HOUSE OF LORDS Library Briefing

Spring Budget 2021: Tax, Spending, the Economy and Coronavirus
Debate on 12 March 2021

On 12 March 2021, the House of Lords is due to debate a government motion that "this House takes note of the economy in light of the budget statement".

The Chancellor of the Exchequer Rishi Sunak delivered the budget on 3 March 2021. The Office for Budget Responsibility (OBR) described it as having three functions:

- to extend the coronavirus support package for households and businesses;
- to boost the recovery; and
- as the economy returns to normal, to take steps to "repair the damage" caused to the public finances.

On support for households and businesses, the chancellor extended many of the schemes and temporary changes so they would expire later than previously planned. These included the coronavirus job retention scheme, business grants and rate relief and the £20 a week uplift to universal credit. He also extended and widened the support package for self-employed people.

To aid the recovery, the Government announced a temporary capital allowance to promote corporate investment. It also provided additional funding for traineeships and apprenticeships.

The chancellor announced various steps to improve the public finances once the economy has recovered from the pandemic. For businesses, there will be an increase in corporation tax from April 2023. For individuals, a range of tax thresholds and allowances will be frozen from 2022/23. There were also measures to improve tax compliance and reduce fraud in welfare and coronavirus support systems. Finally, there were some further cuts to projected departmental spending.

The Government announced a range of other policies, including a new mortgage guarantee scheme, a new UK infrastructure bank and a widening of the Bank of England's remit, when setting monetary policy, to account for environmental issues.

Alongside the budget, the OBR published its latest forecasts. It said the economy would return to its pre-pandemic level in mid-2022, six months earlier than previously forecast. Likewise, it reduced its forecast for peak unemployment. However, it predicted the virus would cause a permanent economic "scarring" effect of 3% of GDP. The public sector deficit and debt have also been severely impacted.

Chris Smith | 8 March 2021

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1. Aims and overall effect

The Government said that the budget:

> Prioritises support for the economy in the short term, while reducing borrowing to sustainable levels once the economy recovers.[1]

The support measures announced lead to an overall fiscal loosening of £59 billion in 2021/22 and £8 billion in 2022/23.[2] However, as the policies to repair the public finances are introduced, in later years, the budget leads to a fiscal tightening. This is forecast to be £13.1 billion in 2023/24, rising to £29.7 billion in 2025/26.

2. Coronavirus support

The Government said the total package of coronavirus support in 2020/21 and 2021/22 now amounted to £352 billion.[3]

An annex to the budget report set out the full range of support previously provided to households and businesses.[4] In the budget, the chancellor announced the following main additional measures (the cost of each in 2021/22 is given in brackets):[5]

- An extension of the coronavirus job retention scheme (the 'furlough' scheme) to 30 June 2021 in its current form, and to 30 September 2021 with an element of employer contributions (cost: £6.9 billion).
- Further grants to businesses ('restart' and 'additional restrictions' grants) which have been forced to close or partially close (cost: £5.0 billion).
- A further three months of 100% business rate relief, to 30 June 2021, for companies in the retail, hospitality and leisure sectors. This will be followed by a 66% discount until 31 March 2022 (cost: £6.8 billion).
- An extension of the VAT cut to 5% for hospitality and tourism businesses up to 30 September 2021, followed by a rate of 12.5% until 31 March 2022 (cost: £4.7 billion).
- An extension of the self-employment income support scheme to 30 September 2021. The chancellor also announced changes to the structure of the scheme, including that: those whose turnover has fallen by more will receive higher grants; and those who became newly self-employed in 2020 will be able to access the scheme if they filed a tax return prior to budget day (cost: £12.8 billion).
- A new recovery loan scheme. This will provide a government guarantee to lenders of 80%

[1] HM Treasury, *Budget 2021: Protecting the Jobs and Livelihoods of the British People*, 3 March 2021, HC 1226 of session 2019–21, p 23.

[2] ibid, p 4.

[3] ibid, p 2. Note that the OBR states the total cost of the coronavirus response is £344 billion (Office for Budget Responsibility, *Economic and Fiscal Outlook*, 3 March 2021, CP 387, p 17).

[4] HM Treasury, *Budget 2021: Protecting the Jobs and Livelihoods of the British People*, 3 March 2021, HC 1226 of session 2019–21, pp 75–85.

