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Autumn Budget Statement

5 December 2013

Introduction

"The hard work is paying off" was the message of this year's Autumn Statement and while Chancellor George Osborne admitted that there was still work to do, the overall picture was more positive than last year's statement.

Giving his annual statement in response to the Office for Budgetary Responsibility's (OBR) latest annual growth and borrowing figures, Mr Osborne told Parliament that "Britain's economic plan is working".

Growth forecasts have been upgraded and borrowing is set to fall from £111 billion to £23 billion over the next five years, although Mr Osborne acknowledged that "we still need to secure the economy in the long-term"

Economic growth and borrowing

The OBR has more than doubled its growth forecast for 2013 from 0.6% to 1.4%.

It has also revised up its forecast for next year from 1.8% to 2.4% and for the following four years to 2.2% (2015), 2.6% (2016) and 2.7% (both 2017 and 2018).

Mr Osborne revealed that revised figures from the Office for National Statistics (ONS) showed that GDP fell by 7.2% in 2008/09 and not 6.3% as previously thought. This wiped £112 billion off the UK's economy. There was no double-dip recession.

The underlying deficit is expected to be 6.8% this year, rather than the 7.5% forecast back in March. This is forecast to fall to 5.6% next year, 4.4% in 2015/16, 2.7% in 2016/17 and 1.2% in 2017/18. The OBR predicts that Britain will have a small cash surplus by 2018/19 – a year earlier than expected.

Borrowing stands at £111 billion this year and is expected to fall to £96 billion in 2014/15, then to £79 billion in 2015/16, £51 billion in 2016/17 and £23 billion in 2017/18.

Debt is expected to be £80 billion lower in 2017/18 then forecast back in March.

Business

Once again, the Autumn Statement had a strong business focus with the Chancellor announcing: "We are backing British businesses all the way."

One of the key measures was the announcement of a £1,000 reduction on business rates for smaller retailers with a rateable value of up to £50,000. This includes small shops, pubs, cafes and restaurants. There was more good news for smaller firms as Mr Osborne announced that the temporary doubling of small business rate relief would be extended by a further year to April 2015.

Meanwhile, businesses which move into empty retail properties will benefit from a 50% reoccupation relief.

Business rates will be capped at 2% from April 2014, rather than being linked to RPI inflation.

Employers' National Insurance Contributions (NICs) will be scrapped for under-21s, thereby removing the tax from 1.5 million jobs.

The start-up loans scheme will be expanded, which Mr Osborne said would help 50,000 more people to start their own business.

From April 2014, a new tax relief will be introduced for those who invest in social enterprises and new social impact bonds.

Mr Osborne also announced he was doubling to £50 billion the export finance capacity available to support UK businesses looking to break into the export market.

Tax

As expected, Mr Osborne confirmed details of the Government's planned tax relief for married couples and civil partners, which takes effect from April 2015.

Under the scheme, people will be able to transfer £1,000 from their personal tax allowance to their spouse or civil partner, assuming neither is a higher-rate taxpayer and one is earning less than the personal tax allowance. This will automatically increase in line with the income tax personal allowance, which is set to rise to £10,000 in April 2014.

From April 2015, non-UK residents who sell residential property in the UK will be liable for capital gains tax on future gains.

Tax avoidance remained high on the agenda, with Mr Osborne predicting that a new package of measures to clamp down on tax avoidance would raise £9 billion over the next five years.

The Chancellor said the current film tax relief would be made more generous, with the Government also considering extending it to apply to regional theatre.

Stamp duty on exchange-traded funds will be abolished.

The bank levy rate will increase from 0.13% to 0.156% from January 2014.

Pensions, benefits and savings

The state pension age will increase to 68 in the mid-2030s and to 69 in the late 2040s, with Mr Osborne saying that it had to keep in line with increasing life expectancy.

The state pension will rise by £2.95 a week from April 2014, leaving pensioners £800 better off over the next five years. They will also be able to make voluntary pension contributions to improve their pensions in later life.

The Chancellor had already announced in his 2012 Autumn Statement that most working age benefits and tax credits would rise by just 1% a year for three years.

Overall welfare spending will be capped, although this will not include the state pension or jobseeker's allowance.

There were no further announcements on the lifetime pension annual allowance, which will be reduced from £1.5 million to £1.25 million from 2014/15, as revealed in 2012's Autumn Statement.

Infrastructure and transport

Mr Osborne announced that he was cancelling a fuel duty increase planned for the autumn.

He also revealed that £1 billion in loans will be made available to boost housing developments in Manchester, Leeds and other areas. Councils will also be able to sell off the most expensive social housing to be regenerated.

Regulated rail fares will rise in line with inflation, rather than the rate of 1% above RPI as planned.

A new tax allowance will be introduced to encourage investment in shale gas, which would cut tax rates by 50% on early profits. There will also be more investment in quantum technology.

Greater priority will be given to offshore wind farms than to those onshore.

View official documents and full Autumn Statement at **www.hm-treasury.gov.uk**