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A UK rebound? The next steps to help the UK move beyond coronavirus (COVID-19) over the summer months

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Tax analysis: Gerald Montagu, counsel at Gide Loyrette Nouel, discusses the Chancellor of the Exchequer, Rishi Sunak's summer economic update 2020.

'Eat Out to Help Out' will, hopefully, prove to be a life-line for many of those having such an awful and torrid time in the leisure and tourism sectors—but, rather like the other measures announced today, it is poor fare for technical comment (imaginative though the measure may be). The big (and very difficult—including how to pay for everything) have, unsurprisingly, been deferred until the autumn 2020.

Possible hints, though, as to the policy ingredients being considered may just have been discernible from what was said in Parliament. Did, for example, the Prime Minister's firm rejection of a wealth tax during PMQs just before the Chancellor addressed the House of Commons, mean that, however additional revenue will be raised, a wealth tax is not on the menu? Similarly, in response to a question put by Mel Stride, chairman of the Treasury Select Committee, the Chancellor acknowledged that government-backed loans to business raise important questions about how the increased debt burden will be managed. The City UK, in a report referenced by the Chancellor, estimates that up to £107bn of that debt will be unsustainable, roughly a third of which is expected to arise from the government-backed coronavirus (COVID-19) lending schemes. Not all the remedy is likely to lie within the tax system, but if, for example, the EU does not move to loosen the interest restriction, could the UK act unilaterally on 1 January 2021?

Such speculation aside, a theme running through the Chancellor's announcements was to seek to work within existing parameters—rather than to seek to change the structural landscape:

- the reduction in stamp duty land tax (SDLT) for purchases under £500,000 made between 8 July 2020 and 31 March 2021, sidesteps the existing complex rules which grant relief to 'first time buyers' (those rules are to be suspended until April 2021). Taking a commendably straight forward approach, the measure has been designed to help both first time buyers and also those who do not own property but do not qualify for first time buyers' relief; for such purchasers no SDLT at all is payable. In addition, however, the effective top rate of SDLT applicable where a purchaser has an existing property is also reduced from 8% to 3%
- similarly, the cut in the VAT rate from 20% to 5% for supplies of food, non-alcoholic drinks, of accommodation and of attractions from 15 July 2020 to 12 January 2021, looks unlikely to do anything to simplify the weird and (sometimes) wonderful rules by reference to which certain types of supply are characterised for VAT purposes (albeit that detailed guidance promised by HMRC will be keenly awaited)

Speed, and (relative) simplicity, working within the current system seem to underpin the policy approach—pragmatism is the order of the day.

And yet, however much these measures seek to work within existing legislative frameworks, both the Jobs Retention Bonus and the Kickstart Scheme look likely to pose significant operational challenges for HMRC. While Herculean efforts will doubtless be made to put these schemes in place, it is to be hoped that HMRC will be sufficiently resourced to allow it also to press ahead with its normal business. Parts of HMRC's activity has (however understandably) entered a deep freeze since mid-March and it is to be hoped that means will be found to restart those activities. For example, keeping a provision for tax on a balance sheet also serves to slow business down. Less headline catching though it may be, getting on with the daily grind of tax administration is also an important element of getting the economy moving again.

Finally, nothing was said today about the taxability of amounts received under the various schemes announced by the Chancellor—or, indeed, about enforcement measures if those schemes are fraudulently abused. When the Finance Bill that is awaiting consideration by the House of Lords receives the Royal Assent later this month, HMRC will be given extensive new powers in relation to 'coronavirus support payments'. The categories of such payments will, presumably, as a result of the new measures in the Chancellor's summer statement, be considerably expanded using power conferred for that purpose by section 106 of the Finance Act 2020.

Interviewed by Pietra Asprou

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