

Summer Economic Update

8 July 2020

The Chancellor of the Exchequer has delivered his summer economic update which sets out the government's second phase of a three phase plan for economic recovery from coronavirus.

The main focus of the second phase is to protect, support and create jobs for people who have been particularly impacted by the rapid contraction in the economy.

The third phase of the government's plan will be set out in the autumn, which will include a Budget and Spending Review. It is here that we are likely to see any more substantive changes to tax legislation.

The summer economic update contains a range of spending plans to support jobs, focusing in particular on national infrastructure, housing, and a green recovery, as well as initiatives to help the hospitality and leisure industries. In this summary we have focused on the initiatives that are likely to be of direct interest to businesses in the form of grants and temporary tax reductions.

JOB RETENTION BONUS

The Coronavirus Job Retention Scheme (CJRS) has been in operation since March, with the flexible CJRS starting on 1 July and running until 31 October 2020, when the CJRS will end. This scheme has enabled employers to furlough staff while benefiting from a government grant of up to £2,500 for each employee who has been furloughed.

The Chancellor has announced a further one-off payment of £1,000 to UK employers for every furloughed employee who remains continuously employed until 31 January 2021, so long as the employee earns, on average, more than £520 a month between the end of the CJRS and the end of January 2021. The payments will be made from February 2021.

KICKSTART SCHEME

This scheme is aimed at individuals who are aged 16 to 24 who are claiming Universal Credit and are deemed to be at risk of long-term unemployment. Employers will be able to claim funding to cover 100% of the relevant National Minimum Wage for 25 hours a week, plus the associated NIC contributions and minimum auto-enrolment pension contributions if they take on a qualifying individual for a six-month placement.

TRAINEESHIPS AND APPRENTICESHIPS

Employers who provide trainees aged 16 to 24 with work experience will be able to claim £1,000 for each trainee.

Employers will also receive a payment of £2,000 for each new apprentice aged under 25, and £1,500 for each new apprentice aged 25 or over where the apprenticeship starts between 1 August 2020 and 31 January 2021. These payments are in addition to the existing £1,000 payment for new 16 to 18 year-old apprentices and those under 25 with an Education, Health and Care Plan.

EAT OUT TO HELP OUT

This measure is intended to help support the hospitality industry by encouraging people to return to eating out. Every diner will be entitled to a 50% discount up to £10 a head at any participating restaurant, café, pub or other food service establishment. The discount can be used unlimited times and will be valid Monday to Wednesday on any eat-in meal (including non-alcoholic drinks) for the whole of August 2020 across the UK. Participating establishments will be able to claim a full reimbursement for the 50% discount.

REDUCED RATE OF VAT

In order to stimulate the hospitality industry, from 15 July 2020 to 12 January 2021 a reduced VAT rate of 5% will apply to:

- Supplies of food and non-alcoholic drinks from restaurants, pubs, bars, cafés and similar establishments in the UK;
- Supplies of accommodation and admission to attractions and entertainment venues in the UK.

Further guidance on the scope of this relief will be published by the government shortly.

STAMP DUTY LAND TAX (SDLT)

The nil rate band of residential SDLT will be increased temporarily from £125,000 to £500,000 from 8 July 2020 to 31 March 2021. This reflects an SDLT saving of up to £4,500 on residential property purchases. The temporary increase will only apply to residential property and not commercial property.

The 3% surcharge on second homes will continue to apply on the whole of the purchase price.

GREEN HOMES GRANT

Homeowners and landlords will be able to claim a grant of at least £2 for every £1 spent to make homes more energy efficient up to £5,000 per household. For those on the lowest incomes may be able to claim up to £10,000.

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