Review of the Autumn Budget

October 2018

Fiscal Phil's Monday budget didn't contain any major headlines, but it did attempt to deliver on two key government promises of late: an end to austerity and an increase to NHS funding. Plus, some money to repair potholes…!

The lack of any major announcements meant that there were few tax increases, and where they did occur they were aimed at companies and not households. With pensions, savings and estate planning largely untouched for now, there remains a good opportunity to make the most of current tax allowances. The lack of changes to the tax system may not last long however, as the chancellor was very clear that the UKs exit from the European Union could mean that the spring statement becomes a full budget. The better public finances suggest the government expects to be borrowing less next year, with borrowing already set to be £11.6bn lower than what was originally forecast at the spring statement this year, but the growth prospects for the economy continue to look somewhat weak in comparison to historic and international performance. The OBR (Office for Budget Responsibility) now expects the economy to grow by 1.6% next year, 1.4% in 2020 and 2021, before picking up to 1.5% in 2022 and 1.6% in 2023. Inflation is expected to average 2% next year in line with the Bank of England's target.

Aside from an increase in the tax-free personal allowance and higher-rate tax threshold there were no major tax announcements for individuals. An increase in the tax-free personal allowance to £12,500 and higher-rate threshold to £50,000 will take place a year earlier than planned, coming into effect in April 2019. This means an extra £130 in the pocket of a typical basic rate tax payer and higher earners can keep more of what they earn - £730 a year, in fact.

The ISA annual subscription limit for 2019/20 will remain unchanged at £20,000. The annual subscription limit for Junior ISAs and Child Trust Funds for 2019/20 will be increased in line with CPI (consumer price inflation) to £4,368.

Despite the chancellor describing pensions tax relief as "eye wateringly expensive", the only change to pensions was the inflation-linked increase to the Lifetime Allowance (LTA) to £1,055,000 (up from £1,030,000).

Good news was announced in the fight against fraudsters as the Government confirmed it'll bring forward regulations to ban cold calling in relation to pensions.

Earlier this year, the chancellor asked the Office of Tax Simplification to review the level of complexity in the current inheritance tax system. Its report is due this autumn, and the chancellor had nothing to say on it in the Budget. The Nil Rate Band will remain frozen at £325,000 until 2021/2022. The Residence Nil Rate Band will rise to £150,000 from April 2019.

The chancellor also rejected calls to scrap Entrepreneurs' Relief, which reduces capital gains tax for business owners when they sell up. However, the chancellor tightened the rules extending the minimum qualifying period from 12 months to two years for disposals from 6th April 2019.

Whilst this budget did not signify any substantial change to the tax system that does not mean we will not see any change in the near future. The kind of deal (or no deal) the UK leaves the EU with will have ramifications on the country's finance, and a spring budget is something which will grow ever more likely the closer to the 29th of March 2019 we get without a deal. As it stands, there is still a good opportunity to utilise tax allowances that already exist.