
HAMMOND OFFERS TAX CUTS AND NO DEAL WARNING IN FIRST BREXIT BUDGET

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The first post-Brexit budget will hand Britons tax cuts, but the UK Chancellor, Philip Hammond, offered a veiled warning that the UK would be poorer if Theresa Mays government failed to strike a Brexit agreement with the EU.

Announcing the UKs 2019 Budget on Monday (29 October), Hammond handed out a series of income tax cuts, lifting both the income thresholds at which people will have to start paying tax, and the 40% higher tax rate.

The UKs exit from the EU next March was the elephant in the room on Monday, and was little mentioned, although Hammond earmarked an additional £500 million to government departments for Brexit planning, on top of £3.7 billion already allocated for 2018, 2019 and 2020.

Were at a pivotal moment in our EU negotiations and the stakes could not be higher, Hammond told the House of Commons. Get it right and we will not only protect Britains jobs, businesses and prosperity but we will also harvest a double deal dividend: a boost from the end of uncertainty and a boost from releasing some of the fiscal headroom that I am holding in reserve at the moment.

Hammond warned that an emergency budget could be required in the spring if there is a no deal Brexit but insisted that he was confident of getting a deal.

On Sunday, Hammond said that his economic forecasts were based on UK and EU negotiators agreeing on an average-type free trade deal and that a rethink would be needed if that was not obtained.

We would need to look at a different strategy and frankly wed need to have a new Budget that set out a different strategy for the future, he said.

However, on Monday morning, a spokesman for Prime Minister Theresa May said that the budget was fully costed regardless of whether the UK leaves the EU with or without a deal.

The UK economy is currently forecast to grow by 1.6% in 2019 and 1.4% in 2020, but a series of the governments own impact assessments have warned that a no deal scenario could plunge the country into recession.

In response, Labour leader Jeremy Corbyn told MPs that the UK economy was suffering from uncertainty caused by the governments shambolic handling of Brexit.

Meanwhile, the UK will also introduce a digital services tax that could put it on collision course with

the EU. The levy, which is intended to raise around £400 million per year, would be designed to ensure that tech giants bear the burden and would only affect firms with profits of £500 million and over from April 2020.

Both the OECD and an EU expert group have been working on agreeing a global digital levy.

A new global agreement is the best but progress is still painfully slow, said Hammond of his decision to impose a national tax.

Meanwhile, Hammond added that the UK would expand the use of e-passport gates at Heathrow and other airports to include visitors from the U.S., Canada, New Zealand, Australia and Japan, in a scarcely veiled attempt to curry favour with major countries with whom the UK hopes to strike post-Brexit trade deals.

Kaynak/Source: