



# Budget 2012

## The key announcements from the Chancellor's Budget speech

### The UK deficit

- Deficit expected to fall – state was borrowing 1 in 4 of every pound it spends
- Deficit is falling and forecast to reach 7.6% this year
- On course for debt reduction by 2016/17
- Government is borrowing at cheapest prices than at any time in 400 years
- Borrowing this year is to come in at £126 billion

### Employment

- OBR forecasts unemployment to peak this year at 8.7% before falling each year to 6.3% by 2016/17
- One million new jobs will be created in the next 5 years
- Exploring idea of enterprise loans for young people to start own businesses

### Economy

- The Chancellor, Mr Osborne said he would deliver a "strategy where financial services are strong but not the only backbone to the economy"
- He cited key risks to economy as UK exports to eurozone and high oil prices
- Office of Budget Responsibility (OBR) expects the British economy to avoid a technical recession
- Inflation expected to fall to 1.9% next year
- Growth forecast 2% next year, 2.7% in 2014, 3% in 2015/16
- Gold holdings have risen to £11 billion

### Taxation

- The additional rate of tax has been reduced from 50% to 45% from April 2013

- Higher rate tax band frozen at £42,475, reducing the basic rate tax band from £35,000 to £34,370
- Tax-free allowance band rises to £9,205 in April 2013
- From April 2012 corporation tax will fall to 24%, in 2014 it will be 22
- New cap on tax reliefs set at 25% of total income for anyone claiming more than £50,000 in a year, but no significant change to pensions relief
- Age-related allowances for the 65s and over will increase from £9,940 to £10,500
- Age-related allowances will eventually be withdrawn once the rates align with the personal allowance
- From 2014 taxpayers will receive personal statements, detailing what they have paid and where the money is going

- A general anti-evasion law to come into place

### Pensions

- Automatic review of state pension age to ensure it keeps pace with increasing life spans
- Self-assessment forms for pensioners scrapped
- New single-tier state pension for future pensioners to be set at about £140 and based on contributions
- £5.30 increase in state pension

### Benefits

- Child benefit – will only be withdrawn when someone in the household has more than £50,000 income, and will be withdrawn slowly – keeping some benefits



## Transport

- Above-inflation full rises will only come into place if oil is \$75 or higher
- No changes on fuel
- Vehicle excise frozen for hauliers

## Technology

- UK to become "Europe's technology centre" – starting with digital.
- £50 million will be made available for broadband in smaller cities - plans to have 90% with access to super-speed broadband, funding ultra-fast in 10 UK cities

## Property

- New stamp duty of 7% on residential properties worth £2 million or more
- Extra funding to help construction firms building new homes
- Residential properties worth £2 million or more bought via a company will attract stamp duty of 15%

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## The key announcements from the Chancellor's Budget speech (cont...)

- People with income of £60,000 or more will not receive any child benefit

## Energy

- £3 billion new field allowance in oil and gas in North Sea along with £3 billion new field allowance west of Shetland
- Carbon reduction commitment - will seek major savings in costs borne by businesses or replace with different tax

## Financial Services

- Bank levy to be increased to 0.105% from January 2013 "to ensure that corporation tax cuts do not benefit the banks

## Military

- Government spending lower than expected in Afghanistan - the cost of operations is £2.4 billion lower over this parliament

- Doubling rate of council tax relief for military families
- There will be an extra £100 million to improve accommodation for the armed forces families

## Public sector

- Information to be published on a case for regional public sector pay. Option for government departments to move to regional pay structures for civil servants when current freeze ends

## Business

- Simpler tax system for businesses to navigate
- Simplified tax system for small firms with a turnover of up to £77,000
- Mid-cap businesses fund increased by 20%
- Enterprise finance guarantee to be expanded

- £70 million development fund to attract new businesses and new jobs
- Tax credits for television programming, games industry and animation
- Enhanced capital allowances for businesses setting up in new Scottish enterprise zones in Dundee, Irvine and Nigg - a Welsh enterprise zone to be created in Deeside
- Government support for £150 million of tax increment financing to help councils promote development and an extra £270 million for the Growing Places fund

## GET IN TOUCH

To review the key issues that should be on your agenda following Budget 2012, please email or telephone us – and we'll get in touch.