

Very Impressive budget delivered by George Osborne. The highlights are as follows.

- Compulsory annuity purchase to be abolished! – not mentioned by GO.
- Entrepreneurs relief up to £5million per person
- Avoided the huge CGT rises to 50% as predicted, raised to 28% for higher rate tax payers but maintain current personal allowance.
- Promised to revisit the limits on Higher Rate tax relief for those earning above £130,000.
- Increased personal allowance against Income Tax by £1000 and target £10,000. No benefit to higher rate tax payers.
- VAT rises to 20%.
- Bank levy to generate £2bill per annum by the end of this parliament
- Reduction to employer NI for new businesses set up out with London

- Tax credits reduced for those earning above £40,000

Full details below.

### Future Finances

- Structural budget should be balanced within 5 years.
- Debt to fall as a % of GDP by 2015/16. i.e. current account surplus by the end of the current parliament.
- UK growth 2010 - 1.2%, 2011 - 3.2%, 2012 - 2.9%, 2013 - 2.7%, 2014 - 2.7%
- CPI 2.7, 2010 back to 2% in the medium term
- Unemployment rate to peak in 2010 at 8.1 to reach 6.1 in 2015.

### Actions in the Budget.

- EURO preparations unit abolished.
- £30 Bill of public expenditure reductions.
- Capital spending not to be reduced.
- Sale of Student Loan book, sale of NATS1, Sale of TOTE, seek capital investment into Royal Mail.
- Civil list - frozen at £7.9 million per annum.

### Government Department Spending.

- Average real cut of 25% over 4 years. Target to focus cuts in welfare.
- All will be resolved in the spending review and publicised on 20th October.

### Public Sector

- 2 year pay freeze, excluding those earning under £21,00 pa. Those under will get £250 per annum rises.

- Armed forces, operational allowance doubled.
- new limit of 20x the lowest paid for the highest paid.
- Public sector pensions - John Hutton to review, interim report in September 2010, full report pre budget 2011.
- Planned increase of state pension age to 66 to be accelerated.

### Welfare

- From 2011, benefits increased in line with CPI not RPI. Save £6bill per annum by end of parliament.
- Tax Credits - no more benefits from families earning over £40,000. Range of criteria amended and reduced.
- Single parents, expected to return to work when their youngest start school.
- Child Benefit - frozen for next 3 years.
- Housing benefit to be reformed as currently some can claim over £100k. Maximum limits will be introduced.

### Companies

- Employers NI threshold to increase
- Corporation tax to be cut from 28% to 24% over the next 4 years
- Small company rate cut to 21%
- No tax reliefs for video game industry
- Banking sector – January 2011, a bank levy against their balance sheets. Expected to generate £2bill per annum. French and Germans reflect this new tax.
- Annual Investment Allowance limit reduced to £25,000

### Regions

- White paper on how to rebalancing the economy away from London.
- Upgrade Manchester Metro and other inner city transport links.
- Any new business set up out with London, will be exempted from employers NI for the first 10 employees

## VAT

- January 4<sup>th</sup> 2011 increased up to 20%
- By the end of the parliament will generate £13 Bill per annum .
- Food children's clothing etc will continue to be exempt.

## Duties

- No new increases on alcohol, tobacco and fuel.
- Reverse plan to increase cider duty.

## Council Tax

- To be frozen

## Capital Gains Tax

- CGT to increase to 28% for higher rate tax payers.

- CGT not affected for basic and lower rate tax payers
- Entrepreneurs relief increased for the first £5 million
- No taper relief introduced.

### Pension Tax Relief

- Work with industry to change the rules but raise £3bill as per the previous governments plans

### Income Tax

- Personal Income Tax threshold increased by £1000 to £7450 by April 2011.

### Basic state pensions

- Pension increases re attached to National Average Earnings rates from 2011.

### Child tax credit

- Child element to increase by £150 above inflation.