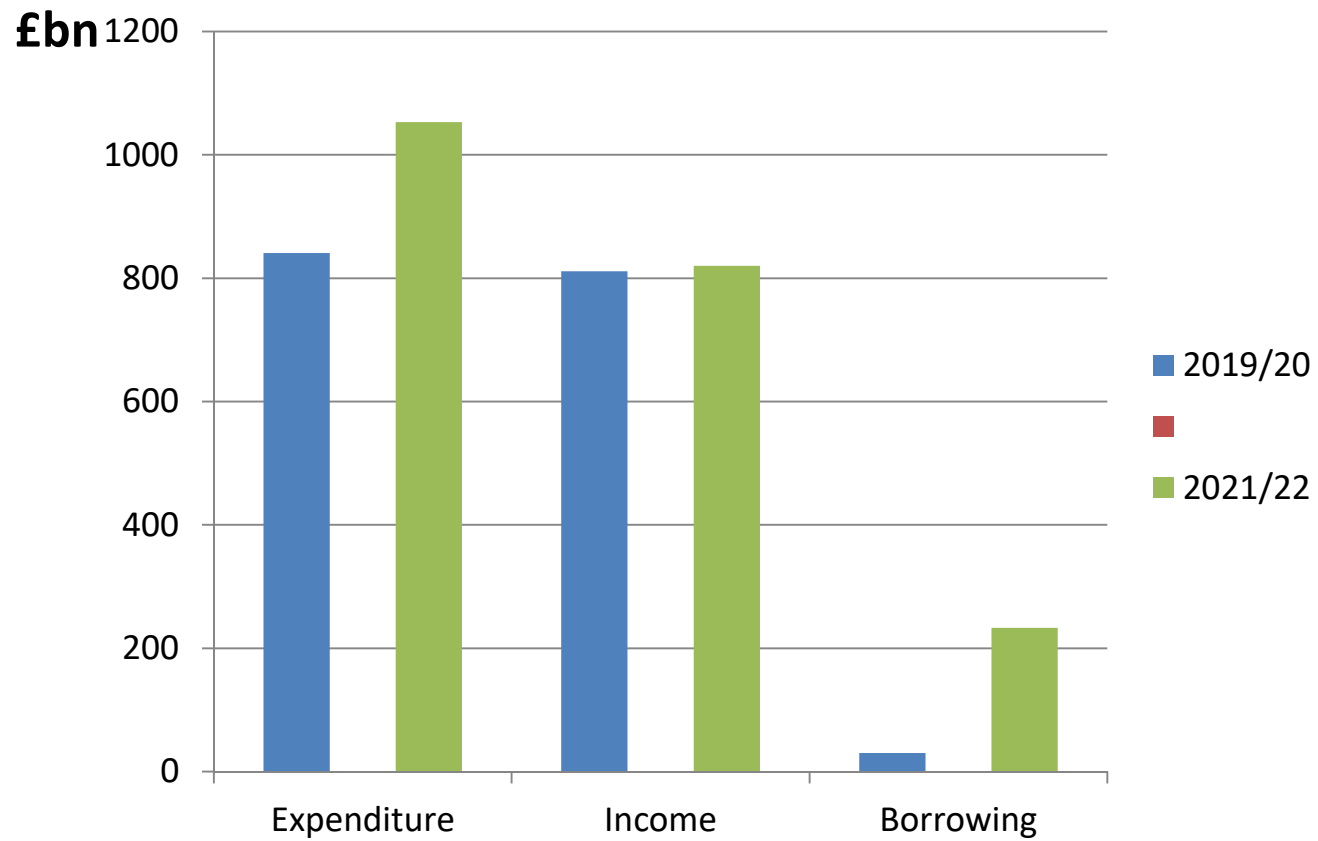


Tiverton u3a Economics Group

2021/2 Budget

10th March 2021

Comparison of Budgets 2019/20 to 2021/22



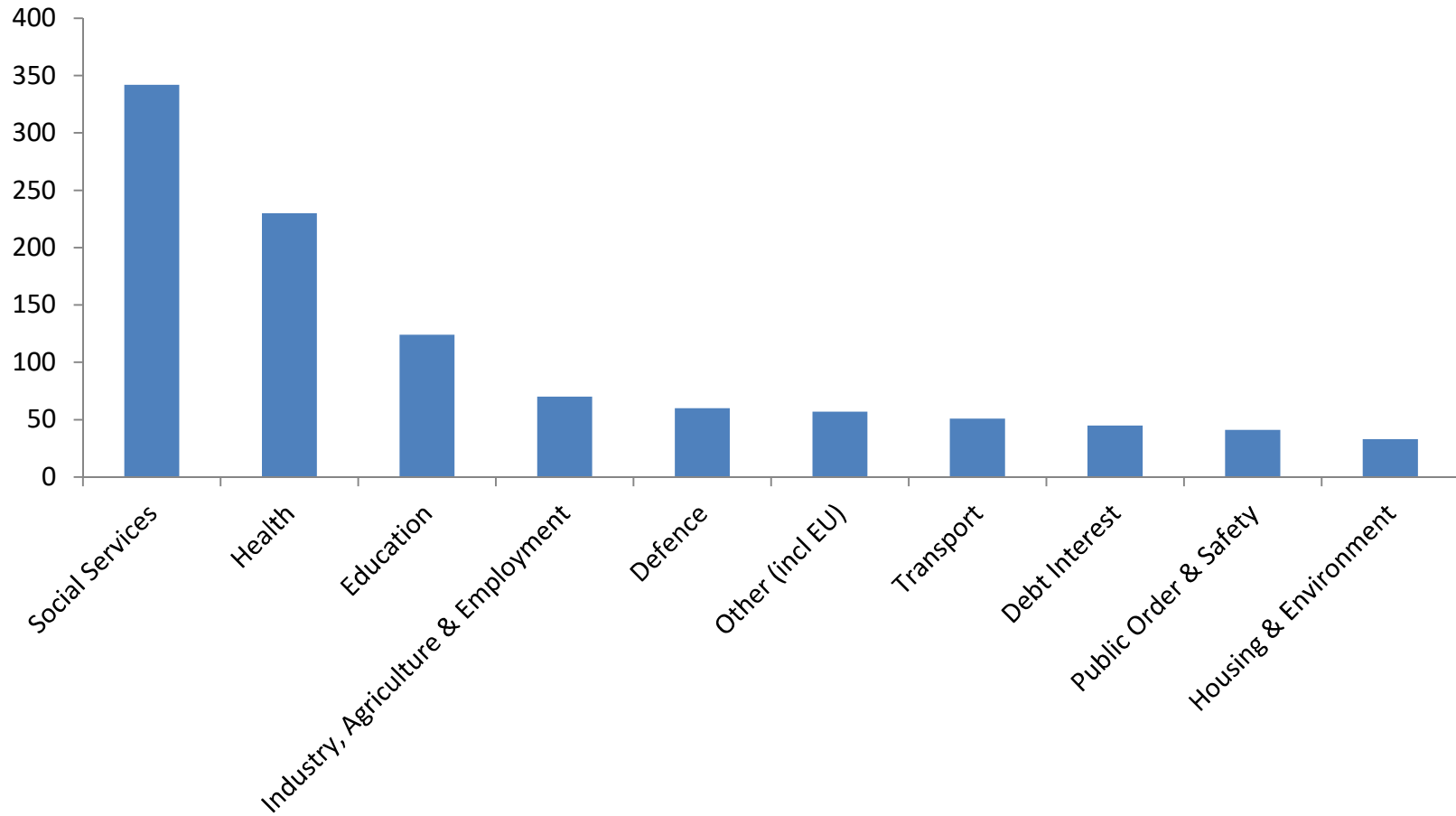
Outlook for 2021

- Income Tax Increases
- Higher Unemployment
- Inflation if no Government investments (e.g. Infrastructure)
- Lots more empty shops
- Universal Income
- Changes for the better in society
- Pensions will protect most people of our age from severe issues

Source: Tiverton u3a Economics Group - Summer 2020

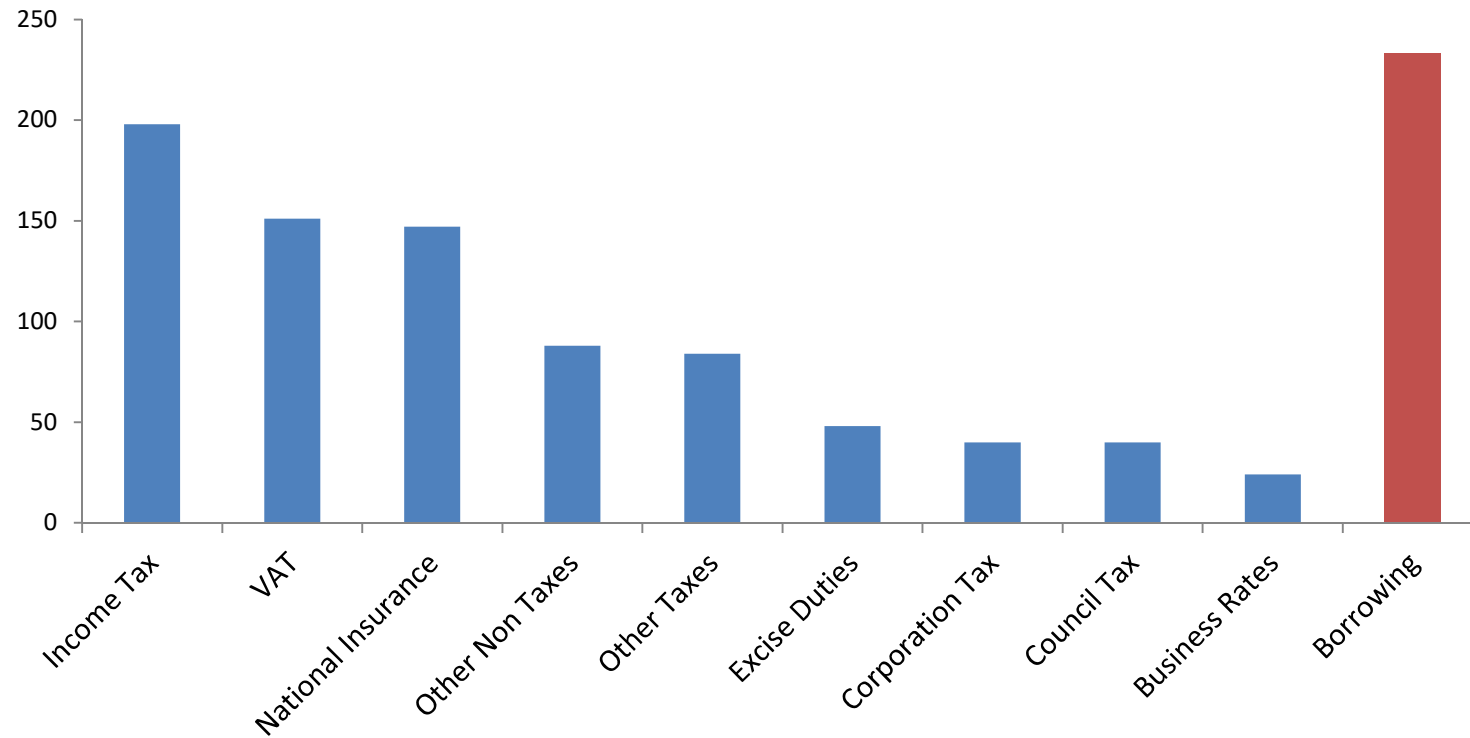
Budget 2021/2

Expenditure £1053bn



Budget 2021/2

Income £820bn + £233bn borrowing



Major Groupings

- **Coronavirus & Public Service**
- Personal Taxation, Wages & Pensions
- Alcohol, Tobacco & Fuel
- Business, Digital & Science
- Environment & Energy
- Transport, Infrastructure & Housing
- State of the Economy & Public Finances

Coronavirus and public services

- £5bn emergency response fund to support the NHS in England
- £6bn in extra NHS funding over five years for staff recruitment & hospital upgrades
- All those advised to self-isolate will be entitled to statutory sick pay
- Self-employed able to claim contributory Employment Support Allowance
- ESA benefit will be available from day one, not after a week as now
- £500m hardship fund for councils in England to help the most vulnerable
- Firms with < 250 staff will be refunded for sick pay payments for 2 weeks
- Small firms able to access "business interruption" loans of up to £1.2m
- Business rates abolished for certain firms with rateable value < £51,000

