ABTA
The Travel Association

AUTUMN BUDGET BRIEF

Government sets out future spending plans

Monday, 29 October 2018

Today the Chancellor of the Exchequer, Philip Hammond, presented a Budget that signalled the beginning of the end of austerity while at the same time warning against the impact of a "no-deal Brexit" on his five-year spending plan. In an appeal to Conservative Brexiteers to back the Prime Minister's Brexit plans, he stressed that agreeing a Chequers deal will deliver a "deal dividend" that will allow for future additional funding. With the help of an unexpected £13bn windfall of tax receipts forecast by the Office for Budget Responsibility (OBR), the Chancellor had a bit more room to manoeuvre to spend more on public services, announcing more spending giveaways than was expected, including delivering on the Prime Minister's commitment to the NHS. Another headline grabbing announcement is a new tax on UK digital services, levied on revenues of tech giants from April 2020, which will capture the likes of Facebook, Google and Apple.

General economic indicators

- The Office for Budget Responsibility (OBR) upgraded growth forecasts to 1.6% in 2019 (from the 1.3% forecast in the Spring Statement). These will fall to 1.4% in 2020 and 21, before going back up to 1.5% in 2022 and 1.6% in 2023.
- The deficit will continue to fall slowly from 1.4% in 2018/19 to 0.8% in 2023/24.
- The current unemployment rate is now 4%, the lowest since 1975. The rate is forecast to fall to 3.7% (from 4.4%) in 2019, before rising slightly to 3.8% in 2020 (from 4.6%), and again to 3.9% in 2021 and 2022.
- Short-term borrowing has been revised: it will be £11.6bn lower this year than forecast at the Spring Statement, and then falls from £31.8bn in 2019/20 to £26.7bn in 2020-21, £23.8bn in 2021/22, £20.8bn in 2022/23 and £19.8bn in 2023/24.

Key points round-up

Key announcements made by the Chancellor include:

- **E-passport gates:** to be opened up to visitors from the US, Canada, New Zealand, Australia and Japan.
- **Brexit preparations:** Additional £2bn to government departments will be announced in the coming weeks. In addition, the Chancellor will maintain headroom to fiscal rules in order to intervene, if needed.
- **Business rates**: to cut by a third for the next two years for retailers in England with rateable value of £51,000 or less. The Chancellor also announced a £675m "**future high streets fund**" to help Councils plan for the transformation of their high streets.

- £1.6bn in new investments for the **modern industrial strategy** and £150m for fellowships to attract the brightest talent.
- A **new tax on UK digital services** on revenues of big tech giants from April 2020 to capture the likes of Facebook, Google and Apple.
- 420m available immediately to local authorities for **potholes and bridge repairs** in this financial year.
- **26-30 railcard** will be available across the network by the end of 2018.
- **The Apprenticeship Levy** to be halved for small businesses from 10% to 5%.
- A freeze on **beer and cider duty** and **Fuel Duty**.
- **National Minimum Wage** will rise to £8.21 from April 2019.
- **Personal Allowance** to rise to £12,000 and higher rate threshold to £50,000 from April 2018, a year earlier than planned.

Air Passenger Duty – in focus

- **Air Passenger Duty:** the freeze on short-haul rates remains, with **long-haul economy** rates rising in line with inflation. APD will be indexed to inflation from 2020/21.
- **APD devolution to Northern Ireland:** a technical work group has been established to consider the practical and legal implications of devolving short-haul APD.

Bands	Reduced rate		Standard rate	
	Rate from 1 April 2019	Rate from 1 April 2020	Rate from 1 April 2019	Rate from 1 April 2020
Band A (0-2000 miles)	£13	£13	£26	£26
Band B (over 2000 miles)	£78	£80	£172	£176

IS IT REALLY THE END OF AUSTERITY?

Luke Petherbridge, Senior Public Affairs Manager

This Budget, and in particular the mixed signals emanating from Downing Street about the "end of Austerity", show the tension that exists between the Prime Minister's desire to create positive momentum, and a Chancellor weary of the serious fiscal hurdle that is yet to be cleared in terms of finalising the UK's Brexit negotiations. While the spending taps have been opened – to the tune of £30bn over the next 5 years – there is only limited cheer for outbound travel. Increased support around business rates, and the continued freeze in short-haul APD – now into its 9th year - are welcome announcements, but we are extremely disappointed to see long-haul rates increase yet again. This decision directly contradicts the Government's aim to deliver a truly "Global Britain".

ABTA will continue to work with our partners in the 'A Fair Tax on Flying' campaign to urge the Government to conduct detailed economic modelling, and to deliver the cut in APD that is needed to boost connectivity and competitiveness. We also look forward to engaging further with HM Treasury – and the newly established Working Group -around short-haul devolution to Northern Ireland.

For more information: Full details on of the Budget can be found here. If there are any questions please contact Luke Petherbridge, ABTA's Senior Public Affairs Manager, on lpetherbridge@abta.co.uk or 0203 117 0588.