

Summer Economic Update 2020



A Plan for Jobs

Chancellor, Rishi Sunak, presented his Summer Economic Update on 8 July with the purpose of ‘spurring’ the economy back to life as the United Kingdom enters the next phase of the coronavirus pandemic. Although there will be an Autumn Statement and Spending Review later on this year, he made some key interim announcements for both employers and employees. Entitled ‘A Plan for Jobs’ Mr Sunak outlined a range of tax cuts, grants and Government funded vouchers, which he hopes will give businesses and consumers the extra support and confidence that they need as they return to work and daily life in a changed world.

Job Retention Bonus

Mr Sunak’s ‘plan for jobs’ is the second part of a three-phase plan to secure the country’s economic recovery from the coronavirus pandemic. The launch of the Coronavirus Job Retention Scheme (CJRS) at the end of March threw a life line to many struggling businesses adversely affected by the pandemic. Although it will finish at the end of October, the Government is introducing a **Job Retention Bonus (JRB)** as an incentive to retain employees who have been put on furlough.

Further information should be available by 31 July followed by full guidance in the autumn, but in the meantime we know that UK employers will receive a one-off bonus of £1,000 for each furloughed employee who remains continuously employed up to and on 31 January 2021. Bonus payments will be made from February 2021, once accurate Real Time Information data to 31 January has been received by HMRC.

Kickstart Scheme

The Government is demonstrating its support for the UK’s younger generation who have been particularly hard hit by the crisis, particularly those aged between 16 and 24 claiming Universal Credit and who are at risk of long-term unemployment. They will be eligible for jobs being created through its new **Kickstart Scheme**.

Each six-month job placement created through the scheme will be entitled to funding to cover 100% of the National Minimum Wage (£4.55 for under 18 to 20 year olds and £8.20 for 21 to 24 year olds) for 25 hours a week. Employers will be able to top this wage up to exceed the National Minimum Wage if they wish to.

The Kickstart Scheme will be available from August 2020 until December 2021, although there is an option to extend it. It will cover England, Scotland and Wales with a similar scheme being operated in Northern Ireland.

Apprenticeships, traineeships and jobseeker support

The Government will be scaling up the level of employment support schemes, training and apprenticeships available to facilitate young people looking for a job in the following ways.

- Businesses will be given £2,000 for each new apprentice they hire under the age of 25 and £1,500 for those over 25. This is over and above the existing £1,000 payment the Government already provides for new 16-18 old apprentices and those aged under 25 with an Education, Health and Care Plan. Further details have yet to be announced including how the payments will be accessed, but it is hoped that this approach will encourage more employers to recruit apprentices particularly given the existing exemption for employer's NICs for apprentices aged under 25.
- The number of traineeships in 2020-21 will be increased three-fold to cover 30,000 16 to 24 year olds to ensure that more young people have access to high quality training. The traineeships will start in September 2020 and the Government has said that employers must offer 'a high quality work placement of 60 to 90 hours'. Trainees will also receive lessons in maths, English and CV writing.
- The number of sector-based work academy placements in 2020-21 will be tripled.
- The number of work coaches will be doubled to 27,000 and funding will be made available to do this by the end of the financial year.
- Over a quarter of a million more young people will benefit from an extra £32 million investment in the National Careers Service.

Other job creation opportunities

Whilst the pandemic has been an enormous blow for the UK's economy, Mr Sunak is using it as an opportunity to create tens of thousands of jobs by bringing forward work on £8.8 billion of new infrastructure, decarbonisation and maintenance projects.

Energy-saving and carbon emission-reducing measures

The introduction of the 'Green Homes Grant' in September will see homeowners and landlords receive vouchers worth up to £5,000 covering at least two-thirds of the cost of energy-saving home improvements such as insulation, draught-proofing, double glazing and renewable energy generation. However, people on the lowest incomes will receive up to £10,000.

The grant is intended to improve the efficiency of homes with an equivalent being put in place for social rented properties called the 'Social Housing Decarbonisation Fund'. Overall it is hoped that the scheme create around 100,000 jobs in the sector.

