

THE 2011 BUDGET HEADLINES

BACKGROUND

Predictably this was not a big give away budget but there were some modest steps to help the poorest. As expected the Chancellor's core concern was to stimulate growth of the economy in order to create jobs. With 2.5 million people unemployed that was politically essential if the Government is to restore the economy to a healthy state. The rate of growth this year will be less than was forecast last June, at 1.7% rather than 2.3% but the independent OBR expect GDP to grow by 2.5% next year, 2.9% in 2013 and 2014 and 2.8% in 2015. If they are right there will be no double dip recession that some feared.

The Chancellor defended the tough austerity measures he had introduced by comparing the UK with other hard-pressed economies. The UK deficit is larger than those of Portugal, Spain and Greece but our interest rates are significantly lower.

- Greece 12.5%; Portugal 7%; Spain 5% and Ireland 10%. UK 3.6%. This is reflected in our mortgage rates.

The inflation rate, at 4.4% was a cause for concern because it was reflected in prices in the shops. It is expected that it will remain between 4% and 5% this year but fall to 2.5% next year and 2% in 2013.

Borrowing to fund the national deficit will remain high this year at £146 billion but is expected to fall next year to £122 billion and continue to fall in succeeding years until 2015-16 when it will be only £29 billion, which is the Government's target.

WHAT DID THE BUDGET MEAN FOR ORDINARY TAXPAYERS?

The personal tax allowance – what we can earn before we start paying tax – was increased by a further £1000 this year and another £638 next year and the Chancellor's goal is to continue raising it until it reaches £10,000 by 2015. Since the election 1.1 million low paid people have stooped having to pay income tax altogether.

The Chancellor also wants to simplify the tax system so that it is intelligible to everyone. He will consult about merging income tax and national insurance into a single tax on incomes. This will save employers who currently have to work out national insurance payments.

A new simple, single tier pension of £140 per week is planned but it will take some years to come into effect. It will not affect current pensioners who have the two tier State pension.

All local authorities have agreed to freeze their Council taxes this year.

The 5p additional duty on the fuel that drives our cars, planned by the last Government to come into force in April was scrapped and the duty cut by 1p per litre.

Measures to prevent tax avoidance will be introduced

WHAT DOES THE BUDGET MEAN FOR EMPLOYERS?

Corporation tax was reduced by 2% and will continue to fall by 1% in each of the next three years, taking it down to 23%, lower than America, France and Germany, to make UK more competitive.

Small firms, employing fewer than ten people, are to be freed from lots of bureaucratic regulations. Planning procedures will be simplified and planners asked to prioritise developments that help job creation. This will not affect protection of greenbelt.

Measures to stimulate the construction industry were included in the budget. This included £250 million set aside to help first-time buyers who want to purchase newly built property but cannot afford the deposit required.

21 new Enterprise Zones will be funded. 24 new University technical Colleges will be funded. Another 40,000 apprenticeships will be funded bringing a total of 25,000 to be created over the next four years

OTHER PROPOSALS

Gift Aid is being simplified to help charities. Wealthy people will be encouraged to give more. If they leave 10% of their estate to a charity, their inheritance tax liability will be reduced by 10%. They will gain nothing but the charities will. 100,000 charities could benefit by as much as £240 million

Martyn Eden 23.03.2011