

OMNIUM

Wealth Management

omniumwealth.com



The case of the missing Budget

INTRODUCTION

It's been an eventful few years in British politics, but 2019 has been something else again with one jolt after another.

The 29 March deadline for the UK to leave the EU was extended to 31 October and then again until 31 January 2020. Boris Johnson replaced Theresa May as Prime Minister and Sajid Javid succeeded Philip Hammond as Chancellor of the Exchequer.

Javid was poised to deliver his first Budget on 6 November against a backdrop of constitutional crisis but, in late October, it was cancelled as Parliament voted in favour of holding the first December general election since 1923.

With all eyes on Brexit, those with an interest in fiscal policy were left bewildered: could this be the first year without any Budget at all? After all, the Spring Statement became a non-event on Hammond's watch.

That's not the only question. For example, we know there will be a Budget at some point, but when?

Will changes passed into law in the Finance Act 2019 and set to commence in April 2020 actually happen when the new tax year gets under way?

The VAT reverse charge for construction services has already been delayed, just a few weeks before the original deadline. That's now set to take effect from 1 October 2020.

Off-payroll rules rolled out in the public sector in 2017, are due to hit the private sector in 2020 – could that also be delayed? The calls are certainly getting louder.

In this special bulletin, we've combined what we do know for sure with informed analysis to suggest how the next six months might pan out.

And so the roller coaster rolls on.

Important information

This one-off document is solely for information purposes only and nothing in it constitutes advice or a recommendation. You should not make any decisions based on its content.

While considerable care has been taken to ensure the information in this report is accurate and up-to-date at the time of distribution, some of the dates and deadlines may be subject to future change.

No warranty is given as to the accuracy or completeness of any information in this document, which is based on our understanding in respect of which specific implementation details may change when the final legislation and supporting documentation is published.

KEY FACTS

What is the Budget?

The Budget, previously known as the Autumn Statement, is an announcement from the Chancellor of the Exchequer setting out what the Government intends to spend in the coming year and how it will raise the money to pay for that expenditure.

When does it usually take place?

It usually occurs in October, November or December for two primary reasons. Firstly, to allow time for major tax changes to be passed into law well before the start of the fiscal year on 6 April. Secondly, it's because it's very unusual to have a general election in December.

When was there last a year with no Budget?

The last year without a Budget was 1768.

Why was Budget 2019 cancelled?

The decision to cancel was made after Prime Minister Boris Johnson declared his intention to hold a general election on 12 December.

Parliament is required to shut down five weeks before an election and did so on 6 November, the date previously set aside for the Budget.

What were we expecting Sajid Javid to announce?

Budget predictions are rarely correct – just compare the pundit's guesses about Budget 2018 with what was in Philip Hammond's speech last October.

Still, Sajid Javid did drop some hints, such as stating that further reform to inheritance tax was something that's on his mind.

A review of the tapered annual allowance was also announced in August, while the help-to-buy ISA, due to close to new applicants on 30 November 2019, was likely to have been extended.

What about the economic forecast?

The Office for Budget Responsibility (OBR) had announced its intention to publish the forecast as usual, as it is required to do by law twice a year.

On 7 November, the scheduled publication day, the OBR announced that the Cabinet Secretary had advised it would be in breach of election guidance and so the report was pulled at the last minute.

Could there be a Budget before Christmas?

In a year when the word 'unprecedented' has often been trotted out by political commentators, nothing would surprise us, and there have been murmurs about a shorter-than-usual Parliamentary recess to allow more time for further Brexit debate.

But, on balance, it's unlikely, especially as it might take longer than usual to form a new government after the election on 12 December.

Do we need to have a Budget?

The short answer is, yes – it's a necessary precursor to a Finance Bill going before Parliament.

Some taxes are, in theory, only ever temporary and need to be reapproved each year, such as income tax which was introduced in 1799 to pay for the Napoleonic Wars and has been maintained, on and off, ever since.

Wasn't there some sort of Budget in spring 2018?

The Spring Statement is the other 'fiscal event' in the British Parliamentary calendar.

Historically, Budgets were always in spring but in the past decade, the Autumn Budget has become the main event, with the speech in spring a low-key affair announcing the arrival of the OBR forecast and launching policy consultations. Perhaps in 2020, though, a Budget in the spring will return.