Mr Sunak announced that the Government would be making funding of £1 billion available to improve the energy efficiency of public sector buildings including schools and hospitals. He also has plans for a £50 million fund to pilot

retrofit projects such as heat pumps, insulation and double glazing for social housing.

The Government had already said that it would be making £40 million available for environmental charities and local authorities in respect of projects to improve the environment. It is part of the [Green Jobs Challenge Fund](#) which will see more trees planted, rivers cleaned up and more green spaces created. In doing so, the Treasury hopes that up to 5,000 new jobs will be created.

Construction and infrastructure employment

Mr Sunak said that he wants to “get Britain building” and provided details of the following proposed construction projects:

- £1.5 billion for hospital maintenance and upgrades;
- £100 million for our local roads network;
- Over £1 billion to start to rebuild schools in the worst condition in England, plus £760 million this year for key maintenance work on schools and FE colleges;
- £1 billion for local projects to boost local economic recovery in the places that need it most; and
- £142 million for court maintenance to repair around 100 courts across England.

Stamp Duty Land Tax Cut on Residential Property

As regards the housing market the Chancellor announced that there would be a Stamp Duty Land Tax threshold holiday. It means that there will be a temporary ‘nil rate band’ for the first £500,000 of the purchase price of residential property in England and Northern Ireland starting from 8 July 2020 until 31 March 2021. Current rates will then apply to amounts from £500,001 upwards.

This will help those people buying a main residence as well as those buying additional residential properties, although the additional 3% rate will still apply in the case of the latter. If you find yourself in the situation where you have not sold your main residence on the day you complete your new purchase you’ll have to pay the higher rate. But you can apply for a refund if you sell your previous main home within 36 months, or you can demonstrate that the delay was outside your control, for example because of the coronavirus pandemic or a public authority blocking the sale.

For residential leases granted during the threshold holiday, the SDLT ‘nil rate band’ of the ‘net present value’ of the rent payable under the lease will increase to £500,000 and there will be a 1% charge on the excess over £500,000.

The Government has said that it will publish further guidance on how the effect of this holiday may impact linked transactions, first time buyers, shared ownership properties, leases and the additional 3% charge.

Sector assistance

The high street was already in trouble and was trying hard to transform itself to entice more people to visit with consumer experiences at the heart of their new offering meaning that the leisure and hospitality industry now play a unique and important role in the UK's economy. Both sectors have been badly hit by the lockdown and the Chancellor will hope that his new measures including the launch of the Job Retention Bonus will inject businesses and consumers with the confidence needed to stimulate spending.

Eat Out to Help Out Scheme

Hospitality businesses have been allowed to reopen since 4 July but how they operate is subject to a raft of rules and regulations to stymie the spread of new coronavirus infections and to keep staff and customers safe. But there has been an additional boost to encourage people to eat out with the announcement of the forthcoming 'Eat Out to Help Out Scheme', a measure that, as Mr Sunak said "has never been tried before" because, "This moment is unique. We need to be creative".

From 3 August until 31 August 2020 anyone who eats out between Monday and Wednesday will receive 50% off their bill for food or non-alcoholic drinks **to eat or drink in**, up to a maximum amount of £10. There is no limit to the number of times that customers can use the offer during the period of the scheme.

Registrations are now open for establishments which:

- Sell food for immediate consumption on the premises;
- Provide its own dining area or shares a dining area with another establishment for eat-in meals; and
- Was registered as a food business with the relevant local authority on or before 7 July.

VAT cuts for the hospitality and tourism sector

Mr Sunak announced further help for the hospitality and tourism sectors with a temporary cut to VAT from 20% to 5% from 15 July 2020 until 12 January 2021. The cut will apply to the following.

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

Got any questions? Get in touch!

Covid-19 has been one of the most sudden and hard-hitting events of recent years. The Wise & Co team are here and ready to support you, whether it's for technical or practical advice or to act as your sounding board.

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