

# THE TIMES

## First-time buyers to get help in the Budget

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The Chancellor will announce plans to lift 250,000 low earners out of paying income tax  
Richard Pohle for The Times

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First-time buyers are to be helped on to the housing ladder as George Osborne seeks to use today's Budget to ease the pain of austerity Britain.

Ten thousand people buying newly built homes will receive 20 per cent of the cost from the Government and the builder in low-interest loans to put towards a deposit.

Mr Osborne hopes that the change — part of the Government's strategy for growth — will help to support 40,000 construction jobs.

The Chancellor will also announce plans to lift 250,000 low earners out of paying income tax and pledge that no one earning less than £42,000 will be pushed into the higher tax band before 2015.

The tax changes are an attempt to alleviate an increasingly punishing squeeze on family finances. Official figures showed yesterday that the consumer prices index rose from 4 per cent to 4.4 per cent in February as energy companies increased household bills and the cost of clothing and footwear rose at a record pace. The figures mean that inflation is rising twice as quickly as average wages, eroding living standards.

Andrew Sentance, a Bank of England policymaker, warned that inflation might exceed 5 per cent this year, adding to pressure on the Bank to lift interest rates.

Mr Osborne will lay out a series of far-reaching reforms to help to create a "different kind of economy" that does not rely on government spending and debt to produce jobs and prosperity. He will also publish a plan for growth, the Government's answer to critics who have accused ministers of failing to do enough to encourage a recovery.

Mr Osborne is also expected to use his second Budget to concentrate much of the money he

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has to play with on cutting the cost of petrol. Fuel prices topping 133p a litre have become the most obvious example of reduced spending power for consumers.

MPs hope that he might go beyond cancelling the planned 1 percentage point above-inflation rise this year and scrap the fuel duty escalator altogether. It currently promises similar rises over the following three years and would cost the Treasury £2 billion in lost revenue. Officials said that they did not want to raise expectations. “We cannot magic money out of thin air but we are going to do what we can with the cost of living.” On housing, the Department for Communities and Local Government will set aside £250 million to help first-time buyers to meet the hefty deposit demands of mortgage lenders.

Would-be buyers with an income of £60,000 or less would be able to apply for 20 per cent of the cost of a new home, split evenly between the Government and the housebuilder, leaving them with about 5 per cent of an average deposit to find. There would be nothing to repay on the loans for five years. Repayments would start in Year 6 at 1.75 per cent, rising by 1 per cent above inflation in each following year.

Mr Osborne is expected to lift the threshold at which income tax is payable by £600 to just over £8,000 from April next year— another step towards the coalition’s commitment to increase it to £10,000 before the next election. It would mean a tax cut of £45 for 25 million earners because, unlike the similar change to take effect next month, it will not be paid for by lowering the threshold at which 40 per cent tax is paid.

Mr Osborne is likely to admit that public borrowing will be even higher than predicted by his Office for Budget Responsibility. Data showed yesterday that the Treasury’s deficit was £11.8 billion in February — the worst reading for that month since records began.