part of this rethink, the review specifically recommends considering whether prospectuses drawn up in other jurisdictions could be recognised in the UK;
- changes to the Listing Rules to remove a barrier which currently deters special purpose acquisition companies (SPACs) listing in the UK, with appropriate safeguards for investors;
- updating the Financial Conduct Authority's statutory objectives to include a duty to consider the UK's attractiveness as a place to do business;
- making it easier for companies to provide forward-looking guidance when raising capital;
- and improving the efficiency of the listing process.

The Government will now consider the recommendations of the Review and set out next steps. The Chancellor has expressed his desire to move quickly on consulting on the review's recommendations, and it is likely we will see the publication of several consultations on various aspects of the Review published before the year is out. Many of the recommendations, including changes to the listings regime, will require consultations by the FCA.

Contactless payment limits

The limit on contactless payments is set to rise from £45 to £100. Confirming the plans, the Chancellor said the change will boost the retail sector and help protect jobs in the UK.

The change legally comes into force from today. However, firms will need to make the necessary systems and security changes before being able to offer customers the higher limit.

The UK has been allowed to make this regulatory change, which was recommended by the FCA, after leaving the EU, as the EU limits contactless payments to £45 in member countries.

UK Infrastructure Bank

The Chancellor unveiled the UK's first ever UK Infrastructure Bank, to be located in Leeds. This will have initial capitalisation of £12 billion, and is expected to support £40 billion in total investment and infrastructure particularly to boost investment to accelerate progress to Net Zero. The Bank will 'crowd-in' private investment, to invest in local authority and private sector infrastructure projects, as well as providing an advisory function to help with the development and delivery of projects.

One of the specific announcements included new port infrastructure to build the next generation of offshore wind projects in Teesside and Humberside. Another was the formation of a working group to establish London as a leading market for carbon offsetting.

Alongside this, Sunak announced that the UK Government would issue at least £15 billion in green bonds – or green gilts. The green gilt framework, to be published in June 2021, will detail the types of expenditures that will be financed to help meet the Government's green objectives. Further the Chancellor announced he would be launching the world's first sovereign green savings bond for retail investors through NS&I in the summer of 2021, allowing savers to help drive the country's transition to Net Zero by 2050.

Energy and Environment.

Policy Announcements

Hydrogen

£4.8mwill be invested in a new hydrogen hub in Holyhead, Wales, to pilot the creation of hydrogen using renewable energy and its use as a zero-emission fuel for Heavy Goods Vehicles (HGVs). The Government stated that this investment could support up to 500 jobs and noted that it has already provided backing for the development of another hydrogen hub – focused on transport – in the Tees Valley.

The Government will publish its Hydrogen Strategy and hydrogen business models in the next six months and reaffirmed that it is working with industry to produce 5GW of low-carbon hydrogen capacity by 2030, supporting 8,000 jobs in hydrogen in the process.

Offshore wind

The Government will be funding new port infrastructure to build the "next generation of offshore projects" in Teesside and Humberside. The Government stated that upgraded ports infrastructure in Humberside would lead to the creation of up to 3,000 green jobs.

£20 million will be invested to support the development of floating offshore wind technology across the UK.

The Government reaffirmed its commitment to increasing the UK's offshore wind capacity to 40GW by 2030, supporting up to 60,000 jobs in the process.

Energy investment

£27 million will be provided for the development of the Aberdeen Energy Transition Zone, increasing north-east Scotland's Net Zero capabilities as a result.

£5 million will be provided for the development of a Global Underwater Hub, to be located in Scotland, which will strengthen the UK's underwater engineering sector.

A new £68 million UK-wide competition will be launched that will implement innovative energy storage prototypes or technology demonstrators.

A further £2 million will be invested to develop industry proposals in relation to the North Sea Transition Deal.

A £4 million UK-wide competition will be launched regarding the first phase of a biomass feedstocks programme, which will support the rural economy in making improvements to the production of green energy crops and forestry products.

Green finance

The Government will set up a new UK Infrastructure Bank, to be located in Leeds, which will have an initial capitalisation of £12 billion. The Chancellor said that the bank will invest across the UK in public and private projects to "finance the Green Industrial Revolution". The Bank will offer financing tools such as debt, equity and guarantees to support private infrastructure projects, and will establish an advisory function to help with the development and delivery of projects.

A new retail savings product will be launched which will give all UK savers the chance to support green projects.

A new updated monetary policy remit will be provided for the Bank of England to reflect the transition to a decarbonised economy.

Heat decarbonisation

The Government restated its aim of bringing about 600,000 heat pump installations per year by 2028 and overseeing an expansion of the construction of Net Zero ready homes, increasing the 114,000 jobs that are already contained in the energy efficiency sector.

The Government confirmed that it would publish its Heat and Buildings Strategy in the next three months.

Carbon capture and storage

The Government reaffirmed its aim of developing four carbon capture and storage clusters by 2030 – two by the middle of this decade and two by the end of this decade.

Transport.

Policy Announcements

Duties/Levies

- The Government will continue the freeze on fuel duty, for the eleventh consecutive year.
- The Government estimates that this saves the average car driver £1,600 compared to the pre-2010 escalator but warned that future fuel duty rates "will be considered in the context of the commitment to reach net-zero emissions by 2050."
- Air Passenger Duty rates will increase in line with Retail Price Index from April 2022. This means that the reduced standard short-haul rates will remain frozen at the same level since 2012. The rates for long-haul economy flights from Great Britain will increase by £2.
- The Government will freeze HGV Vehicle Excise Duty for 2021-22 and suspend the HGV levy for another 12 months from August 2021.

Transport and infrastructure funding

- £100 billion of capital investment in 2021-22, covering broadband, road, rail and cities
- Funds to encourage investment and growth – Levelling Up Fund, UK Shared Prosperity Fund, Towns Fund and High Street Fund
- The Government will establish a UK Infrastructure Bank, headquartered in Leeds, with £12 billion to finance local authority and private sector infrastructure projects across the UK.
- £4.8 million will be invested to create a hydrogen hub to pilot the creation of hydrogen using renewable energy and its use as a zero-emission fuel for Heavy Good Vehicles.
- The 2020 Budget committed the Government to invest £4.2 billion in intra-city transport settlements from 2022/23, through five-year consolidated funding settlements for eight city regions. This Budget provides £8.6 million to Greater Manchester; £5.6 million to Liverpool City Region; £5.2 million to Sheffield City Region; £3.5 million to Tees Valley; £4.1 million to West of England, £8.9 million to West Midlands and £7.4 million to West Yorkshire.

Rail

- Global Centre for Rail Excellence – the Government will match-fund up to £30 million towards the construction of a rolling stock and infrastructure testing complex in Wales. The Centre would "support innovation in the UK's rail industry, including the testing of cutting-edge, green technology."
- The Government will invest £59 million towards the construction of five new rail stations in the West Midlands.
- The Government will invest more than £40 million of funding to reinstate passenger services on the Okehampton-Exeter line.
- The Government will provide an additional £2 billion to ensure the continued operation of the railway in Q1 of 2021-22.
- The Government will soon publish a White Paper setting out the future of the railways, responding to the *Williams Rail Review*. Unlike other plans, a time period has not been specified for this response, although it is expected to be in May.

- The Government will publish an Integrated Rail Plan for the Midlands and the North in the next three months, which "will ensure that Phase 2b of HS2, Northern Powerhouse Rail and other planned rail investments…are scoped and delivered in an integrated way".
- The Government will publish the Transport Decarbonisation Plan in the next six months.
- The Government will publish the Net Zero Strategy and the Union Connectivity Review in the next 12 months.

Road

- The Government will provide £135 million to accelerate the start of construction on the A66 Trans-Pennine upgrade to 2024.

Freeports

- The Chancellor confirmed eight locations for freeports in the UK: Thames (including London Gateway, Dagenham and Tilbury Ports), Liverpool City Region, Solent, East Midlands Airport, Felixstowe and Harwich, Plymouth and South Devon, Humber and Teesside. These freeports will combine customs zones with tax reliefs, planning freedoms and support for regeneration and innovation.
- Freeports are set to begin operation from later in 2021.
- The Government will be working with the devolved administrations to establish at least one Freeport in each nation, as quickly as possible.

Bus

- The Government will publish its National Bus Strategy within the next three months.

Reaction from the sector

The Campaign for Better Transport criticised the Chancellor's decision to continue the freeze on fuel duty. Chief Executive Paul Tuohy said that the Government "was sending the wrong signals about transport choices", putting carbon emission targets "even further out of reach".

The Confederation of Passenger Transport also criticised the failure to end the freeze on fuel duty, with Chief Executive Graham Vidler saying that the Chancellor has put the green recovery at risk and "missed the chance to take a bold step towards positioning the UK as a global climate leader."

