



Star Financial Planning Ltd

Independent Financial Advisers

Tel: 01923 60 55 55
www.starfp.co.uk

Star Financial Planning Ltd is Authorised and Regulated by The Financial Conduct Authority

AUTUMN STATEMENT / SPENDING REVIEW

NOVEMBER 2015

OBR GIVES CHANCELLOR ROOM TO MANOEUVRE

Despite a U-turn over his intended Tax Credit cuts, the Chancellor delivered his Autumn Statement and Spending Review, confirming that the Government would still meet its avowed welfare cost savings of £12bn per year and achieve a budget surplus of £10.1bn by 2019/20.

With a focus on departmental spending budgets, prevalent themes included the safeguarding of security spending and the provision of more housing initiatives.

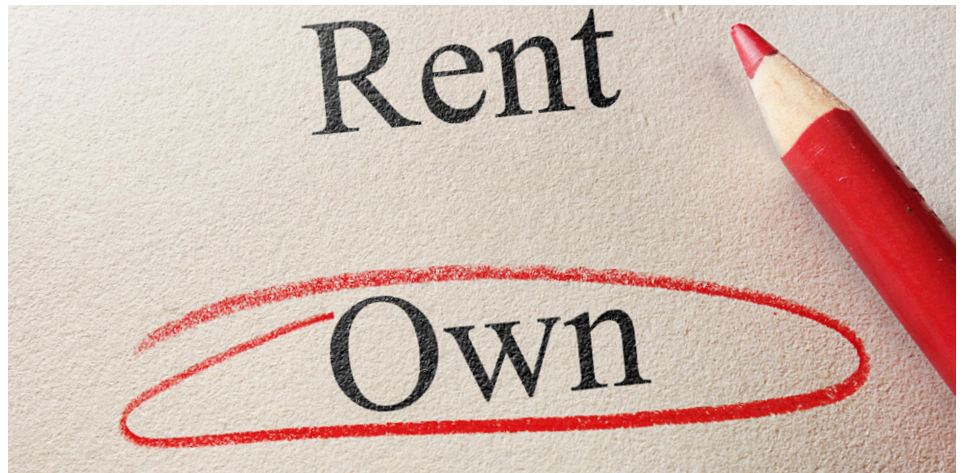
TAX CREDITS UNTOUCHED

In a surprise announcement, the Chancellor confirmed that there will be no cuts to Tax Credits, and no further changes to the Universal Credit Taper or work allowances, other than those previously passed through Parliament. Initially he had intended to save £4.4bn through these proposals, which subsequently met fierce opposition.

At the same time the minimum income floor relating to Universal Credit will increase in line with the national living wage.

HOUSING INITIATIVES – A RAFT OF MEASURES TO HELP PEOPLE ONTO THE HOUSING LADDER

The Chancellor went on to announce the biggest boost to housebuilding since the 1970s by promising to build 400,000 new homes in England by 2020, with 200,000



of those earmarked 'starter homes'. House builders and developers will be offered grants to facilitate this initiative and to encourage them to regenerate brownfield sites for such use.

In addition, 135,000 homes will be made available on a shared ownership basis – for those households earning less than £90,000 in London and less than £80,000 outside the capital.

Londoners will get their own version of Help to Buy, where for those able to submit a 5% deposit on a property, the Government will offer a loan of 40% of the value of the home, effectively giving them a 55% loan-to-value mortgage.

All these moves will see the overall housing budget rise to more than £2bn.

STAMP DUTY STING FOR SECOND HOME OWNERS

There was a sting in the tail though for second home buyers and Buy-to-Let landlords. In recognising the negative impact on the economy from the lack of homes,

from April 2016 a new additional 3% stamp duty levy will apply to those purchases over £40,000. This will be in addition to the restriction of tax reliefs for such landlords previously announced by the Government. This initiative is expected to raise £1 billion by 2021.

British housebuilders stocks in the FTSE 100 reacted positively to the housing initiatives, later surrendering part of their hefty gains following the announcement of the stamp duty rise on additional properties.

