

# Budget 2015 at a glance

What the Chancellor had to say

The Chancellor of the Exchequer, George Osborne, delivered his final Budget speech in this current parliament on Wednesday 18 March. Mr Osborne said Britain was a 'comeback country' and introduced flexible Individual Savings Accounts, a personal savings tax allowance and confirmed a consultation into the re-sale of existing annuities.

Here is a summary of the key announcements:

## ECONOMY

- UK grew 2.6% in 2014, faster than any other advanced economy but lower than 3% predicted in December
- 2.5% growth forecast in 2015, up from 2.4% predicted in December, followed by 2.3%, 2.3%, 2.3% and 2.4% in the next four years
- Jobless rate to fall to 5.3% this year
- Trade deficit figures 'the best for 15 years'
- Living standards according to the OBR data 'higher' than in May 2010, with households better off by an average of £900 in last five years
- Inflation projected to fall to 0.2% in 2015

## PUBLIC BORROWING/DEFICIT/SPENDING

- Deficit halved since 2010 as a share of national income
- Borrowing set to fall from £97.5bn in 2013/14 to £90.2bn in 2014/15, £75.3bn in 2015/16, £39.4bn in 2016/17, £12.8bn in 2017/18 before reaching a £5.2bn surplus in 2018/19
- Debt as a share of GDP to fall from 80.4% in 2014 to 80.2% in 2015/16 before falling in every year, reaching 71.6% in 2019/20
- Additional £30bn savings needed in next parliament
- Public spending austerity to end a year earlier than planned in 2019/20, with spending in 2019/20 to grow in line with the growth of the economy
- Welfare bills set to be an average of £3bn lower each year than predicted in December, and interest charges on government gilts £35bn lower
- £13bn mortgage assets from Northern Rock and Bradford & Bingley to be sold

## PENSIONS

- Lifetime pensions allowance pot to be reduced from £1.25m to £1m from next year, saving £600m annually
- Proposals announced to allow pensioners to access their annuities, with 55% tax charge abolished and tax applied at the marginal rate

## PERSONAL TAXATION

- The tax-free personal allowance to rise from £10,600 in 2015/16 to £10,800 in 2016/17 and £11,000 in 2017/18
- The threshold at which people start paying 40p income tax to rise by above inflation from £42,385 in 2015/16 to £43,300 in 2017/18
- Class 2 National Insurance contributions for the self-employed to be abolished entirely in the next parliament
- Annual paper tax returns to be abolished
- Transferable tax allowance for married couples to rise to £1,100
- Review of inheritance tax avoidance through 'deeds of variation'

## SAVINGS

- New personal savings allowance – first £1,000 interest on savings income to be tax-free for basic-rate taxpayers, with £500 allowance for 40p tax ratepayers
- Annual savings limit for Individual Savings Accounts (ISA) increased to £15,240
- 'Fully flexible' ISA will allow savers to withdraw money and put it back later in the year without losing any of their tax-free ISA allowance

## MORTGAGES

- New Help to Buy ISA for first-time buyers will allow the Government to top up by £50 every £200 saved for a deposit, up to £3,000

## ARMED FORCES

- A further £75m from Libor fines to go to charities for regiments which fought in Afghanistan, and the Government to contribute towards permanent memorial to those who died in Afghanistan and Iraq and help renovate Battle of Britain memorials
- £25m to support army veterans, including nuclear test veterans

## ALCOHOL, TOBACCO, GAMBLING AND FUEL

- Beer duty cut by 1p and cider by 2p
- 2% cut in excise duty on scotch whisky while wine duty frozen
- No changes to tobacco and gambling taxes, with tobacco duties set to rise by 2% above inflation, equivalent to 16p on a packet of 20 cigarettes
- Petrol duty frozen – September's planned increase cancelled

## HOUSING/INFRASTRUCTURE/ TRANSPORT/REGIONS

- £15m church repair roof fund to be trebled
- Up to £600m to clear new spectrum bands for auction to improve mobile networks: commitment to deliver ultra-fast broadband to all homes
- New powers for Mayor of London over skills and planning
- Greater Manchester councils to be allowed to keep 100% of growth in business rates
- New inter-city rail franchise for south west of England
- Toll for River Severn crossings to be reduced from 2018
- Consultation on £1bn 'tidal lagoon' in Swansea Bay to generate green energy

## BUSINESS

- Tax on 'diverted profits' to come into effect from April this year, aimed at multinational firms moving profits 'artificially offshore'
- Annual bank levy to rise to 0.21%, raising an extra £900m. Banks to be barred from deducting compensation for mis-selling from corporation tax
- Supplementary charge on North Sea oil producers to be cut from 30% to 20% while petroleum revenue tax to fall from 50% to 35%
- New tax allowance to encourage investment in North Sea

## REVIEW OF BUSINESS RATES

- Automatic gift aid limit for charities to be extended to £8,000
- Farmers to be allowed to average incomes for tax purposes over five years
- New tax credit for orchestras and consultation on tax relief for local newspapers

## ARE YOUR FINANCIAL PLANS STILL ON TRACK AFTER BUDGET 2015?

There may have been a number of key announcements in Budget 2015 that will impact on your financial plans. If you would like to review your current situation to ensure that your plans are still on track, please contact us.

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