[5] ibid, pp 41–2.

of the value of eligible business loans between £25,000 and £10 million.[6] It is expected to cover loans of £12 billion. The cost of the scheme will depend on the extent to which loans are not repaid to the lenders. The Government anticipates it will ultimately cost "just under £1 billion".[7]

- An extension of the temporary increases to universal credit and the working tax credit, up to the end of September 2021 (cost: £3.0 billion).
- The extension of other temporary changes to universal credit, such as the increased surplus earnings threshold and the suspension of the minimum income floor (cost: £135 million).[8]
- Extension of the temporary cut in stamp duty land tax. The nil rate threshold will reduce from its current £500,000 to £250,000 on 30 June 2020, and will return to its pre-pandemic level of £125,000 on 30 September (cost: £1.4 billion).

Other spending commitments included:

- a further £700 million of education catch-up funding;[9] and
- a number of support packages for the sports, arts and culture sectors, amounting to £1.2 billion.[10]

3. Promoting the recovery

The chancellor announced a temporary "super-deduction" capital allowance to promote corporate investment.[11] This will allow firms to reduce their taxable income by 130% of the cost of new plant and machinery. The Government stated that it will allow companies to cut their tax bill by "up to 25p for every £1 they invest".[12]

It estimated the policy would cost £25 billion over the next two financial years.[13] The OBR said that it "largely brings forward planned investment from future years", and would therefore generate some savings in capital allowances towards the end of the forecast period.[14]

Other measures to boost the recovery included promoting traineeships and apprenticeships.[15] The Government provided an additional £126 million to support traineeships, and increased payments to employers who take on apprentices.

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6 HM Treasury, 'Recovery loan scheme', 3 March 2021.

7 Office for Budget Responsibility, *Economic and Fiscal Outlook*, 3 March 2021, CP 387, p 140.

8 UK Government, 'Self-employment and universal credit'; and 'Universal credit: how your earnings affect your payments', accessed 5 March 2021.

9 HM Treasury, *Budget 2021: Protecting the Jobs and Livelihoods of the British People*, 3 March 2021, HC 1226 of session 2019–21, pp 47–8.

10 ibid, p 50.

11 HC *Hansard*, 3 March 2021, col 258.

12 HM Treasury, *Budget 2021: Protecting the Jobs and Livelihoods of the British People*, 3 March 2021, HC 1226 of session 2019–21, p 2.

13 ibid, p 42.

14 Office for Budget Responsibility, *Economic and Fiscal Outlook*, 3 March 2021, CP 387, p 92.

15 HM Treasury, *Budget 2021: Protecting the Jobs and Livelihoods of the British People*, 3 March 2021, HC 1226 of session 2019–21, p 47.

4. Repairing the public finances

The OBR said that coronavirus support would cause public spending in 2020/21 to reach a post-war high of 54.4% of GDP, and government borrowing to reach a "peacetime high" of £355 billion.[16]

The chancellor announced a series of measures, largely taking effect in future years, which he said would return the public finances to a "sustainable path".[17] They included tax rises, the combined effect of which would take the tax burden to 35% of GDP in 2025/26, its highest level since the late 1960s.[18] They also included some reductions in planned, non-investment departmental expenditure.

4.1 Corporation tax increase

The chancellor announced that from April 2023, the main rate of corporation tax will increase from the current level of 19% to 25%. The Government stated that this would "come into effect well after the point when the OBR expects the economy to return to pre-pandemic levels and on the back of an unprecedented period of support for business investment".[19]

Under the plans, businesses with profits under £50,000 will continue to pay the 19% rate. There will be a taper for profits between £50,000 and £250,000. Only businesses with profits over £250,000 will pay the full 25% rate. The policy is projected to raise £11.9 billion in 2023/24, increasing to £17.2 billion in 2025/26.

Businesses will also be allowed to increase the extent to which losses can be set off against previous profits to reduce their corporation tax liability.[20] This is expected to cost £1 billion in the two years 2020/21 and 2021/22 combined, but to lead to increased receipts in later years.

4.2 Freezing tax thresholds

The Government announced that the personal allowance and the higher rate threshold in income tax would be frozen at 2021/22 levels. The freeze will last from 2022/23 to the end of the budget's forecast period, April 2026.[21] Freezing the thresholds results in higher tax payments as incomes tend to increase over time. The policy is projected to raise £1.6 billion in 2022/23, increasing to £8.2 billion in 2025/26.[22]

The budget also announced future freezes in other thresholds and allowances, such as the:

- VAT registration threshold;

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[16] Office for Budget Responsibility, *Economic and Fiscal Outlook*, 3 March 2021, CP 387, pp 7 and 17.

[17] HM Treasury, *Budget 2021: Protecting the Jobs and Livelihoods of the British People*, 3 March 2021, HC 1226 of session 2019–21, p 1.

[18] Office for Budget Responsibility, *Economic and Fiscal Outlook*, 3 March 2021, CP 387, p 6.

[19] ibid, p 51.

[20] HM Revenue and Customs, 'Extended loss carry back for businesses', 3 March 2021.

[21] HM Treasury, *Budget 2021: Protecting the Jobs and Livelihoods of the British People*, 3 March 2021, HC 1226 of session 2019–21, p 52.

[22] ibid, p 42.

- pensions lifetime allowance;
- capital gains tax exempt amount;
- inheritance tax threshold; and
- the main national insurance thresholds.

Together, these measures are projected to raise £280 million in 2022/23, rising to £940 million in 2025/26.[23]

4.3 Improved tax and benefit compliance

The Government said that it would invest £1 billion between 2020/21 and 2022/23 in measures to promote compliance with the tax laws, including an investment in resources and technology at HM Revenue and Customs.[24] This would include tackling fraud in the coronavirus support packages. It expected these steps to generate £2.2 billion of savings in the following three years.

Additional measures to reduce fraud and error in welfare spending are expected to save £925 million between 2022/23 and 2025/26.[25]

4.4 Departmental spending

The OBR noted that the Government has further reduced its estimates for planned, non-investment departmental expenditure (known as 'resource departmental expenditure limits' or RDEL) in the years from 2022/23 onwards.[26] The table below shows the increases in RDEL in this year and next, due to additional pandemic-related spending. From 2022/23 onwards, it demonstrates the effects of the cuts in RDEL in the November 2020 spending review and the March 2021 budget.

Table 1: Changes to resource departmental expenditure limits, November 2020 and March 2021[27]

£ billion	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
November 2020	+125.1	+46.0	-11.0	-12.4	-13.0	n/a
March 2021	-3.1	+9.9	-3.3	-2.9	-3.5	-3.9
Combined	+122.0	+55.9	-14.3	-15.3	-16.5	-3.9

The Government stated that the reductions from 2022/23 announced in the budget were the result of revisions to the OBR's forecast of inflation, as measured by the GDP deflator, and were therefore a "purely mechanical change".[28] Nevertheless, the OBR stated that they "could make the next spending

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[23] HM Treasury, *Budget 2021: Protecting the Jobs and Livelihoods of the British People*, 3 March 2021, HC 1226 of session 2019–21, pp 42 and 52.

[24] ibid, pp 43, 50 and 55.

[25] ibid, pp 43 and 50.

[26] Office for Budget Responsibility, *Economic and Fiscal Outlook*, 3 March 2021, CP 387, pp 128–9. For further information on RDEL and other categories of government expenditure, see: HM Treasury, 'How to understand public sector spending', 29 May 2013.

[27] Office for Budget Responsibility, *Economic and Fiscal Outlook*, 3 March 2021, CP 387, p 129.

[28] ibid, pp 128–9; and BBC News, 'Budget 2021: "Scrooge Sunak not levelling with people" on cuts', 4 March 2021.

review more challenging".[29] It also noted that the combined RDEL budget for departments not protected by previous funding commitments will fall by 1% in real terms between 2021/22 and 2022/23.[30] The protected departments are: health; education; defence; and overseas aid (at the new lower level of 0.5% of gross national income).

Expanding on this point, the OBR said that the potential legacy of the pandemic for spending on public services was "one of the most significant risks to the medium-term fiscal outlook".[31] It noted that the provision for virus-related spending in 2021/22 (£56 billion, as shown in table 1 above) is much lower than for 2020/21 (£122 billion), and that there is no provision for virus related spending in 2022/23 and beyond. The OBR commented that "historical experience suggests that it is easier to increase public spending during a crisis than it is to reduce it once the crisis has abated". Furthermore, it referred to potential additional spending requirements due to:[32]

- the direct legacy costs of the pandemic itself; for example, to run continued test and trace services, to provide an ongoing vaccination programme and to combat the mental health effects of the pandemic;
- backlogs of non-virus-related public service activities that have been postponed due to the pandemic. These include increased NHS waiting lists, measures to catch up on missed education, stresses in local authority funding and reforms to social care; and
- the wider economic disruption brought about by coronavirus.

5. Other measures

The budget announced a wide range of other measures. These included:

- A new **mortgage guarantee scheme** from April 2021. This will provide a government guarantee to lenders who offer 95% mortgages (ie where the buyer has deposit of only 5% of the purchase price) on homes with a value of up to £600,000. The Government said this will "increase the availability of mortgages on new or existing properties for those with small deposits".[33]
- Creating eight new **freeports** in England. Businesses in these areas will benefit from "more generous tax reliefs, simplified customs procedures and wider government support". The Government said this would promote "investment, trade and jobs" in disadvantaged regions.[34]
- A new **retail savings product**, offered through National Savings and Investment (NS&I), allowing UK savers to support investment in green projects.[35]
- The launch of a new **UK infrastructure bank**, to "provide financing support to private sector and local authority infrastructure projects across the UK, to help meet government

[29] Office for Budget Responsibility, *Economic and Fiscal Outlook*, 3 March 2021, CP 387, p 129.
[30] ibid, p 132.
[31] ibid, p 129.
[32] ibid, pp 130–3.
[33] ibid, p 46.
[34] ibid, p 3.
[35] ibid, p 63.

objectives on climate change and regional economic growth".[36] The bank will initially have £12 billion of capital.

- Maintaining the planned **increases in the national living wage** (NLW). The Government reiterated its commitment for the NLW to reach two-thirds of median earnings, extended to those aged 21 and over, by 2024, provided economic conditions allow.[37]
- Expanding the remit of the **Bank of England's Monetary Policy Committee** (MPC), which sets interest rates and other elements of monetary policy. The Government said the remit would now "reflect the importance of environmental sustainability and the transition to net zero".[38]
- Publishing the Government's **'build back better' plan** to support growth through investment in infrastructure, skills and innovation.[39]
- Highlighting certain **future developments**, such as a new spending review later this year and a series of tax consultations to be launched on 23 March 2021.[40]

6. Brexit

At previous fiscal events, the OBR's main analysis and forecasts had assumed a smooth transition to a "typical" free trade deal with the EU.

The OBR said that the UK-EU Trade and Cooperation Agreement (TCA), agreed on 24 December 2020, was "broadly in line" with such a typical free-trade agreement.[41] It confirmed that in its forecasts this led to a long-run loss of productivity of around 4% compared with remaining in the EU. The OBR noted that there had been additional short-term disruption from the implementation of the agreement and introduction of health checks at the border.

7. OBR revised forecasts

This section summarises the OBR's forecasts for the economy and the public finances from 2019/20 to 2025/26.[42] The OBR said that uncertainty around the economic outlook "remains considerable". It therefore showed, alongside its central estimates, an "upside" and a "downside" scenario. These were based on, respectively, a quicker and slower lifting of coronavirus-related controls and a corresponding return to normal economic activity. A similar approach was taken in the OBR's forecasts accompanying the autumn 2020 spending review.[43]

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[36] Office for Budget Responsibility, *Economic and Fiscal Outlook*, 3 March 2021, CP 387,, p 57. For more details, see: HM Treasury, 'Policy design of the UK infrastructure bank', 3 March 2021.

[37] HM Treasury, *Budget 2021: Protecting the Jobs and Livelihoods of the British People*, 3 March 2021, HC 1226 of session 2019–21, pp 44 and 47.

[38] ibid, p 39.

[39] HM Treasury, *Build Back Better: Our Plan for Growth*, 3 March 2021, CP 401.

[40] HM Treasury, *Budget 2021: Protecting the Jobs and Livelihoods of the British People*, 3 March 2021, HC 1226 of session 2019–21, pp 35 and 51.

[41] Office for Budget Responsibility, *Economic and Fiscal Outlook*, 3 March 2021, CP 387, p 11.

[42] Office for Budget Responsibility, *Economic and Fiscal Outlook*, 3 March 2021, CP 387.

[43] House of Lords Library, 'Autumn 2020 spending review', 30 November 2020.

