



# Columnist

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## The Business of Budgets

*In recent years, successive Chancellors of the Exchequer have used the platform the Budget provides to outline their agenda for the future of the UK economy. Gordon Brown promised an “end to boom and bust” whereas George Osborne often spoke about living in an “age of austerity”.*

**S**et against the backdrop of the menacing, ever-present threat of COVID, this Budget was always going to be difficult for the Chancellor. When you add into the mix the spiralling cost of living, the supply issues hitting businesses and consumers alike, on top of the recent and very un-Conservative hike in National Insurance, it is fair to say that the Chancellor was starting from an incredibly difficult place.

### Taxes

The Prime Minister once famously said he was “pro having cake” and “pro eating cake”. To many observers this approach appears to have continued in relation to economic policy as the current Government seems torn between high spending and wanting to be seen to cut taxes during this Parliament.

On Wednesday, Rishi Sunak said he would like to be known as a Chancellor that “cuts taxes”. It looks as if he has started to do this in some areas, but as ever the proof of this will emerge in the coming months. Several tax ‘changes’ were also announced with the Chancellor seemingly focusing on restoring public finances.

Holding a ‘technical budget’ gave the Chancellor plenty of scope to make changes that raise revenue. With the confirmation of the reform of basis periods for the self-employed for example, this is being labelled as a simplification measure to help sole-traders and partnerships with the move to Making Tax Digital quarterly reporting from April 2023 but, in practice, it will at the very least accelerate revenue for the Exchequer for 2023 and the next five years.

There have also been other tax rises already announced – it’s just that they may not feel like rises. For example, freezing personal tax allowances from April 2022 will raise considerable revenue due to fiscal drag (i.e. allowances not rising as wages/inflation goes up means more tax is collected). Freezing other allowances and thresholds at a time of rising inflation may be a nice little earner for the Chancellor over the next few years.

### Northern Ireland

As we digest Rishi Sunak’s third Budget, it is worth reflecting on what was announced and how it impacts Northern Ireland.

The Chancellor made a point of highlighting, on numerous occasions, that this budget is a ‘budget for the whole of the UK’, declaring that devolved administrations have received their biggest ever block grants since devolution in 1998.

From the levelling up fund, Northern Ireland will get an extra £50m in addition to the usual Barnett Consequential. The Chancellor further highlighted that the Northern Ireland Executive would receive £1.6billion per year for public services, although some confusion on this figure was raised by the NI Finance Minister who stated it would ‘actually amount to £1.9bn for day-to-day spending over three years’. What does this look like for local spending plans in NI? Time will tell.

The NI Executive will plan their budget over a three-year period,

a welcome change to the yearly budgets they have been navigating in recent times. Whilst there seems to be a commitment for the bulk of any ‘new money’ to go to the health service, there will be a wrangling within government departments for whatever additional funds are left over.

There was acceptance from the Chancellor that inflation is likely to stay for the medium term, with an expectation that it could reach 4% over the next year. This is particularly important when considering the recently announced proposed pay rises for millions of public sector workers.

The universal credit taper will be cut by 8% (from 63p to 55p) – a welcome support to working families who are facing increasing costs across the board in relation to the cost of living.

We had confirmation of a five-year freeze for the capital gains tax annual exemption as well as the pension lifetime allowance, the amount you can save into a pension before paying penal tax charges. Although this looks like a welcome announcement, it has opened him up to criticism that he is seeking to exploit fiscal drag, a charge often levelled at Gordon Brown when he occupied No.11.

Closer to home, there was some ‘red meat’ for local businesses as well as local families.

### A Budget for Business Growth?

After years of campaigning, our local airports have succeeded in getting Air Passenger Duty reduced for flights between NI, England, Scotland and Wales. This is an important step towards levelling the playing field with RoI and should be a welcome boost to our beleaguered aviation and wider tourism sector.

A £70million boost for local SMEs will support the business community in their investment aspirations as well as supporting those starts up who have been hampered by the pandemic, which will go some way to supporting economic recovery.

We’ve seen the business community across NI voice concerns relating to skills, recruitment, rising business costs, inflation, and increased wage demands, particularly across the services and manufacturing sectors.

In an effort to address driver shortages across the UK, the Chancellor announced a freeze on the duty to heavy vehicles – how this will contribute to wider driver shortages across the UK is not clear. The scaling up of the visa system is aimed at aiding businesses to bring in highly skilled individuals, allowing them to compete on a global scale.

The lowering of alcohol duty on lower strength drinks is expected to reduce the cost of a pint by three pence – a small but welcome support to the local hospitality sector, although the threat of further restrictions through the winter remains ever-present.

The next step for our local politicians will be to allocate this funding within their multiyear budget with the significant competing demands of rebuilding our public services whilst facilitating much needed economic prosperity. Over to our Finance Minister and his Executive colleagues. We will all be watching with interest.

**A detailed analysis of the Budget is available at <https://www.bdoni.com/en-gb/microsites/budget-2021/budget-2021>. Contact details of Maybeth and her team can be found on the BDO Website. If you have any questions on how the budget announcements may affect you or your business, please get in touch.**