Personal taxation, wages and pensions

- State Pensions increase by 2.5%
- Stamp Duty reductions maintained until September
- IHT limits frozen until 2026
- Threshold for NI Contributions up from £8,632 to £9,500
- No other new announcements on income tax, national insurance or VAT (Tax Day 23rd March)
- Tax paid on the pensions of high earners, including NHS consultants, to be recalculated to address staffing issues

Alcohol, tobacco and fuel

- Fuel duty to be frozen for the 10th year
- Duties on spirits, beer, cider and wine frozen
- Tobacco taxes rise by 2% above RPI
- Business rate discounts for pubs to rise from £1,000 to £5,000 this year

Business, digital and science

- Corporation Tax rises to 25% from 2023/4
- Super Deduction of 130% of Capital Investments for tax purposes
- High Street business rates to be reviewed later this year
- Establishment of “Green Bank” to encourage green investments
- Small business rates relief will get £3,000 cash grant
- Entrepreneurs' Relief will be retained
- £5bn for gigabit-capable broadband
- Science Institute in Weybridge (Veterinary Lab) gets £1.4bn funding boost
- Extra £900m nuclear fusion, space & EV research
- Levy on Online Sales
- VAT on digital publications scrapped from December

Environment and energy

- Plastic packaging tax from April 2022
- Products with < 30% recyclable material charged £200 per tonne
- Subsidies for red diesel scrapped "for most sectors" in 2 years' time
- Red diesel subsidies will remain for farmers and rail operators
- £120m in emergency relief for this winter's flooding
- £200m for flood resilience
- £640m "nature for climate fund" incl. 30,000 hectares of new trees

Transport, infrastructure and housing

- >£600bn for roads, rail, broadband & housing by mid 2025
- £27bn for motorways and main roads, incl. tunnel for Stonehenge
- £2.5bn to fix potholes and resurface roads in England (5 years)
- £1.bn for Further education colleges to upgrade buildings
- £650m package to tackle homelessness
- Stamp duty surcharge for foreign buyers levied at 2% from April 2021
- New £1bn fund to remove all unsafe combustible cladding