The Rail Delivery Group welcomed the announcement of funding for new stations in the West Midlands. Darren Caplan, Chief Executive of the Rail Industry Association, urged the Government to publish the updated pipeline of rail upgrades, the Integrated Rail Plan and the Transport Decarbonisation Plan, in order to provide greater certainty for the rail sector.

The extension of the furlough scheme has been welcomed. The CBI said that "1,000s of firms hit hard by COVID will be better able to plan for the recovery that businesses are determined to deliver". Unite the Union expressed dismay at the Chancellor's refusal to extend furlough to the end of the year, and the TUC welcomed the "last-minute extension of furlough", though said that it "ends too soon, which will risk jobs and businesses".

Trade unions were critical of the Budget. Manuel Cortes, TSSA General Secretary, called it a 'wasted opportunity' to set out a meaningful economic roadmap and called for intervention to secure the future of high street travel agents and of Eurostar. The Trades Union Congress attacked the new freeports announcement, saying "Freeports don't create jobs – and around the world they allow freeloading employers to dodge taxes."

Housing.

Summary

The Chancellor pledged to "turn generation rent into generation buy", rhetoric that chimes with past government messaging. The Budget was however light on specific measures for housing compared to past announcements.

As expected, there was a new mortgage guarantee scheme and an extension to the Stamp Duty tax holiday which will now taper down until it ends in September. With the mortgage guarantee scheme giving all the appearances of being the successor to Help to Buy, the Chancellor's announcement was, in essence, a pledge to provide more of the same.

This is unsurprising given the overwhelming challenges posed by the COVID-19 pandemic. The focus of the announcements was very much on supporting individuals and businesses in navigating the exit from the pandemic.

An interesting headline announcement was the introduction of a 'super-deduction' that will allow businesses to claim 130% of the cost of investment in new machinery as a tax cut. This was backed up by a variety of grants and loan schemes to support businesses.

Although it did not make the Chancellor's announcement, a new Modern Methods of Construction (MMC) Taskforce has been announced to advance rollout of MMC homes in the UK. The Taskforce will be backed initially with £10 million of funding. It will be based in Wolverhampton and will have a mandate to work closely with local authorities and mayoral combined authorities. Engagement with this new Taskforce could be important in unlocking further opportunities to lead on the rollout of MMC.

Policy Announcements

New Mortgage Guarantee Scheme

The Government will support lenders who provide mortgages to homebuyers with a deposit of 5% to purchase homes with a value of up to £600,000. All buyers purchasing homes through the scheme will be able to fix their initial mortgage rate for five years should they wish.

The first of these mortgages will be available from April 2021 and will be available through to 31 December 2022.

Extension of Stamp Duty Holiday

There will be an extension of the holiday which will now run until 30 June 2021. The holiday will not end immediately and will instead be phased out with the band dropping from £500,000 down to £250,000 until 30 September 2021. From 1 October 2021 the ordinary rate of £125,000 will return.

Change to Support for Mortgage Interest

The government will introduce additional support for Support for Mortgage Interest claimants who are moving home. This will allow to add the legal costs associated with their move to the value of their loan from 15 March 2021.

Exemptions to the Shared Accommodation Rate (SAR) brought forward

Care leavers up to 25 years old and those under the age of 25 who have spent at least three months in a homeless hostel will now be exempt from the SAR in Universal Credit and Housing Benefit. This was previously due to come into effect from October 2023 but will now take effect from June 2021.

Modern Methods of Construction (MMC) Taskforce

The Ministry of Housing, Communities and Local Government (MHCLG) will establish an MMC Taskforce, backed by £10 million of seed funding, to accelerate the delivery of MMC homes in the UK. The Taskforce will consist of world-leading experts from across government and industry to fast-track the adoption of modern methods of construction. It will be headquartered in MHCLG's new office in Wolverhampton. The Taskforce will work closely with local authorities and Mayoral Combined Authorities, including the West Midlands Combined Authority and the Liverpool City Region who have already brought forwards ambitious proposals.

Reaction from the sector

The National Housing Federation (NHF) welcomed the wider measures included within the Budget including the extension to the uplift to Universal Credit. The proposals for exemptions to the Shared Accommodation Rate and MMC were also received positively.

James Prestwich, Director of Policy and External Affairs at the Chartered Institute of Housing (CIH) expressed disappointment, stating that the CIH would have wished to have seen a greater focus on a 'housing-led' recovery. The organisation also noted the importance of the wider measures including the extended Universal Credit uplift and the new UK Infrastructure Bank.

