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Chancellor's Summer Statement focuses on hospitality sector

Tax Talks on **July 9, 2020**

As the UK's lockdown is relaxed and unemployment figures are expected to continue to rise, the UK Chancellor gave his summer statement announcing measures to stimulate the economy as it recovers from the effects of coronavirus with a clear emphasis on encouraging people to spend money, particularly in the hospitality sector, to try to protect as many jobs as possible.

The UK Chancellor stated the stark fact that in the space of two months during the pandemic the UK's economy contracted by 25%, which is the same amount as it grew in the previous eighteen years and the IMF expects this to be the deepest global recession since records began. In the Chancellor's words "the job has only just begun". The summer statement's focus was the Chancellor's plan for jobs: supporting people to find jobs, creating jobs and protecting jobs. Key points to note:

- Perhaps the most obvious economic casualties of coronavirus are in the hospitality and tourism sector, with deserted high streets and empty restaurants and attractions a common feature on the nightly news during lockdown. In response, and in order to seek to protect jobs in those sectors, the Chancellor announced a VAT cut from 20% to 5% from 15 July until 12 January 2021 on food (eat-in or hot takeaway food from restaurants, cafes and pubs), accommodation (in hotels, B&Bs, campsites and caravan sites) and attractions (like cinemas, theme parks and zoos). This is aimed at protecting 2.4 million jobs in those sectors. HMRC is expected to issue further guidance this week on the scope of the VAT relief.
- Additionally, in an effort to boost the hospitality sector, the Chancellor announced an "Eat Out to Help Out" scheme that will give people a discount of up to 50% at participating businesses (up to £10 per head) for meals on Mondays, Tuesdays and Wednesdays. Those businesses will receive full reimbursement from the government for the discount.

- As previously announced, the Coronavirus Job Retention Scheme will “wind down, flexibly and gradually” by the end of October. In light of the furlough scheme ending, the Chancellor announced a new Jobs Retention Bonus. The government will pay an employer a £1,000 bonus for every employee that it brings back from furlough and employs until January 2021 and who is paid at least £520 on average each month from November to January. The message from the Chancellor to employers being “if you stand by your workers, we will stand by you”.
- To support people finding jobs, the Kickstart Scheme is being created. The government has set aside an initial £2 billion to pay employers to create jobs for 16- to 24-year olds who are deemed at risk of long-term unemployment. The scheme will involve 6-month work placements targeted at those in this age bracket and who are currently on universal credit. Further measures to support young people include expanding the number of places available on certain educational courses as well as measures aimed at boosting apprenticeships and traineeships.
- Regarding job creation, the Chancellor reiterated the government’s “historic investment in infrastructure” and its determination to “level up” the UK. In addition to previous announcements in this area, he has announced a new £2 billion Green Homes Grant. Broadly, homeowners will be able to apply for grants covering at least two thirds of the cost in improving the energy efficiency of their homes. Funds are also to be released for improving the energy footprint of public sector buildings. This green agenda is expected to create roughly 140,000 jobs.
- To boost the housing market and increase consumer confidence there will also be a temporary cut on stamp duty land tax on property transactions with a value of up to £500,000. Previously the threshold for zero stamp duty land tax on residential property transactions was £125,000. The new threshold will apply to transactions from 8 July until 31 March 2021.

Further measures are expected as part of the government’s ongoing efforts to boost the economy and protect the livelihoods of as many people as possible.

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