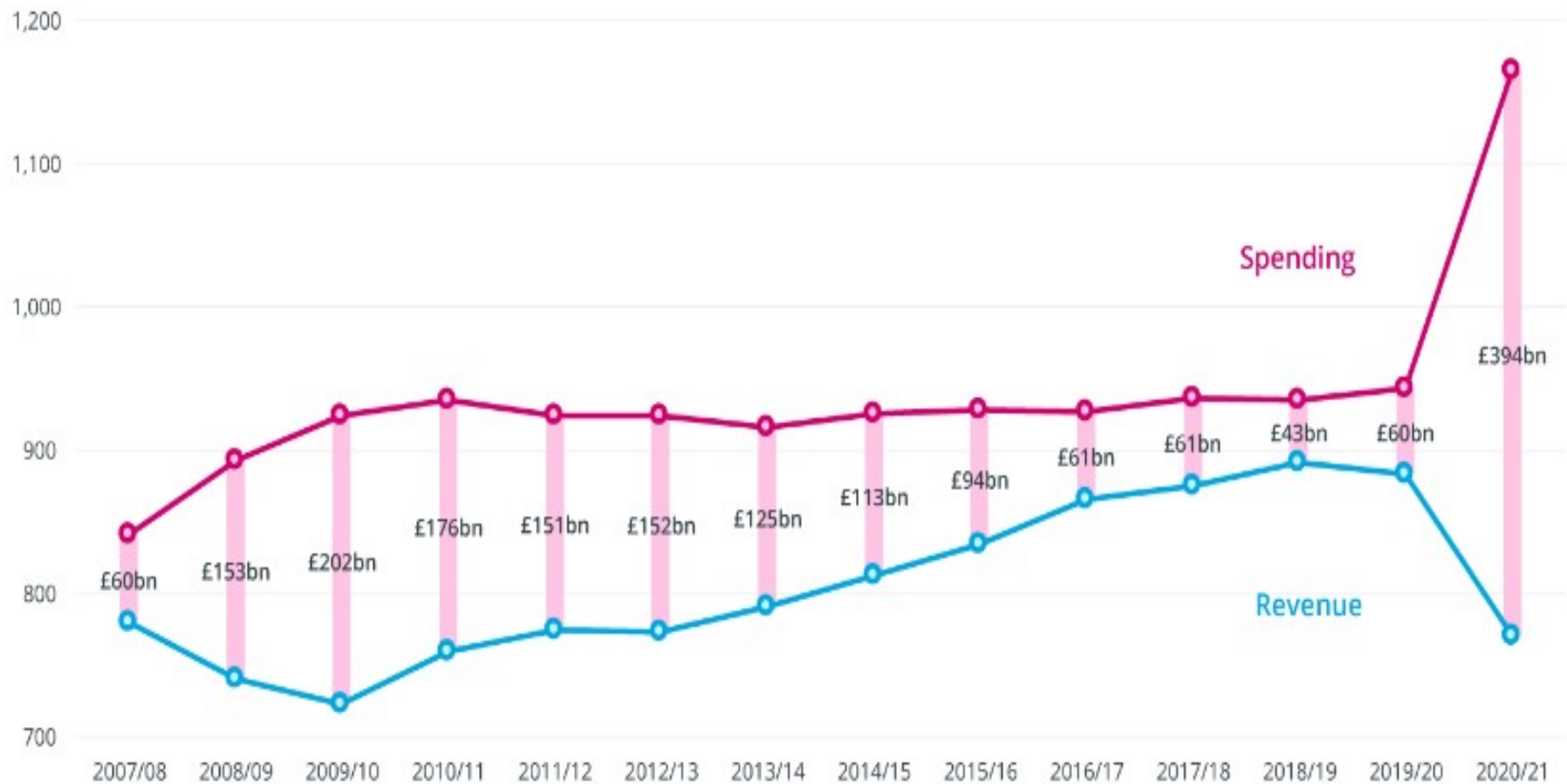
State of economy & public finances

- Economy predicted to grow by 1.1% this year, revised down from 1.4% a year ago
- The figure, which does not take into account the impact of coronavirus, would be the slowest growth since 2009
- Growth predicted to rebound to 1.8% in 2021-22, 1.5% in 2022-23 and 1.3% in 2023-24
- Inflation forecast of 1.4% this year, increasing to 1.8% in 2021-2022
- Government to borrow £14.6bn more this year than previously forecast, equivalent to 2.1% of GDP
- Total additional borrowing of £96.6bn forecast by 2023-2024 to pay for spending commitments
- Debt as a percentage of GDP forecast to be lower at end of current Parliament than now

Spending Gaps over the Years

Public sector spending and receipts, real terms (2020/21 prices)