WHAT'S AHEAD FOR BUSINESSES IN 2020?

Making Tax Digital: What happens next?

Against a background of numerous government U-turns, Making Tax Digital (MTD) for VAT-registered businesses took effect as planned in April 2019.

It's been a rare success story for HMRC too, with 94% of the UK's 2.2 million VAT-registered firms complying with the first two quarterly deadlines.

A light-touch approach towards issuing penalties for non-compliance remains in place until April 2020, with the Revenue preferring to nudge those reluctant business owners to join the digital revolution instead.

Given its success, MTD for other businesses seems likely to be the next extension of the Government's digital regime – just when is anyone's guess.

Ministers pulled the plug on fully rolling out MTD for individuals in May 2018, although it remains in the pipeline. When it does arrive, it's likely to include a simpler assessment and real-time tax code changes.

It should also spell the end for taxpayers having to file self-assessment as we know it, possibly from 2022/23 but probably no earlier.

Before then, as part of the MTD scheme, the Revenue could merge personal tax accounts with business tax accounts.

In October 2019, the Office for Tax Simplification (OTS) called on HMRC to implement an individual tax account to enable all taxpayers to see information about different types of income in one place.

If HMRC agrees, it could soon be the case that individuals see self-employment and rental income in new tiles alongside other tiles for employment income, savings income and national insurance.

HMRC to maintain compliance crackdown on several fronts

Tax inspectors have had their knives sharpened for a while, especially for the largest businesses, after HMRC admitted it is actively probing around half of the UK's largest firms at any one time.

Since 2010, the Revenue has secured £185 billion in extra tax through investigation and prosecution.

It is successful in more than 90% of criminal cases it brings to trial, and in 2018 secured more than 830 criminal convictions for tax and duty fraud – more than 80% of those charged.

Whether or not that crackdown applies to the private sector through the extension of the off-payroll rules remains to be seen, especially with industry bodies continuing to demand a 12-month delay after the cancellation of Budget 2019.

Depending on the outcome of the election, that could go either way. It leaves private-sector organisations that engage contractors with very little time to prepare for the changes that will be coming in.

That's the view of the Association of Taxation Technicians, which believes bringing in these rules from April 2020 "would lead to more errors and risks repeating errors in the public sector [in 2017]".

As it stands, medium and large-sized organisations that use private-sector contractors will determine whether an engagement falls within the rules from April 2020. Smaller firms will be unaffected.

Then there is reverse charge VAT for construction services, which has been postponed once already and is due to kick in next autumn, changing the way some construction industry contractors must account for VAT.

The changing nature of the workforce in the UK

The workplace is evolving much faster than ever before, thanks to a combination of technology and a demand for flexible working options.

While employers have a job on their hands to help staff adjust to technological advances, rather than view them as a threat, they also have to embrace flexible working.

Since April 2014, every worker in the UK has had a statutory right to ask their employer for flexible working as long as they've given six months' service to that employer.

Most employers (99%) told the Confederation of British Industry last year that offering flexible working is vitally important to remain competitive and encourage investment.

But the number of people working flexibly has stalled over the last decade and most vacancies (89% according to a recent study by Timewise/Gartner) are not being advertised as flexible.

With generous final-salary pensions largely a thing of the past, and the state pension age set to rise to 68 between 2044 and 2046, millennial workers face the prospect of working for considerably longer than previous generations.

Millennials will make up more than a third of the global workforce in 2020, according to research from ManpowerGroup.

Providing flexible or remote working, opportunities to work from home once a week or to duck out to fulfil personal commitments, such as providing care for a child or an elderly relative, are likely to have significant appeal for this group going forward.

Running a sustainable business in 2020

With international climate protests hitting the headlines, and growing demand for green energy, sustainable finance, second-hand products and vegan food, environmental issues are becoming increasingly difficult to ignore.

Research from Nielsen in 2018 found that 81% of people around the world felt it was "extremely or very important" for companies to do their bit to improve the environment.

Further research published in the *Telegraph* claimed 62% of medium-sized businesses in the UK had invested in energy-efficient new technologies.

In recent years British businesses have created roads that combine asphalt with waste plastic, smart flooring which converts footsteps to energy, and protein-packed snacks made from crickets.

