

alexander beard
Client Communications



Budget
July 2015
Overview



Budget - July 2015

George Osborne has delivered his seventh Budget as chancellor, the first for a majority Conservative government since November 1996. Here is a summary of his main announcements.

Personal taxation and pay

New national living wage will be introduced for all workers aged over 25, starting at £7.20 an hour from April 2016 and set to reach £9 by 2020 - giving an estimated 2.5 million people an average £5,000 rise over five years

Low Pay Commission to advise on future changes to rates

Inheritance tax threshold to increase to £1m, phased in from 2017, underpinned by a new £325,000 family home allowance

Personal allowance, at which people start paying tax, to rise to £11,000 next year. The government says the personal allowance will rise to £12,500 by 2020, so that people working 30 hours a week on the minimum wage do not pay income tax

The point at which people start paying income tax at the 40p rate to rise from £42,385 to £43,000 next year

Mortgage interest relief for buy-to-let homebuyers to be restricted to basic rate of income tax

Welfare and pensions

Tax credits and Universal Credit to be restricted to two children, affecting those born after April 2017

Income threshold for tax credits to be reduced from £6,420 to £3,850

Working-age benefits to be frozen for four years - including tax credits and local housing allowance, but maternity pay and disability benefits exempted

Rents in social housing sector will be reduced by 1% a year for the next four years.

Subsidies for social housing will be phased out with local authority and housing association tenants in England who earn more than £30,000 - or £40,000 in London - having to pay up to the market rent

Disability benefits will not be taxed or means-tested while state pension triple lock to be protected

18-21-year-olds will not be entitled to claim housing benefit automatically, with a new "earn to learn" obligation



Welfare and pensions (cont)

Employment and Support Allowance payments for new claimants who are deemed able to prepare for work to be "aligned" with Jobseeker's Allowance

Green Paper published on proposals for "a radical change" to pension saving system

The amount people can contribute to their pension tax-free to be reduced for individuals with incomes over £150,000

The cost of funding free TV licences for the over-75s transferred from the government to the BBC between 2018 and 2021

The annual household benefit cap will be reduced to £23,000 in London and to £20,000 in the rest of Britain.

Public borrowing/deficit/spending

Deficit to be cut at same pace as during last Parliament - reaching a budget surplus a year later than planned in 2019-20

Spending to be £83.3bn higher up to 2020 than projected before the election

Borrowing set to fall from £69.5bn this year to £43.1bn, £24.3bn and £6.4bn before reaching a £10bn surplus in 2019-20

Debt as a share of GDP to fall from 80.3% this year to 79.1%, 77.2%, 74.7%, 71.5% and 68.5% in successive years

1% public sector pay rise to continue for next four years

£37bn of further spending cuts by 2020, including £12bn of welfare cuts, £5bn from tax avoidance and a £20bn reduction in departmental budgets

Alcohol, tobacco, gambling and fuel

No rise in fuel duty this year with rates continuing to be frozen

Major reform to vehicle excise duties to pay for a new road-building and maintenance fund in England

New VED bands for brand new cars to be introduced from 2017, pegged to emissions for the first year. Subsequently, 95% of car owners will pay a flat fee of £140 a year

Alcohol and tobacco duties not mentioned in statement



Business

Corporation tax to be cut to 19% in 2017 and 18% in 2020

Permanent non-dom status to be abolished - from April 2017, anyone who has lived in the UK for 15 of the past 20 years will pay same level of tax as other UK citizens, raising an estimated £1.5bn

£7.2bn to be raised from clampdown on tax avoidance and tax evasion with HMRC budget increased by £750m

Bank levy rate to be gradually reduced over the next six years and a new 8% surcharge on bank profits introduced from 2016

Cap on charges imposed by claims management companies and an increase in insurance premium tax to 9.5% from November

New apprenticeship levy for large employers

Climate Change Levy exemption for renewable electricity to be removed

National Insurance employment allowance for small firms to be increased by 50% to £3,000 from 2016

Dividend tax credit to be replaced with a new tax-free allowance of £5,000 on dividend income. Rates of dividend tax to be set at 7.5%, 32.5% and 38.1%.

Annual investment allowance will be fixed permanently at £200,000 from January 2016

A consultation will take place on changing Sunday trading laws

Health and education

Student maintenance grants to be replaced with loans from 2016-17, to be paid back once people earn more than £21,000 a year

The maintenance loan will increase to £8,200

Housing/infrastructure/transport/regions

Rent-a-room relief scheme to rise to £7,500

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