IfG



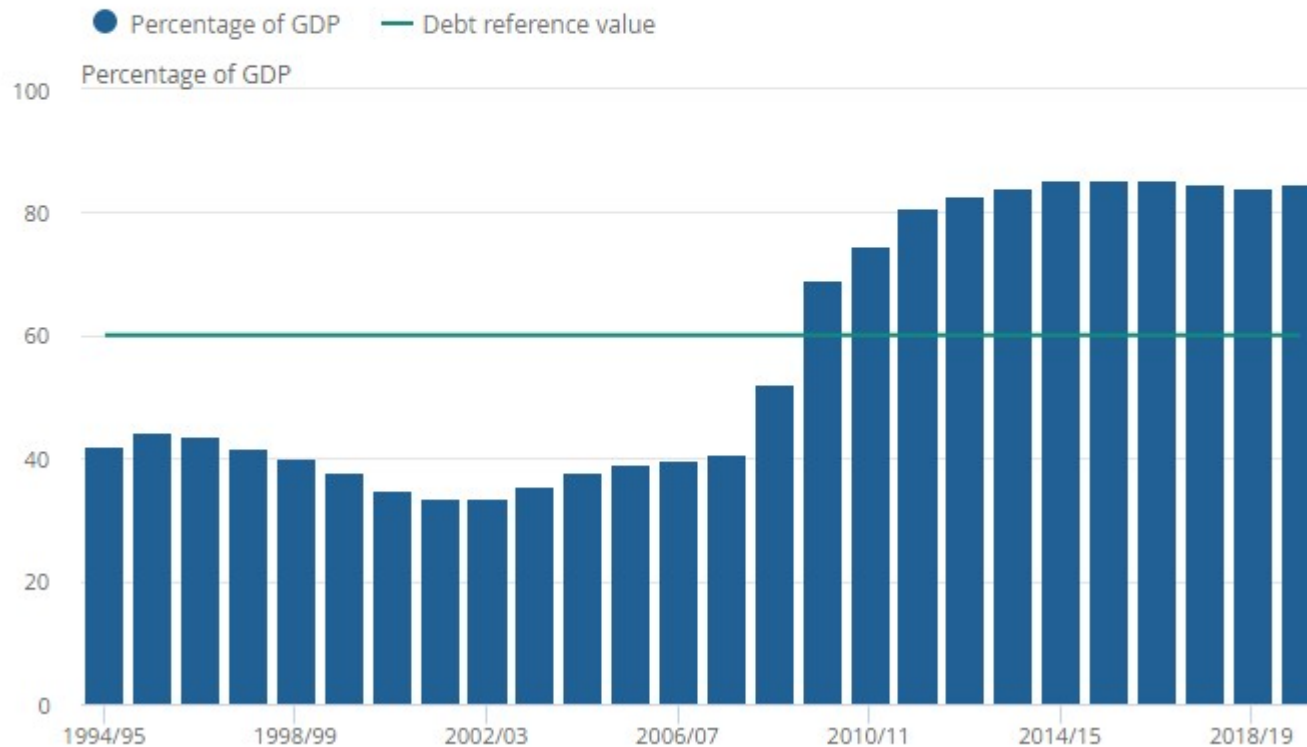
Source: Institute for Government analysis of Office for Budget Responsibility, Public Finances Databank, December 2020. Numbers deflated using GDP deflator