7.1 Economic growth

The OBR reduced its central forecast for economic growth (measured by gross domestic product (GDP)) for 2021 to 4.0%, down from 5.5% at the time of its last forecast in November 2020.[44] It said that in the short-term the economy was weaker than expected because of the third national lockdown, imposed in January 2021, and the "temporary disruption to UK-EU trade" described in section 6 above.[45]

However, the OBR improved its medium-term forecasts for economic activity and growth. This was due to the accelerated rollout of vaccines and the resulting removal of public health restrictions earlier than it had previously assumed. The OBR said that the recovery would be driven by:[46]

- a rebound in consumption as the economy is reopened and also the unwinding of savings built up in some households over successive lockdowns; and
- increased business investment due to greater clarity over Brexit, growing confidence and the financial incentives announced in the budget (see section 3 above).

This improved medium-term outlook led the OBR to bring forward its estimate of when GDP would return to its pre-pandemic level. In its central estimate, this point was reached in mid-2022, six months earlier than in its November 2020 forecast.[47]

Looking at the longer-term, the OBR retained its central estimate that the pandemic will lead to a 3% permanent loss of capacity in the economy ('scarring').[48]

The latest figures from the Office for National Statistics (ONS) suggested that GDP fell by 9.9% in 2020, the largest fall on record.[49]

7.2 Unemployment and earnings

The OBR said that the improved medium-term outlook, together with additional government support for households and businesses, would limit the rise in unemployment. In its central scenario it predicted a peak unemployment rate of 6.5% at the end of 2021, lower than the 7.5% in its November 2020 forecast.[50] The latest figures from the ONS showed an unemployment rate of 5.1% in the fourth quarter of 2020.[51]

In the longer-term, the OBR said the pandemic would lead to a "modestly higher equilibrium

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[44] Office for Budget Responsibility, *Economic and Fiscal Outlook*, 3 March 2021, CP 387, p 15; and *Economic and Fiscal Outlook*, November 2020, CP 318, p 14.

[45] Office for Budget Responsibility, *Economic and Fiscal Outlook*, 3 March 2021, CP 387, p 11.

[46] ibid, p 12.

[47] ibid, p 5.

[48] ibid, p 13.

[49] Office for National Statistics, 'GDP monthly estimate, UK: December 2020', 12 February 2021, section 3. The ONS noted that GDP estimates for December 2020 were subject to "more uncertainty than usual".

[50] Office for Budget Responsibility, *Economic and Fiscal Outlook*, 3 March 2021, CP 387, p 13; and House of Lords Library, 'Autumn 2020 spending review', 30 November 2020.

[51] Office for National Statistics, 'Labour market overview, UK: February 2021', 23 February 2021, section 2.

unemployment rate as a result of the need to reallocate some workers across jobs, sectors and occupations".[52]

The OBR forecast that average earnings growth would be 1.9% in 2021, 2.7% in 2022, 2.2% in 2023, before rising to 3.5% in 2025.[53] The latest figures from the ONS suggest average earnings rose by an annualised 4.7% in the fourth quarter of 2020, but that "underlying" pay growth is estimated to be around 3%.[54]

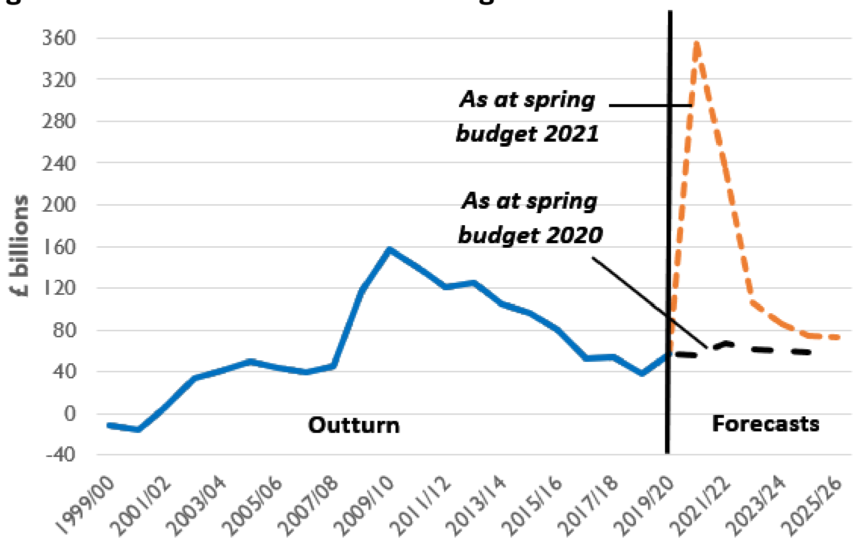
7.3 Public sector deficit

The public sector deficit is the difference between public sector spending and income in each year. The OBR's forecast for government borrowing in 2020/21 was £355 billion.[55]

At the time of the spring 2020 budget, it was expecting a deficit of £55 billion.[56] This took account of an initial package of coronavirus support of £12 billion but was before the main measures were introduced. However, the latest deficit forecast was lower than its most recent forecast, published in November 2020.[57] This reduction was caused by a combination of higher than expected tax receipts and lower than expected spending on virus-related measures.