That trend is likely to have a continued effect on businesses in the next year, as more consumers look for sustainable products and services.

It's also likely that the next Budget will include some environmental policy announcements, either in the form of funding for sustainable businesses or as tax penalties for environmentally-unfriendly practices.

Budget 2018 included an announcement of a 'plastic tax', for example, which Budget 2019 was expected to explain in more detail.

"58% of mid-sized businesses in Britain said sustainability is very important," *Telegraph*.



LIFE GOES ON

Amid all the uncertainty and Westminster hullabaloo, things are carrying on for most businesses and their accountants in the run-up to Christmas.

Regardless of the forthcoming election and any developments to resolve the Brexit stalemate, we'll still need to file income tax returns and corporation tax returns for 2018/19 on behalf of our clients.

Here are some key accountancy dates and deadlines to focus on in the coming weeks and months.

One additional point worth noting is that 31 January – a key day in the UK tax calendar – is also the latest scheduled date for the UK to formally leave the European Union in 2020.

Unless a further delay is negotiated with the EU, that could make meeting the self-assessment deadline more challenging than normal.

We're always urging clients to complete their tax returns early rather than waiting until the last minute but this year, more than ever, that's advice worth bearing in mind. HMRC may be exceptionally busy.

And if the UK does leave the EU on 31 January, there will be a raft of new regulations and processes to take into account, especially those involved in exporting or employing staff from the EU.

For example, you might need an up-to-date Economic Operator Registration and Identification (EORI) number. Not quite business as usual but, as usual, we'll all want to keep doing business.

2020: key dates and deadlines

- **31 January** – midnight deadline for completing self-assessment tax returns (2018/19)
- **31 January** – deadline for first payment on account (2019/20), balancing payment (2018/19)
- **31 January** – scheduled date for the UK to leave the EU, subject to change
- **31 January** – deadline for all settlements on loans advanced through disguised remuneration schemes dating back to 1999, subject to change
- **1 April** – corporation tax falls from 19% to 17%, subject to change
- **5 April** – end of 2019/20 tax year
- **6 April** – start of 2020/21 tax year; any new rates, bands and allowances kick in
- **6 April** – off-payroll rules extend to the private sector, subject to change
- **6 April** – residence nil-rate band to increase from £150,000 to £175,000
- **6 April** – mortgage interest relief is fully replaced by a tax credit based on 20% of a landlord's mortgage interest payments
- **1 October** – reverse charge VAT for construction services takes effect, subject to change
- **5 October** – deadline for registering to file tax returns through self-assessment

731,186

taxpayers missed the 2019 filing deadline for self-assessment



WHEN WILL THE BUDGET BE?

It's never been harder to predict the twists and turns of politics than in 2019/20, but there are certain educated assumptions we can make.

First, with the election on 12 December, the earliest a Budget is likely to happen is January 2020, even if Parliament's Christmas recess is shorter than usual.

It's also likely that we'll get a Budget at the earliest possible date in the new year.

A Conservative government will be keen to pick up where it left off, probably with Chancellor Sajid Javid dusting off the speech he's already written.

Alternatively, Labour's Shadow Chancellor John McDonnell or Liberal Democrat Ed Davey might end up taking possession of the red briefcase.

In that case, they'll be keen to rip it all up and start again in a bid to establish a clear difference between their fiscal policies and what came before at the earliest opportunity.

In addition, whoever is in power will want the maximum possible time between introducing changes in tax law and the start of the fiscal year on 6 April 2020.

With all that in mind, you might want to pencil a question mark next to 22 January on your 2020 calendar in the event of an emergency Budget.

On the other hand, there is a possibility that the new Budget will take the March slot recently reserved for the Spring Statement and, indeed, some commentators are assuming this will be the case.

After all, even Gordon Brown's first Budget back in 1997, reckoned to be particularly hot on the heels of the May election, didn't take place until July.

Whenever the next Budget takes place, rest assured that we'll have a detailed report on the contents, including any details buried in the paperwork.



Bourne House, Queen Street,
Gomshall, GU5 9LY
T: 01483 205890
omniumwealth.com

Omnium Wealth Management is a trading name of
Omnium Capital Limited, which is authorised and
regulated by the Financial Conduct Authority.
Registered No: 4375284

BOURNE
Group of Companies
bournegroup.com