

Rishi Sunak may only have been Chancellor for five months but he is already a crisis veteran. Having already splashed out hundreds of billions of pounds worth of support – £281.5bn since 11 March 2020 – today’s package added a further £30bn. Phase 1 of the Chancellor’s response was about protection via blanket support for the economy. Significantly Phase 2 of the economic response, today’s package, is more targeted support and focussed on jobs. The third phase is rebuilding.



Bonus - The Job Retention Scheme (JRS) and Self-Employment Income Support Scheme (SEISS) provided a safety net for millions of workers. JRS is due to expire at the end of October and the labour market will have to adapt to life after furlough. To cushion the blow, the Chancellor unveiled one of a few key measures not trailed in advance – the Job

Retention Bonus (JRB). In monetary terms this is the most significant measure in today's package and it is aimed at protecting jobs. Employers who retain furloughed staff up until the end of January 2021 will receive £1,000. Some 212,000 workers availed of the JRS in Northern Ireland. So in theory, if all of the those workers returned to their jobs that would equate to £212m. That isn't going to happen. But if you assume around two-thirds of employees return that would still provide a £140m injection into the local economy in early 2021.

VAT cut & vouchers - Clearly some sectors cannot wait until 2021, particularly the hospitality and events sectors. These sectors have borne the brunt of the lockdown and social distancing restrictions. A temporary six-month reduction in VAT on food, accommodation and attractions from 20% to 5% will provide a much needed shot in the arm for the industry. Local firms trying to compete in the All-Island staycation market also have the added benefit of a weak currency to lure visitors across from the Republic of Ireland. *The Eat Out to Help Out* scheme provides another added incentive to coax people out of their houses into local eateries during the month of August (Monday - Wednesdays only). This eye-catching headline - works out as a maximum of £10 per head - was the least expensive of all the fiscal measures unveiled today.

Kickstart - The younger generation always bears the brunt of any recession. To this end it is encouraging that a range of support has been offered to limit the potential scarring from youth unemployment. Employers will be paid for taking on trainees (£1k per trainee) or apprenticeship (£2k for every new apprentice under 25yrs). Meanwhile a Kickstart Scheme targeting 16-24 year olds will provide employment opportunities and the National Living Wage for six months. The Chancellor stated there will be no cap on places. In Northern Ireland the Stormont Executive will take forward this vital area of the economic recovery.

Cash for the attic - Energy efficiency measures and a raising of the Stamp Duty Land Tax

(SDLT) were also confirmed. The former included grants of up to £5k (*covering at least two-thirds of costs*) for households. Lower income households can avail of grants of up to £10k with 100% of costs covered. These will cover things such as loft and wall insulation. This acts as a reminder that before COVID-19 the threat from climate change loomed large. The SDLT threshold for 0% was raised (*temporarily until 31st March 2021*) from £125k to £500k. First-time buyers were already exempt up to £300k. This change will have little impact on residential transactions in Northern Ireland but is more significant in higher house price regions such as London and the South East. The economic outlook and mortgage availability are more important than stamp duty. First-time buyers are now required to have a 15-20% deposit whereas 5%-10% deposits were commonplace back in February.

Come back in the autumn – Some people may have been underwhelmed that the Chancellor didn't provide more support (*e.g. for more sectors or further incentives such as raising National Insurance Contribution thresholds for employers*). It should be remembered that today was just an *Economic Statement* yet still provided an additional £30bn of fiscal support. The UK economy has exited intensive care but its recovery remains highly uncertain and requires active monitoring. Today provided more medicine to address short-term problems and the patient will be reviewed again in the autumn. We can expect a more extensive set of measures in the autumn budget. If we have learnt anything in this crisis it is don't underestimate Rishi Sunak's determination to do 'whatever it takes' if and when it is required. That thought is worth remembering when considering the state of the public finances. Today the Chancellor reminded us that "*over the medium-term, we must, and we will, put our public finances back on a sustainable footing*". On that front, 'doing whatever it takes' will be much more unpopular. Phase 4 – higher taxation may not be that far away.

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