

A summary of the Autumn Statement 2016, 23 November 2016



Economic and Fiscal Forecast

- The UK is forecast to be the fastest growing country in the G7 in 2016 and economic activity grew 2.3% in the year to Q3 2016.
- The employment rate is at a record high of 74.5%.
- The UK is likely to face a period of uncertainty, followed by adjustment. The Office for Budget Responsibility (OBR) forecasts that GDP growth will slow to 1.4% in 2017, and then recover to 1.7% in 2018, 2.1% in both 2019 and 2020, and 2.0% in 2021.
- The OBR highlights that there is a higher than usual degree of uncertainty in these forecasts.
- Compared with the OBR's Budget 2016 forecast, borrowing is higher in every year of the forecast and £32 billion higher in 2020-21.

Business and Enterprise

- A new National Productivity Investment Fund (NPIF) will add £23 billion in high-value investment from 2017-18 to 2021-22.
- To help boost UK productivity the NPIF will provide an additional £4.7 billion by 2020-21 in R&D funding. This will include:
 - a new cross-disciplinary fund to support collaborations between business and the UK's science base, which will set identifiable challenges for UK researchers to tackle
 - additional funding to increase research capacity and business innovation
- The government will review the tax environment to look at ways to build on the introduction of the 'above the line' R&D tax credit to make the UK an even more competitive place to do R&D.

Tax

- To promote certainty and simplicity within the tax system, the government intends to move towards having a single major fiscal event each year. Following the spring 2017 Budget and Finance Bill, Budgets will be delivered in the autumn, with the first one taking place in autumn 2017. The OBR will produce a spring forecast from spring 2018 and the government will make a Spring Statement responding to that forecast. However, this response will not include major fiscal announcements.
- The government will meet its commitment to raise the income tax personal allowance to £12,500 and the higher rate threshold to £50,000, by the end of this Parliament. Next year, the personal allowance will rise to £11,500 and the higher rate threshold to £45,000.
- As recommended by the Office of Tax Simplification (OTS), the National Insurance secondary (employer) threshold and the National Insurance primary (employee) threshold will be aligned from April 2017, meaning that both employees and employers will start paying National Insurance on weekly earnings above £157.
- As announced at Budget 2016, the government will create two new income tax allowances of £1,000 each, for trading and property income.
- The government is recommitting to the business tax road map and the principles that it sets out. This includes cutting the rate of corporation tax to 17% by 2020 and reducing the burden of business rates by £6.7 billion over the next 5 years.

- To remove the inconsistency between rural rate relief and small business rate relief the government will double rural rate relief to 100% from 1 April 2017.
- The fuel duty rate will remain frozen for the seventh successive year.

Education and Childcare

- The government will provide £50 million of new capital funding to support the expansion of existing grammar schools in each year from 2017-18.
- Tax-Free Childcare will be introduced gradually from early 2017, with roll out beginning upon completion of the trial.

Employment

- The government will increase the National Living Wage (NLW) from £7.20 to £7.50 from April 2017.
- The government's target is for the NLW to reach 60% of median earnings by 2020, subject to sustained economic growth.
- The government will invest an additional £4.3 million per year to strengthen National Minimum Wage (NMW) enforcement. The government will provide additional support targeted at small businesses to help them to comply.
- The government will also accept all of the Low Pay Commission's recommendations for the other NMW rates (which were last increased in October 2016) to apply from April 2017, including:
 - increase the rate for 21 to 24 year olds from £6.95 to £7.05 per hour
 - increase the rate for 18 to 20 year olds from £5.55 to £5.60 per hour
 - increase the rate for 16 to 17 year olds from £4.00 to £4.05 per hour
 - increase the rate for apprentices from £3.40 to £3.50 per hour

Cities, Regions and Nations

- The government will award £1.8 billion to Local Enterprise Partnerships (LEPs) across England through a third round of Growth Deals.
- The government will continue to work towards a second devolution deal with the West Midlands Combined Authority and will begin talks on future transport funding with Greater Manchester.
- The government has confirmed the Greater London Authority's (GLA) affordable housing settlement, under which the GLA will receive £3.15 billion to deliver over 90,000 housing starts by 2020-21, and will devolve the adult education budget to London from 2019-20.
- The government has published a strategy setting out an overall approach to building the Northern Powerhouse, through addressing the key barriers to productivity that the region faces. The government will also publish a Midlands Engine strategy shortly.