

BUDGET 2010 – OVERVIEW

Updates from 1500hrs in bold grey

Economic Overview

- Mandate to balance the structural deficit by 2015/16
- Debt falling as a % share of GDP by 2015/16
- Balanced structural budget by end of this parliament
- Inflation target remains at 2%
- Unemployment rate expected to peak at 8.1% this year and then fall in each of next 4 years
- 80% reduction through spending cuts and 20% through increased taxation
- **Measures are forecast to result in public sector borrowing of £149bn this year, £116bn next year, £89bn in 2012-13 and £60bn in 2013-14, Mr Osborne said by 2014-15 borrowing would reach £37bn, falling to £20bn in 2015-16**

Taxation / Duties

- From 4th January 2011 main rate of VAT to increase to 20%, VAT on reduced rate to increase from 5% to 6%
- Food, children's clothing and other 0 rated products remain exempt from VAT
- No new increase in duties on alcohol, tobacco and fuel
- Tax payers on lower rate pay capital gains tax remains the same
- Higher rate tax payers will pay 28% on capital gains (from midnight tonight) and annual allowance of £10,100 to remain the same
- Increase in tax free allowance to rise from £6, 475 to £7, 475 from April 2011 for those on lower tax rate
- Allowance threshold for higher rate tax payers remains the same
- **Council Tax freeze in 2011-12**
- **The capital gains tax "entrepreneurs' relief" rate of 10% on the first £2m of gains will be extended to the first £5m.**
- **Additional 5% rate of stamp duty land tax will take effect for residential transactions worth over £1 million from 6th April 2011.**
- **Inheritance tax frozen at its 2010-11 level of £325,000 until 2014-15.**
- **The Government will create an independent Office of Tax Simplification**

Business

- Corporation Tax cut 1% to 27p per pound in 2011 and further 1% reduction in following three years
- Cut in small companies Corporation Tax rate to 20%
- Bank Levy to be introduced from January 2011 to raise £2 billion annually
- 5 year plan to reform Corporation Tax system
- Creation of green investment bank to invest in environmentally beneficial schemes
- **April 2011 employers threshold for paying NI to increase by £21 per week above indexation**

Regions

- New business outside London, South East and Eastern region exempt from NI payment for first 10 employees
- **White Paper to be published on tackling regional economic difference in Britain followed by a Paper on rebalancing the economy of Northern Ireland**
- **Regional Growth Fund will be created to help fund regional capital projects over two years**
- **Upgrade of Tyne and Wear Metro, extension of the Manchester Metrolink, redevelopment of Birmingham New Street station and improvements to the rail lines to Sheffield and between Liverpool and Leeds will go ahead.**

Public Sector

- High Speed One to be sold, NATS to be sold, Student Loan Book to be sold, resolve future of Tote
- Civil List to remain frozen at £7.9 million
- 2 year pay freeze for public sector workers earning over £21,000
- **£17 billion reduction in Departmental spending by 2014/15, Departments to receive an average real cut of 25% over 4 years.**
- **Projects with a significant economic return to the country would be prioritised – assessed in the autumn spending review**

Environment

- **Government will explore changes to the aviation tax system such as switching from a per-passenger to per-plane levy. They will consult on major changes .**

Welfare

- Freeze child benefit for the next 3 years
- Medical assessment for Disability Living Allowance to be introduced from 2013
- Health in pregnancy grant abolished
- Family tax credit threshold reduced to £40,000
- Increase child element of child tax credit by £150 above inflation from 2011
- **Welfare shake-up will save £11bn by 2014/15**
- **Reform of housing benefit, including new maximum limit of £400 a week**
- **Link basic state pensions to earnings from April 2011, with the pension guaranteed to rise in line with earnings, prices or 2.5%, whichever is the greater.**
- **Acceleration of the increase in state pension age to 66**
- **From 2011 – except for the State pension and pension credits – benefits, tax credits and public service pension will rise in line with the Consumer Price Index rather than the generally higher Retail Price Index.**