

Statement by the Chancellor, Rishi Sunak to reignite the economy

The past couple of months have been a difficult time for people and businesses. Everyone has felt the impact of COVID-19 one way or another and whilst it has not yet disappeared, the data continues to show a downward trend. As a result, the government continues to relax the measures imposed, eager to pull the country out of lockdown and reignite the economy. On 8th July, Chancellor Rishi Sunak announced a series of policy measures in his 'Summer' Statement aimed at doing just that.

Key highlights of the announcement:

Hospitality Sector:

- **Temporary VAT reduction.** From 15 July 2020 to January 2021, a reduced rate of 5% VAT will apply to supplies of food and non-alcoholic drinks, accommodation, and attractions to support the hospitality and leisure sector.
- **'Eat Out to Help Out' discounts.** A scheme to encourage people to return to eating out by giving a 50% discount of up to £10 per head on their meal (and non-alcoholic drinks). The scheme is valid at any participating establishment from Monday to Wednesday during the entire month of August 2020. Participating establishments will be fully reimbursed for the discount.

Property sector:

- **Temporary reduction in Stamp Duty Land Tax (SDLT).** Aimed at reigniting the property market, from 8 July 2020 to 31 March 2021, the nil rate band of residential SDLT (in England and Northern Ireland), will increase from £125,000 to £500,000. However, property owners should be aware that the additional 3% rate for buyers of second homes will still apply.
- **Green Home Grants.** £2bn has been made available to help make homes more energy efficient. Vouchers of up to £5,000 will be issued to homeowners in England to make their homes more energy efficient in a scheme that launches in September 2020.

Business incentives:

- **Job Retention Bonus.** The furlough scheme (Coronavirus Job Retention Scheme) will end in October, however, the Job Retention Bonus will be introduced to encourage businesses to retain staff. Businesses will be paid a one-off payment of £1,000 in February 2021 for every furloughed employee who remains continuously employed to the end of January 2021. Employees must earn above the Lower Earning Limit (£520/month) on average between the end of the Job Retention Scheme (furlough scheme) and the end of January 2021.
- **£2bn Kickstart scheme.** The scheme aims to create jobs for 16-24-year olds in the next six months. Employers in England will be paid £2,000 for each new apprentice they hire aged under 25 and £1,500 for those hired aged 25 and over.

The Chancellor has come under some criticism, with Labour saying he should have announced a 'back to work budget'. Some businesses may not feel the incentives introduced are enough. The cost for keeping a furloughed member of staff employed for a further three months may outweigh the benefit of a £1,000 incentive!

The reality is that we are at a crucial junction of the epidemic. There are fears of a second spike, whether that be due to the relaxing of the lockdown measures or the 'natural cold and flu' season that accompanies the not-so-far autumn/winter months ahead. Existing schemes and support packages have been expensive and, should there be another lockdown (whether localised or wider), more funds will continue to be needed. This may be a cautious first step, but this is a time, more than ever, to err on the side of caution.

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