BREATHING SPACE FOR PENSIONS

Pensions were largely untouched, allowing the industry and the public to get used to reforms previously announced. It is expected that the review of the wider pensions system will not report back in full until March 2016.

However, the Chancellor did confirm that State pensions will continue to be ring-fenced and the triple-lock annual increase will remain in place for the time being. The weekly basic state pension will rise by £3.35, the largest increase for 15 years, to

£119.30 and the maximum flat rate New State Pension will be £155.65 per week.

He also announced that there will be a six month delay in the next two phases of Auto Enrolment rate rises, to simplify administration for smaller employees and bring them in-line with the tax years.

The contribution rise on the company side of 2% will now come into force in April 2018 and 2019, instead of October 2017 and 2018. This six month tax relief holiday is expected to save the Government £390m in 2017/18 and £450m in 2018/19.

TAX, EVASION AND CHANGING REMITS FOR INVESTMENT SCHEMES

There was little change on taxation, other than the introduction of a digital tax account, applicable to all taxpayers by the end of the decade. As a result, taxes such as Capital Gains Tax on the disposal of a second residential home will have to be made as a payment on account within 30 days of disposal (from April 2019), facilitated by the new digital tax accounts. Consequently, HMRC will be closing 177 local tax offices.

The Government is determined to eliminate tax evasion, in a bid to save £5bn annually. Measures will include a new General Anti-Abuse Rule, with penalties imposed for disguised remuneration schemes, blatant stamp duty avoidance; and abuse of the intangible fixed assets regime and capital allowances.

Venture Capital Trusts (VCTs), Enterprise Investment Schemes (EISs) and Seed Enterprise Investment Schemes (SEISs) will see energy generation and renewable energy generation investments removed from their remits. They will also lose their eligibility for Social Investment Tax Relief; Osborne wanted VCTs, EISs and SEISs "to ensure that they remain well targeted at higher risk companies."

COMPANY CAR TAX

In addition, a planned change to the tax treatment of diesel company cars, which would have removed the 3% surcharge from April 2016, will be deferred until 2021.



CHILDCARE

In developing the announcement made earlier in the year, the Chancellor stated that working families where parents work more than 16 hours a week and earn less than £100,000 a year, will benefit in an expansion of free childcare, offering 30 hours by 2017. In total, £6 billion of childcare support was pledged for working families earning less than £100,000.

GROWTH OUTLOOK

From a macroeconomic perspective, little has altered since the budget in July, growth (GDP) is expected to reach 2.4% in 2015, with forecast World growth adjusted down to 2.4% in 2015/16.

Public spending will increase to £756bn in 2015 rising to £821bn by 2019/20. State borrowing is forecast to be £73.5bn in 2015, falling to £4.6bn by 2018/19. The current account to move into surplus of £10.1bn in 2019/20 rising to £14.7bn in 2021.

Government debt, forecast to be 83.6% of GDP at the last budget, will be lower; 82.5% in 2015, falling every year thereafter.

The Office for Budget Responsibility (OBR) has revised its public finance forecast by £27bn, giving the Chancellor more room for manoeuvre. It was also very bullish on job creation, they forecast an additional one million jobs to be created over the next five years.

In summary, the Chancellor has promised to bring debt down every year until 2020; deliver a budget surplus of £10.1bn by 2019; achieve £12bn of welfare savings; maintain a foreign aid budget of 0.7% of GDP; spend 2% of GDP on defence and achieve savings of £5bn from clamping down on tax evasion.

OTHER KEY POINTS:

- NHS budgets to rise by £6 billion in 2016
- £18 billion spending cuts to Whitehall departments
- Apprenticeship levy of 0.5% of payroll on large firms to raise £3 billion
- Britain to spend 2% of GDP on defence and 0.7% on foreign aid
- 30% increase in counter terrorism funding
- New powers for local councils
- Council tax bills may rise by 2% to pay for social care for adults
- Block grant rise for Scotland, Northern Ireland and Wales by 2019/20

THE WEEKLY BASIC STATE PENSION WILL RISE BY £3.35, THE LARGEST INCREASE FOR 15 YEARS