

2018 Budget – Key Tourism Points

Theme

The theme of this year's budget is that it is a budget for the hard-working families that are far from the politics of Government - a way of appealing to people on both sides of the Brexit debate and trying to live-up to the Prime Minister's announcement that austerity is over.

Interestingly, however, the Chancellor referred to "austerity coming to an end" – which slightly rows back on the PM's pledge and aims to keep the public's expectations of the budget under control.

The main point of note is the Government's aim of balancing the books, in place since 2010, has been binned, with borrowing actually increasing next year and remaining over £20bn per annum until 2023

While being confident that there will be a Brexit deal, the Chancellor has also allocated an additional £500m to departments to enable them to plan for a No Deal scenario, bringing the government's investment in EU exit preparations to over £4 billion since 2016. The Chancellor also stated that he is retaining funding if a No Deal Brexit occurs and could upgrading the Spring Statement to a full budget if required.

General Economic Status

- GDP growth predicted to be up from 1.3% to 1.6% next year, followed by 1.4% in 2020 and 1.5% in 2021. It is notable that these forecasts are for lower GDP growth than for any year since 2010 with the exception of 2012
- Employment revised up, 800,000 more jobs by 2023
- inflation forecast to average 2% next year
- OBR is forecasting real wage growth for each of the next five years
- OBR expects business investment to grow by 0.5% in 2018, before rising by 2.3% in 2019
- OBR forecasts CPI inflation to be 2.6% in 2018 and it is then expected to be around 2.0% through to 2023
- OBR forecasts productivity growth of 0.8% in 2018 and 2019
- Deficit down to 1.4% of GDP next year and will further fall to 0.8% in 2023
- Government borrowing this year will be £11.6bn lower than forecast at the Spring Statement, then fall from £31.8bn in 2019/20 to £26.7bn in 2020-21 and £23.8bn in 2021/22.

Full spending review next year – indicative figures show that there will be an average 1.2% increase in funding for Departments. However, the break-down of the Departmental resource Budget for DCMS over the next two years will remain the same at £1.5bn, so it will experience a cut in real terms over this period.

Tourism Related Issues

One of the key tourism announcements was the Government's response to the call for evidence on the impact of VAT and APD on tourism in Northern Ireland

Northern Ireland VAT and APD Review – Govt Response

- There will be no changes to the VAT or APD regimes in Northern Ireland at this time. The government will continue to explore ways to support a successful and growing tourism industry. In particular, establishing a technical working group to consider the practical and legal challenges to changing short-haul APD in Northern Ireland.

Alcohol

- Beer, spirit and cider duty frozen. However, there is the usual RPI increases on wine

APD

- No change in APD rate for short-haul flights and, in future, APD will be inflation indexed to inflation from 2020
- Long-haul rates for APD will rise by £2 (£4 for non economy classes) in 2019

Apprenticeships

- From April 2019, large businesses will be able to invest up to 25% of their apprenticeship levy to support apprentices in their supply chain.
- Some SMEs will pay half of what they currently pay for apprenticeship training - from 10% to 5%

Border Controls

- E-passport gates to be opened up to citizens from the USA, Canada, Australia, New Zealand and Japan. This means that the KPI for waiting times will be reduced from 45mins to 25mins for these visitors.

Business Rates

- For next 2 years, businesses with a rateable value of up to £51k will have their rates reduced by a third. According to Government, this will mean an annual saving of "up to £8,000 for up to 90% of all independent shops, pubs, restaurants and cafes".
- Mandatory Business Rate Relief for public toilets

Business Rate Relief – Self Catering

- To ensure that second properties are subject to the appropriate tax, the government will consult on the criteria under which self-catering and holiday lets become chargeable to business rates rather than council tax.

City Of Culture

- The government will invest £8.5 million in Coventry's plans to showcase the city when it hosts the UK City of Culture in 2021

Conditionality

- the government will consider legislating at Finance Bill 2019-20 to introduce a tax registration check linked to licence renewal processes for some public sector licences. Applicants would need to provide proof they are correctly registered for tax in order to be granted licences

Digital

- £200m allocated from the NPIF to pilot innovative approaches to deploying full fibre internet in rural locations, starting with primary schools, and with a voucher scheme for homes and businesses nearby. The first wave of this will include the Borderlands, Cornwall, and the Welsh Valleys

Digital Tax

- Introducing a UK Digital Services Tax that will be targeted at tech giants, generating at least £500m in global sales and will come into effect in 2020 and is expected to raise £400m per annum
- The tax will be a 2% of the revenues of search engines, social media platforms and online marketplaces

Enterprise tax

- Annual Investment Allowance to increase from £200,000 to £1 million for all qualifying investment in plant and machinery made on or after 1 January 2019 until 31 December 2020
- New non-residential structures and buildings will be eligible for a 2% capital allowance where all the contracts for the physical construction works are entered into on or after 29 October 2018
- From April 2019, the capital allowances special rate for qualifying plant and machinery assets will be reduced from 8% to 6%
- from 6 April 2019 the minimum period throughout which the qualifying conditions for relief must be met will be extended from 12 months to 24 months.

Fuel Duty

- Frozen yet again for the ninth year

High Streets

- High Street fund of £675m to help councils adapt to changes
- It will include £55 million for heritage-based regeneration, restoring historic high streets to boost retail and bring properties back into use as homes, offices and cultural venues

- The government will consult on planning measures to creating a more flexible and responsive 'change of use' regime with new Permitted Development Rights that make it easier to establish new mixed-use business models on the high street

National Living Wage

- The National Living Wage will increase from £7.83 an hour to £8.21 in April 2019

Plastic Tax

- New tax on plastic that has less than 30% recycled material. The government will consult on the detail and implementation timetable.
- No new tax on plastic cups at the moment but the situation will be kept under review

Sharing Economy - test for rent-a-room relief

- Following consultation, the government will not include legislation for the 'shared occupancy test' in Finance Bill 2018-19. The government will retain the existing qualifying test of letting in a main or only residence, and will work with stakeholders to ensure that the rules around the relief are clearly understood.

Short Term Business Visits

- The government will widen eligibility for the STBV Pay As You Earn (PAYE) special arrangement and extend its deadlines for reporting and paying tax

Transport

- £420m being made available for pothole repairs
- A new railcard for all young people aged 26 to 30 will be by the end of the year which will give up to a 1/3 off most rail travel.
- Establishing a £28.8 billion National Roads Fund, paid for by road tax
- The Transforming Cities Fund will be extended to 2022-23 with an extra £240m being made available.

VAT

- VAT threshold to be left at the current level of £85k for the next two years and work to be undertaken on how to remove the cliff-edge of VAT registration

Weddings

- The government has asked the Law Commission to propose options for a simpler and fairer system to give modern couples more choice.

