

BUDGET  
2016

## Chancellor's Budget approved after heated debate

Following a U-turn on his planned cuts to disability benefits, Chancellor George Osborne's Budget was finally approved by MPs during a heated Parliamentary debate on the matter.

**Concerns had been raised regarding many of the planned changes to legislation, which resulted in the Chancellor having to defend his Budget amidst calls from Labour for it to be withdrawn.**

In the event, the Budget was accepted after the Government secured a majority of 35, with 310 MPs voting in favour and 275 opting to oppose the plans.

The Chancellor's plans to cut Personal Independence Payments (PIPs) in particular, sparked fierce opposition, with the Secretary of State for Work and Pensions, Iain Duncan Smith, resigning in protest over the issue.

Osborne has now backtracked on these cuts which, if implemented, would have potentially saved the Government some £4.4 billion.

Meanwhile, after the Office for Budget Responsibility's (OBR) downgrading of the UK's economic growth forecasts, the Institute for Fiscal Studies (IFS) warned that the Chancellor only has a 50% chance of meeting his budget surplus target.

In his Budget Speech, George Osborne said that the Government was on course to achieve a £10.4 billion surplus by 2019/20.

However, following the Speech, the IFS claimed that Osborne is 'running out of wriggle room' if he is to reach this target by the end of the decade, adding that, if the Budget forecasts are right, 'we should all be worried'.

The OBR has significantly revised down its economic forecasts for the next five years, with UK economic growth predicted to be just 2% in 2016. At the time of the 2015 Autumn Statement, growth had been forecast to reach 2.4% this year.

The IFS warned that if economic growth deteriorates further, Osborne may be required to raise taxes or cut spending levels in order to reach his target of balancing the books by 2020.

The think-tank also said that the revisions to productivity forecasts would lead to a fall in wages and living standards.

IFS Director, Paul Johnson, commented: 'If there was another downgrade in fiscal forecasts of a similar magnitude and the Chancellor did wish to remain on course to deliver a budget surplus in 2019/20 then this would surely require more real policy change.

'His chances of reaching the surplus are only just the right side of 50/50.'

However, following the Budget, George Osborne insisted that his target will be achievable. He also stated that, in order for the books to balance, the economy must keep growing.

The decision to shelve planned cuts to PIPs means that the Government must now find additional savings to the tune of £4.4 billion. However, further plans are not expected to be announced until around the time of the Autumn Statement.

## New Lifetime ISA generates pension industry worry

**Chancellor George Osborne's plans to introduce a new Lifetime ISA for the under-40s have created waves amongst pension industry experts.**

The measure will enable individuals to save up to £4,000 a year and receive a 25% bonus from the Government for every pound they put in, up to the age of 50.

Both the savings and Government bonus can then be used towards a deposit on a first home, worth up to £450,000.

The new ISA accounts, which are set to be introduced from 6 April 2017, are limited to one per person rather than one per home - so two first-time buyers can both receive a bonus when buying together.

Alternatively, Lifetime ISAs can be used to save for retirement. After their 60th birthday savers can withdraw the savings, tax-free, for use in retirement.

Individuals can withdraw money at any time before their 60th birthday for any purpose, but the Government bonus, together with any interest or growth thereon will be lost. A 5% charge will also be payable.

## Other news in brief

### SNP says that Scotland would not adopt new 40p threshold rate

Scottish First Minister and SNP leader Nicola Sturgeon has said that Scotland will not adopt the UK Government's plans to increase the starting point at which workers pay the 40p tax rate, if her party wins the Holyrood election on 5 May.

### Prime Minister announces National Minimum Wage increases

Prime Minister David Cameron has announced increases in the National Minimum Wage rates from October 2016.

### MPs reject proposed changes to Sunday trading laws

Government plans to radically overhaul Sunday trading laws have been abandoned after they were rejected by MPs during a House of Commons vote on the matter.

### Taxpayers 'unaware' of key tax changes, House of Lords committee reveals

Many taxpayers are oblivious to the 'important' and 'complex' changes to the taxation of savings and dividends, a House of Lords report has suggested.

### Women have 'half' the occupational pension savings of men, reports TUC

A report commissioned by the Trades Union Congress has found that women have barely half the occupational pension savings of men.

The Treasury has described the scheme as a 'radical new way for the next generation to save'.

However, pension and insurance industry experts have stated that the new Lifetime ISA could have a dramatic effect on the attractiveness of the pension system to savers and could lead to other retirement options being seen in a less favourable light.

Yvonne Braun, director of long-term savings policy at the Association of British Insurers (ABI), declared: 'This must not be a back door to turning the pensions system on its head. 'A test for the success of the Lifetime ISA is whether it means fewer people will save for retirement, which would not be a good outcome.'

However, those in the investment industry have described the change as an 'exciting development' that could help to cultivate a more widespread savings culture.

The announcement comes after the Chancellor abandoned his plans to implement a radical reform of the tax relief system for pension contributions.

For more on these visit our website [www.nhllp.com](http://www.nhllp.com)

## ESSENTIAL TAX DATES FOR APRIL

### 5 April

Last day of 2015/16 tax year.

Deadline for 2015/16 ISA investments.

Last day to make disposals using the 2015/16 CGT exemption.

### 14 April

Due date for income tax for the CT61 period to 31 March 2016.

### 19/22 April

Quarter 4 2015/16 PAYE remittance due.

### 30 April

Normal annual adjustment for VAT partial exemption calculations (monthly returns).

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## Quote of the month

'A great many savers will have no idea that, from April, they may for the first time have to check whether they need to report or pay tax on interest they have received, rather than have their bank deduct the tax they owe.'  
*Chairman of the House of Lords' Economic Affairs Committee, Lord Hollick, commenting on HMRC's 'inadequate' communication strategy that has rendered taxpayers 'unaware' of key changes to the taxation of savings and dividends.*