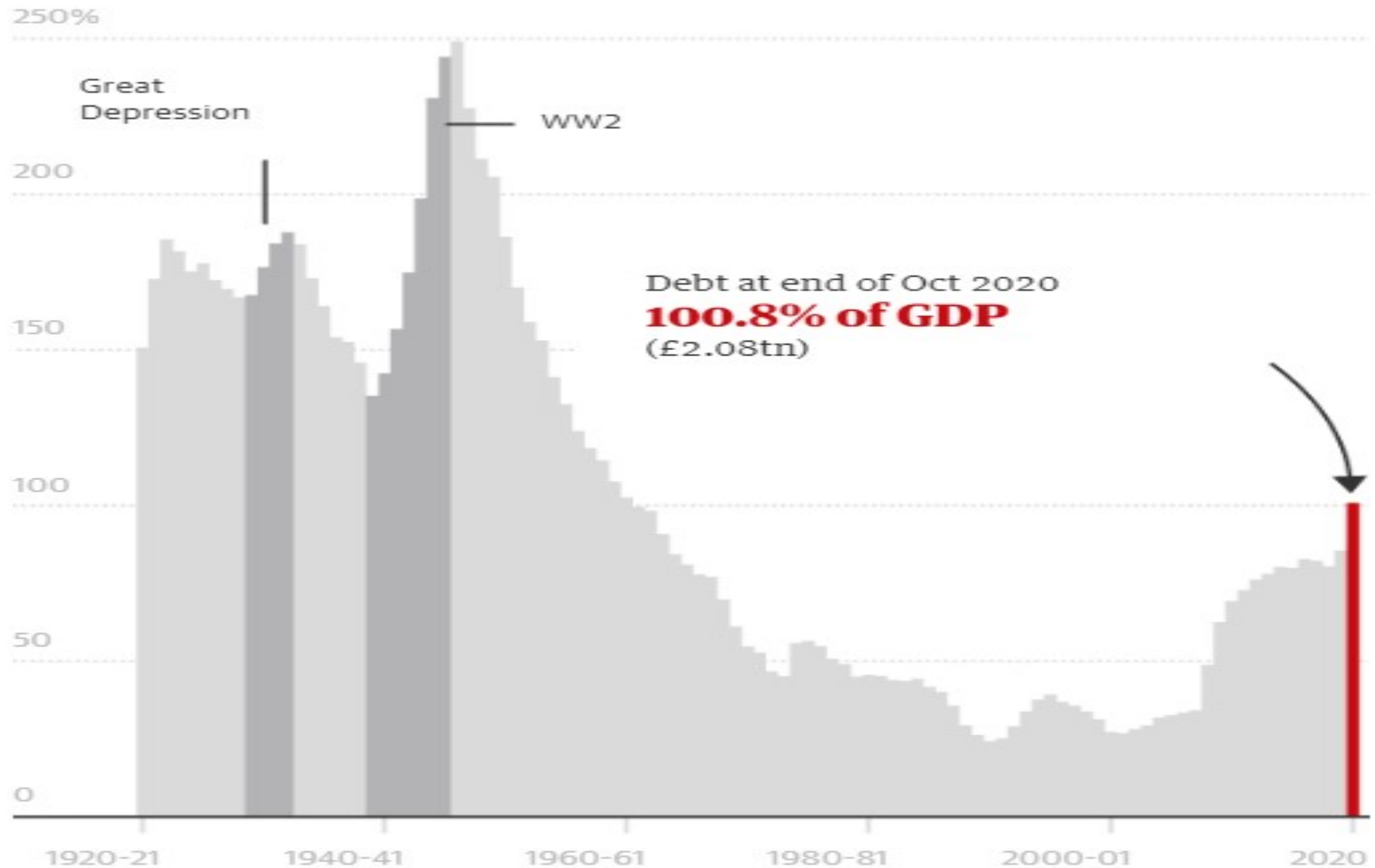
Government Debt as % GDP

Figure 1: General government gross debt has been above the 60% of GDP reference value since the financial year ending 2010

General government gross debt as a percentage of gross domestic product (GDP), UK, financial year ending 1995 to financial year ending 2020



