

The Chancellor's Budget 2020: FAQ



Who is the Chancellor?

The current Chancellor of the Exchequer is Rishi Sunak. He is a Conservative MP for Richmond (Yorks), and has previously been Chief Secretary to the Treasury.

What does the Chancellor do?

The Chancellor of the Exchequer is the government's chief financial minister and is responsible for raising revenue through taxation or borrowing and for controlling public spending. He has overall responsibility for the work of the Treasury.

The Chancellor's responsibilities cover:

- fiscal policy (including the presenting of the annual Budget)
- monetary policy, setting inflation targets

What is the Budget?

The Budget, or Financial Statement is a statement made to the House of Commons by the Chancellor of the Exchequer on the nation's finances and the Government's proposals for changes to taxation. The Budget also includes forecasts for the economy by the Office for Budget Responsibility (OBR).

Some of the areas that are covered in the budget are:

- Social protection
- Health
- Education
- Other
- Defence
- Debt interest
- Public order and safety
- Housing and environment
- Personal social services
- Transport
- Industry, agriculture and employment
- What is the process for the budget?

The Budget and the Finance Bill are annual events, in part because income tax and corporation tax are annual taxes which have to be renewed by legislation each year. By contrast, most UK taxes including all indirect taxes, petroleum revenue tax and taxes on capital are 'permanent'.

When is the budget announcement?

This year's budget announcement will be on Wednesday 11th March 2020.

How do they arrive at the budget proposal?

The Chancellor and the Treasury receive reports and updates from many government and sector organisations that help them shape what the current economy and expenditure is.

The Government's manifesto helps set out what they think is important to spend public money on, and is an indication of what will be addressed in the budget announcement.

Budget Submission process

The Chancellor also takes external budget representations. A Budget representation is a written representation from an interest group, individual or representative body to HM Treasury with the aim of commenting on government policy and suggesting new policy ideas for inclusion in the next Budget. HM Treasury welcomes representations as part of the policy-making process.

The Chancellor asks for submissions because the Treasury need to understand the social and human impact fiscal changes can have on individuals, communities and public services. They are not a specialist on specific services or regional needs, so need to open out the process to those that are so they can be better informed.

Submissions are currently open and you can submit to the Treasury up until 7th Feb 2020. Submissions will be reviewed and considered based on evidence given, and whether the responses improve social, structural, environmental, or fiscal things.

What is the budget process?

Each year the Chancellor of the Exchequer makes the Budget statement to the House of Commons outlining the state of the economy and the Government's proposals for changes to taxation. The House of Commons debates the Budget and scrutinises the subsequent Finance Bill, which enacts the Chancellor's proposals.

In election years, after a change of Government, a Budget will usually be introduced by the incoming Chancellor of the Exchequer, even if the outgoing Chancellor has already delivered one.

The Chancellor of the Exchequer delivers his Budget statement to Members of Parliament in the House of Commons. The first part of the statement typically begins with a review of the nation's finances and the economic situation. The statement then moves on to proposals for taxation.

Some measures, such as any changes to the rates of duty on alcohol and tobacco, come into effect on Budget day or soon after.

The power to make these changes on an interim basis, before the Finance Bill is passed, comes from the House of Commons approving a motion for the provisional collection of these taxes. After the Chancellor finishes his speech but before the Leader of the Opposition responds, the Chairman of Ways and Means puts a single motion to the Commons asking for agreement to these changes.

This is called the 'Provisional Collection of Taxes' and is by convention agreed to by the House, meaning that the changes can come into effect at 6pm on Budget day.

Debates on the Budget Resolutions

Traditionally the Leader of the Opposition, currently Labour Leader Jeremy Corbyn, rather than the Shadow Chancellor replies to the Budget Speech.

The Budget is usually followed by four days of debate on the Budget Resolutions, these are the tax measures announced in the Budget. Each day of debate covers a different policy area such as health, education and defence. The Shadow Chancellor makes his response the day after the Budget statement during the Budget debates.

Budget Resolutions can come into effect immediately if the House of Commons agrees to them at the end of the four days of debate but they require the Finance Bill to give them permanent legal effect.

Scrutiny of the Budget by Committees

The Commons Treasury Select Committee is a cross-party committee of MPs whose role is to scrutinise the work of the Treasury.

Following each Budget statement the Treasury Committee conducts an inquiry into the Government's proposals, gathering evidence from expert witnesses and publishing a report with its conclusions and recommendations.

The Government then produces a report in response to the Committee's findings, often with a contribution from the Office for Budget Responsibility (OBR).

Fun facts

By tradition, the Chancellor, unlike Ministers at the despatch box at any other time of the year, may drink alcohol during the Budget Speech if they wish.

With twelve Budget speeches, William Ewart Gladstone holds the record for delivering more Budget speeches than any other Chancellor of the Exchequer.

The first Exchequer's 'red box' briefcase was made for William Ewart Gladstone in 1860. Previously it was in a Boujet (little leather bag) which is where the word budget comes from in French.