



Research Report

ADVISORY SERVICES

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Analyst

Ravi Lockyer MSc Lib

Collins Sarri Statham
Investments Ltd

2016 Budget Statement “This is a Budget for the next generation”

The Chancellor confirmed the UK is on track to meet budget surplus targets in 2020. The OBR (Office of Budget Responsibility) forecasts UK GDP and productivity growth despite weaker global growth – and the growing trend towards negative interest rates due to low productivity growth.

Financial Year	PSBR (public sector borrowing requirement)	GDP forecast (%)	COMMENT
2016	(£72bn)	2.0	Realistic
2017	(£55bn)	2.2	Optimistic
2018	(£38.8bn)	2.1	Optimistic
2019	(£21.4bn)	2.1	Forward looking
2020	£10.4bn	2.1	Conjecture

The OBR forecast is predicated on remaining in the EU. “A vote to leave could usher in an extended period of uncertainty...this could have negative implications, a period of disruption whilst the new relationship with the EU is negotiated.” The OBR has forecast 1m new jobs in the 2015-2020 Parliament with almost 90% in “skilled occupations”.

2016 Key points

The Chancellor has taken the following steps:-

- *Executive “termination” packages will be subject to national insurance levies.
- *Target of 17% for corporation tax by 2020.
- *Business rate relief for smaller companies rises from £6k to £15k taking many smaller businesses out of this tax net.
- *The Chancellor has halved supplementary charges for oil and gas companies to 10% from 20% and is abolishing petroleum revenue tax from 1 January 2016.
- *A new sugar tax with two bands of 5g per 100ml and 8g per 100ml will raise £520m. The new funds raised will be spent on the problem of child obesity and help funding of children’s hospital services.
- *The ISA limit will rise to £20k from £15,240 in April 2017.
- *A new “Lifetime ISA” will be introduced for under 40s; where in return for a £4k commitment the government will add £1k in cash top up.
- *The personal allowance will rise to £11,500 from £11,000 and the 40% threshold will rise to £45,000 from £42,385.
- *The capital gains tax rate will decline from 18% to 10% for lower rate tax payers and from 28% to 20% for higher rate tax payers.
- *Petrol, beer and cider taxes are frozen. Spirits levies rise by the rate of inflation.

Collins Sarri Statham Investments Ltd. 6th Floor 5 Lloyds Avenue London EC3N 3AE

Telephone: +44 (0)20 7264 2360 Facsimile: +44 (0)20 7264 2361 www.css-investments.com Email: info@css-investments.com

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