The projected deficit falls for the remainder of the forecast period, reaching £74 billion in 2025/26. Figure 1 illustrates the path of the government deficit since 1999/00 and includes the OBR's forecasts to 2025/26. It compares the latest forecast with that contained in the spring 2020 budget.

Figure 1: Public sector net borrowing[58]



[52] Office for Budget Responsibility, *Economic and Fiscal Outlook*, 3 March 2021, CP 387, p 51.
[53] ibid, p 15.
[54] Office for National Statistics, 'Labour market overview, UK: February 2021', 23 February 2021, section 9.
[55] Office for Budget Responsibility, *Economic and Fiscal Outlook*, 3 March 2021, CP 387, p 15.
[56] Office for Budget Responsibility, *Economic and Fiscal Outlook*, March 2020, CP 230, p 130.
[57] Office for Budget Responsibility, *Economic and Fiscal Outlook*, 3 March 2021, CP 387, p 16.
[58] ibid, p 152; Office for Budget Responsibility, *Economic and Fiscal Outlook*, March 2020, CP 230, p 15; and Office for National Statistics, 'Public sector net borrowing, excluding public sector banks: series DZLS', 19 February 2021.

Considering only the current budget (day-to-day spending, excluding investment, compared to receipts), this improves from a deficit of £279 billion in 2020/21 to close to balance by 2025/26.

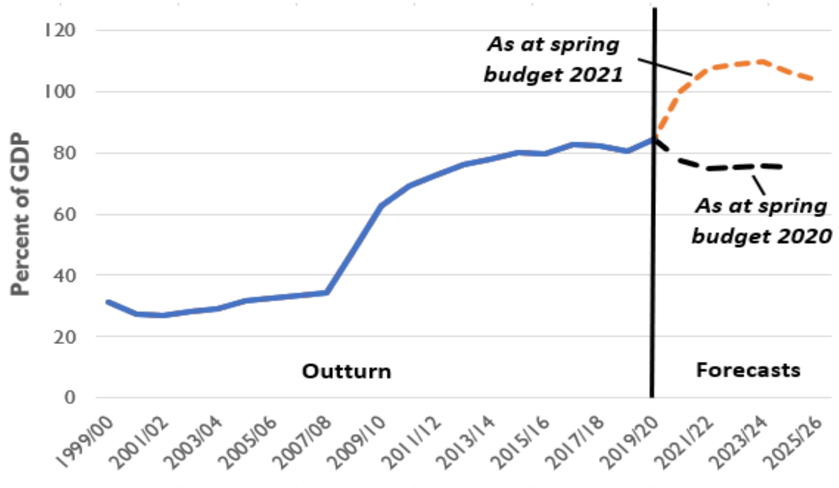
7.4 Public sector debt and debt interest payments

The public sector debt is the total stock of borrowing resulting from past deficits, to the extent that they have not yet been repaid.

The OBR said that in 2020/21 the debt was due to rise above 100% of GDP for the first time since 1960/61.[59] It forecast the debt-to-GDP ratio would peak at 110% in 2023/24, before falling back to 104% in 2025/26.

Figure 2 shows the path of the Government's debt, relative to GDP, since 1999/00 and including the OBR's forecasts to 2025/26. It compares the latest forecast with that contained in the spring 2020 budget.

Figure 2: Public sector net debt, 1999/00 to 2025/26[60]



These figures include the effect of the Bank of England's term funding scheme, which lends money to banks and building societies at interest rates very close to the bank rate in order to support the economy.[61] The OBR said that this leads to higher debt in the early years of the forecast period, but as loans are repaid it causes the debt to fall more quickly.[62] The OBR also produced a forecast of "underlying" debt, excluding the scheme. This peaks at 97.1% of GDP in 2023/24 and is broadly stable thereafter.

