

2016 AUTUMN STATEMENT HIGHLIGHTS

HOW THE FACTS AND FIGURES AFFECT YOUR BUSINESS

On 23rd November, Philip Hammond, the new Chancellor of the Exchequer, delivered his first Autumn Statement to Parliament. Hammond celebrated an economy that has 'bounced back from the depths of recession', promised to 'prepare our economy to be resilient as we exit the EU', and detailed important changes to taxation.

Key Numbers

- Britain has the fastest growing major economy in 2016, but the Office for Budget Responsibility (OBR) tempered that forecast with a reminder that uncertainty due to Brexit continues to constrain growth. This uncertainty is reflected in the OBR's updated growth forecasts: **GDP** will grow **2.1 per cent** in **2016**, slow to **1.4 per cent** in **2017**, and recover to **1.7 per cent** in **2018**, and **2.1 per cent** in **2019** and **2020**.
- This higher uncertainty lead to weaker OBR business investment forecasts—a **2.2 per cent** fall in **2016** and a **0.3 per cent** fall in **2017**. The forecasts return to the positive with **4.1 per cent** growth in **2018**, and **5.3 per cent** growth in **2019**.
- Owing to **Brexit** uncertainty and slower growth forecasts, the government has abandoned its goal to deliver a surplus (more tax raised than spent) by 2019. It hopes to see public finances 'return to balance as soon as practicable'.

Highlights for businesses and individuals

- Insurance Premium Tax (IPT) will increase by **2 per cent**: In June 2017, the IPT, a tax on general insurance premiums, will increase from 10 to 12 per cent. The Association of British Insurers

called the increase a 'hammer blow for the hard-pressed', and the Automobile Association (AA) warned that it will add about £10 per year to the average car insurance premium. The AA cautions that younger drivers and those living in London will bear the biggest burden, potentially making vital cover unaffordable. The IPT has now doubled in less than 18 months and most recently increased on 1st October 2016.

- The National Living Wage (NLW) and National Minimum Wage (NMW) will increase from April 2017: The NLW will increase from **£7.20** to **£7.50** per hour, and the NMW will increase as follows:
 - **21-24 years old: £6.95 to £7.05 per hour**
 - **18-20 years old: £5.55 to £5.60 per hour**
 - **16-17 years old: £4.00 to £4.05**
 - **Apprentices: £3.40 to £3.50**
- A new Housing Infrastructure Fund (HIF) will provide **£2.3 billion** by **2020**: The HIF will help construct **100,000** new homes in high-demand areas. In addition, the government will allocate an extra **£1.4 billion** to provide **40,000** new, affordable homes.
- The government will reform whiplash compensation: New rules will lower the high number of whiplash claims, allowing insurers to pass on an estimated £40 in premium savings per year for drivers in England and Wales.
- Rural Rate Relief (RRR) will increase to **100 per cent**: In April 2017, RRR will rise from 50 to 100 per cent, saving rural businesses £2,900 a year.
- The government commits to cutting corporation tax to **17 per cent** by **2020**.

- Letting agents will be banned from charging renters fees, saving tenants £223 per tenancy.
- Fuel duty will remain frozen for a seventh year.

For more detail, read the full Autumn Statement 2016 at: www.gov.uk/government/topical-events/autumn-statement-2016.