The homelessness charity, Crisis, said they were disappointed that the housing support offered through the Budget was restricted to home buyers. Chief Executive, Jon Sparkes, stated that additional social homes are required alongside greater support for renters at risk of eviction.

The National Residential Landlords Association (NRLA) were frustrated at the lack of support on offer to renters and landlords. The organisation called for direct financial support to help clear debts accrued by tenants during the pandemic.

Housebuilders including Redrow, Legal and General, and Taylor Wimpey all welcomed the decision to extend the Stamp Duty holiday.

Stakeholder reaction.

The **Chair of the Treasury Committee and Conservative MP Mel Stride** welcomed the Budget but added that "the devil is in the detail." He said the corporation tax increase, is "quite a hike" but added that the UK will still remain "internationally competitive" and said it is a "reasonable move". He was disappointed there was no mention help for one group of the self-employed - "directors paying themselves through dividends yet not having those dividends counting towards furlough". And he expressed concern that many businesses will be struggling with debt and warned that without help small companies will go out of business.

CBI Director-General Tony Danker broadly welcomed the Budget but said regarding corporation tax rises "… moving to 25% corporation tax will cause a sharp intake of breath for firms. GB must remain attractive for every business from high-growth homegrown firms to global firms investing in UK. We look forward to working with government with a laser focus to drive competitiveness."

In the BCC's initial response to the Budget, the **BCC's Director General, Adam Marshall**, wrote: "The Chancellor has listened and acted on our calls for immediate support to help struggling businesses reach the finish line of this gruelling marathon and to begin their recovery". He added: "While no business will relish paying higher rates of Corporation Tax in future, the impact of the Chancellor's tough decision is blunted by the big new incentives for investment, lower rates for the smallest firms, and the extension of Coronavirus support measures in the short term".

The OBR's Richard Hughes said regarding the public debt costs: "All other things being equal, if interest rates were to rise a full percentage point, this would cost an additional £20 billion & be sufficient to wipe out all of the additional corporation tax revenue raised by the chancellor in this budget"

Jonathan Geldart, Director-General of the Institute of Directors, said the Budget delivered a solid platform for many businesses to relaunch as the economy reopens. He hailed the extension of furlough as "a vital cushion" alongside restart grants and ongoing business rates relief. Mr Geldart welcomed the widening of support to the self-employed, but said the Chancellor "missed a trick by not providing grants for company directors, who continue to be left out in the cold".

Mike Cherry, of the Federation of Small Businesses, agreed company directors "will be incredibly disappointed". "This Budget will help many small firms with their final push through to September, but there is little here to aid job creation or help people return to work. "Thousands of small businesses are on the brink of collapse and thousands more are suffering from low confidence as cash reserves dwindle".

On the freezing of the pensions lifetime allowance, **Yvonne Braun, the ABI's Director of Policy, Long-Term Savings and Protection**, said: "Freezing the lifetime allowance creates uncertainty about pension saving at a time when we should be encouraging more people to be financially resilient. Instead, pension allowances should be looked at in the round to put the retirement savings system on a sustainable footing for the long term."

The 130% super-deduction policy was greeted with great positivity from **Make UK and the British Chambers of Commerce**. The BCC retweeted their Director General's comments welcoming the "new incentive for business investment just announced by @RishiSunak". Make UK claimed it as a "policy win" that would see "£25 billion to support biz investment on new machinery".

Phil Smith, MD of Business West, said: "Businesses will welcome an extension of the full range of COVID-19 support measures, with the timescales longer than many were expecting. The extension of the furlough scheme, an extended and more targeted self-employed scheme, a new tranche of business grants and a new recovery loan scheme will all continue to provide a safety net for businesses through to the autumn. There will be disappointment, however, that limited company owners appear yet again to have been forgotten."

Markus Kuger, Chief Economist at commercial data & analytics firm, Dun & Bradstreet said: "Today's budget and interest rate announcement from the Bank of England both reflect a challenging outlook for the British economy. The interest rate cut, introduction of the £7 billion support package for SMEs, and £30 billion financial stimulus will be welcome support for households and businesses in a coronavirus-hit economy. However, given that interest rates are already low, the potential benefits could be limited. Increased fiscal stimulus is welcome news, but despite increasing the government deficit it is unlikely that today's changes will be sufficient to prevent a slowdown in economic activity".

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