The OBR said that, despite the rising debt, UK debt interest payments would fall from their pre-virus levels.[63] It stated this was due to "historically low" interest rates and the Bank of England's

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[59] Office for Budget Responsibility, *Economic and Fiscal Outlook*, 3 March 2021, CP 387, p 161.

[60] ibid, p 141; *Economic and Fiscal Outlook*, March 2020, CP 230, p 141; and Office for National Statistics, 'Public sector: net debt (excluding public sector banks) as a % of GDP: not seasonally adjusted: series HF6X', 19 February 2021.

[61] Bank of England, 'Term funding scheme with additional incentives for small and medium-sized enterprises (TFSME)—market notice', 11 March 2020.

[62] Office for Budget Responsibility, *Economic and Fiscal Outlook*, 3 March 2021, CP 387, p 161.

[63] ibid, p 20.

quantitative easing programme, which reduces public sector net interest costs. However, the OBR suggested that the fiscal forecast is now much more sensitive to changes in interest rates. For example, it reported that market interest rates had risen in the three weeks after its forecast had been finalised. Had these moves alone been incorporated, forecast debt payments would have been £6.3 billion higher in 2025/26.[64]

7.5 Fiscal rules

Fiscal rules try to restrict the combined effect of spending and taxation policy by setting targets for key indicators such as the budget deficit and national debt.[65]

The OBR is legally obliged to report on the likelihood of the existing rules being met. In its report, it said that "the legislated targets are all set to be missed by wide margins".[66] It said that HM Treasury was proceeding with a review of the fiscal rules. This was first proposed in the March 2020 budget, but postponed in the autumn 2020 spending review.

In the budget speech, the chancellor said that his decisions on fiscal sustainability were currently being guided by "principles" rather than by "detailed rules with precise targets and dates to achieve them by".[67] He said these principles were:

> First, while it is right to help people and businesses through an acute crisis like this one, in normal times the state should not be borrowing to pay for everyday public spending. Second, over the medium term, we cannot allow our debt to keep rising, and, given how high our debt now is, we need to pay close attention to its affordability. And third, it is sensible to take advantage of lower interest rates to invest in capital projects that can drive our future growth.[68]

The OBR suggested that the chancellor's decisions were designed to "deliver a current budget that is very close to balance and underlying public sector net debt that is very close to stable in the medium term".[69]

7.6 Inflation

The OBR said that it expected inflation to remain "a little below" the Bank of England's 2% target in 2021 and 2022.[70] It argued that higher unemployment would act to restrain price rises and would offset the effects of higher oil prices.

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[64] Office for Budget Responsibility, *Economic and Fiscal Outlook*, 3 March 2021, CP 387, p 20.

[65] For further information on fiscal rules, see House of Lords Library, 'Budget 2020: fiscal rules and government borrowing', 27 February 2020.

[66] Office for Budget Responsibility, *Economic and Fiscal Outlook*, 3 March 2021, CP 387, p 22.

[67] HC *Hansard*, 3 March 2020, col 256.

[68] ibid.

[69] Office for Budget Responsibility, *Economic and Fiscal Outlook*, 3 March 2021, CP 387, p 23.

[70] ibid, p 14.

8. Comments

- Institute for Fiscal Studies, 'Budget 2021', 4 March 2021
- Resolution Foundation, 'Spending fast, taxing slow: Resolution Foundation analysis of Budget 2021', 4 March 2021
- Jonquil Lowe et al, 'Budget 2021: experts react', The Conversation, 3 March 2021
- *Financial Times* (£), 'A tactical budget that spends today and taxes tomorrow', 3 March 2021
- Labour Party, 'Keir Starmer responds to the budget', 3 March 2021
- Geoff Tily, 'Workers lose as the chancellor gambles on recovery', Trades Union Congress, 3 March 2021
- Institute of Economic Affairs, 'Budget 2021 response', 3 March 2021
- Patrick Worrall, 'Factcheck: how competitive is the UK after Rishi Sunak's corporation tax hike?', Channel 4 News, March 2021

9. Further reading

- HM Treasury, 'Budget 2021: what you need to know', 3 March 2021
- House of Commons Library, *Spring Budget 2021: A Summary*, 3 March 2021
- HM Treasury, *Impact on Households: Distributional Analysis to Accompany Budget 2021*, 3 March 2021
- House of Commons Library, *Public Spending: A Brief Introduction*, 16 October 2020