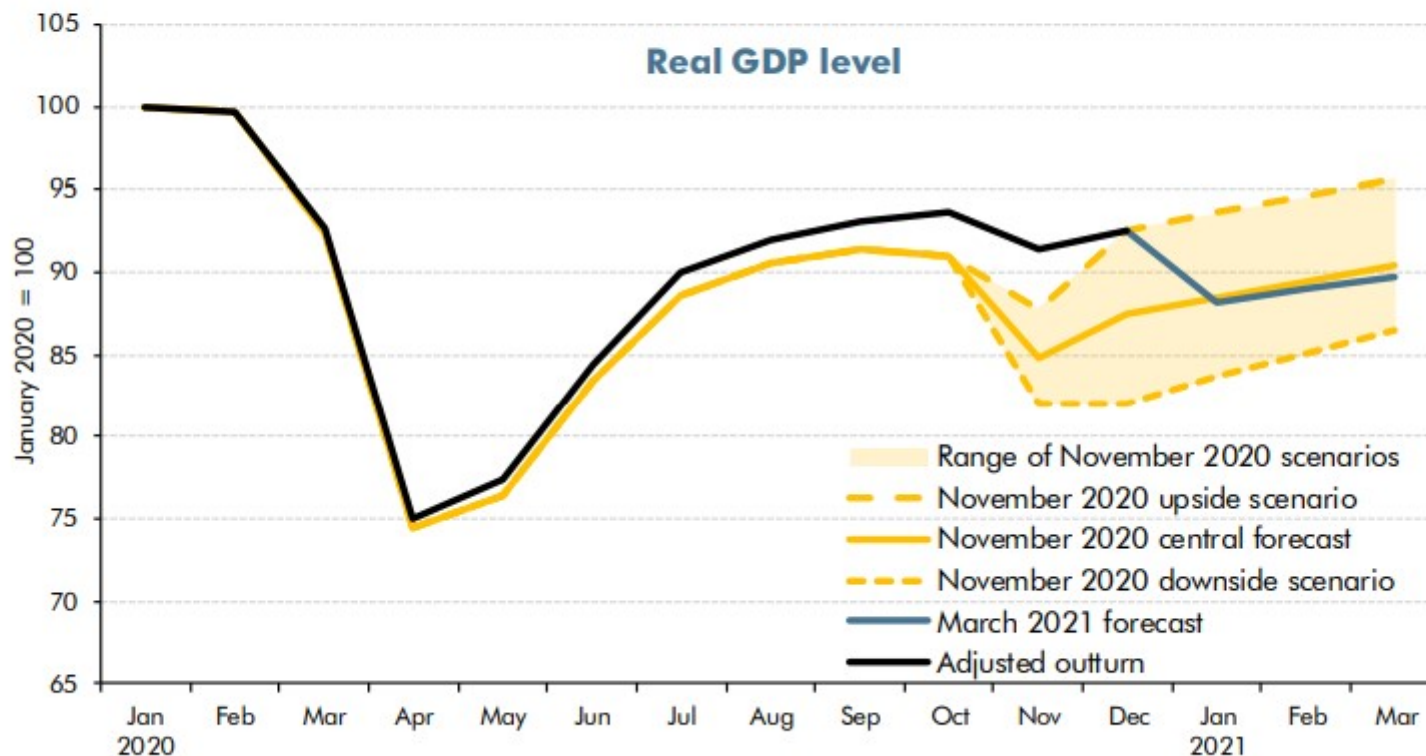
Government Debt as % GDP



Guardian graphic. Source: OBR, ONS

Extract from OBR Summary

Near-term economic outlook



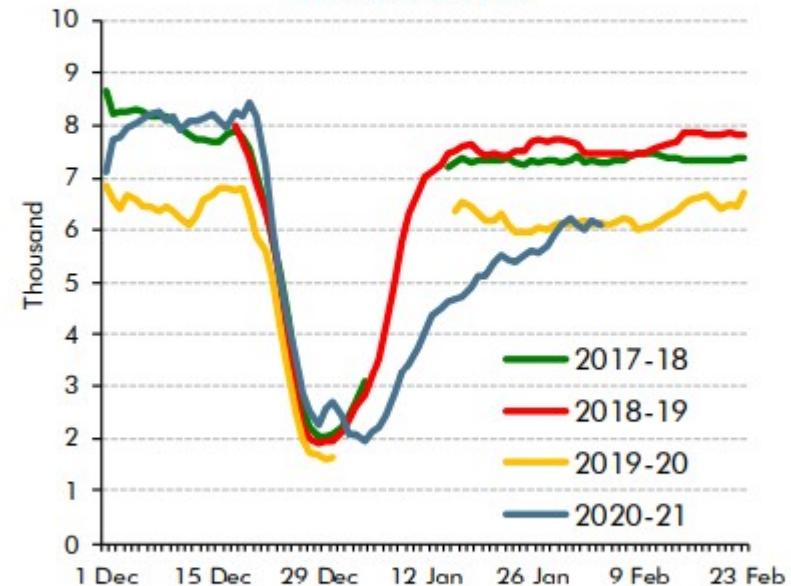
Extract from OBR Summary

EU Exit

Evaluation of UK-EU Trade Deal

Key trade barriers		TCA vs. typical FTA
Tariff barriers (goods)	Tariffs	Better
Non-tariff barriers (goods)	Rules of origin	Some extra flexibilities
	Customs administration	Some extra commitments
	SPS checking	Broadly similar
	Technical barriers	Broadly similar
Non-tariff barriers (services)	Recognition of qualifications	Broadly similar
	Worker mobility	Broadly similar
	Market access	Some extra commitments
	Financial services	Not yet clear

Number of heavy goods vehicles on roads around Dover



Next Meetings

Wed 14th April at 10am on Zoom

- Free Ports (John O'Connor)
- March Tax Day update (Mike Barlow)

Future Meeting Discussions

- Provisions for Old Age
- Economy of an Ageing Population
- Agriculture Economics (Mike W)
- Effect of Brexit on Financial Services
- Markets and Marketing
- Irish Border & other Trade Agreement stuff