
SUMMER BUDGET 2015

8th July 2015

The Chancellor has delivered his emergency budget, the first Conservative only budget for 18 years.

The main points of the statement were:

ECONOMIC FIGURES

- Economic growth forecasts: 2014/15: 3%, 2015/16: 2.4%, 2016/17: 2.3%, 2017/18: 2.5%.
- Debt as a share of GDP is set to fall from 80.3% this year to 79.1% in 2016/17, 77.2% in 2017/18, 74.7% in 2018/19, 71.5% in 2019/20 and 68.5% in 2020/21.
- The deficit will fall to 3.7% of GDP this year, 2.2% in 2016-17, 1.2% in 2017-18, 0.3% in 2018-19 and budget surplus of 0.4% in 2019-20 and 0.5% in 2020/21.
- Borrowing Forecasts: Set to fall from £97.3bn this year to £69.5bn in 2015/16, £43.1bn in 2016/17, £24.3bn in 2017/18, £6.4bn in 2018/19 before hitting a £10bn surplus in 2019/20.

GROWTH MEASURES AND SPENDING

NHS

- Further £8bn of investment for NHS a year by 2020

Defence

- Annual real terms increase in defence budget guaranteed and a commitment to meet the NATO pledge of 2% of GDP.

Higher Education

- From 2016/17 student maintenance grants will be replaced by loans, payable on incomes above £21,000
- There will also be an increase in maintenance loan to £8,200.

Devolution

- Chancellor has agreed to devolve control of fire services, land and children services to Greater Manchester.
- Discussions on devolution of services to Sheffield, Liverpool and West Yorkshire.
- Transport for the North to be statutory body - £30m to create Oyster style ticketing.
- Option to relax Sunday trading hours. Counties and Mayors will have the power to set the hours in their areas.
- Launch of new enterprise zones.

Housing

- Mortgage interest rate tax relief for buy-to-let homebuyers to be restricted to basic rate of income tax.
- Rent-a-room relief scheme to rise to £7,500.
- Social housing rents to be cut by 1% a year over 4 years.

Welfare and Pensions

- 18-21 new youth obligation to earn or learn.
- Housing benefit to be ended for 18 to 21-year-olds.
- From September 2017 all working parents with 3 years olds will receive free childcare.
- Employment and Support Allowance will be cut to the level of Jobseekers' Allowance for those deemed fit to work. That is a cut of £30 per week, but for future claimants only.
- Freeze working age benefits for 4 years.
- Benefit cap reduced from 26,000 to 23,000 inside London and 20,000 outside of London.
- Higher earners to pay rent on social housing at market rates.
- Child tax credits will be limited to two children from April 2017 for new claimants.
- Welfare reform and work bill to be published tomorrow.

EMPLOYMENT

- OBR forecasts 1 million more jobs created over next 5 years.
- OBR forecasts unemployment to fall to 5.3% this year.
- Public sector pay award 1% a year rise for next four years.
- New apprenticeship levy on all large firms.
- Introducing new national living wage £9.00 by 2020. Compulsory for people aged 25 and over starting at £7.20 in 2016.

SAVINGS AND PENSIONS

- Consult on creating ISA-style pensions, where people would lose the tax relief when they pay in, but would be able to take their money out tax free.

TAXES

Business Taxation

- Recoup 7.2bn from tax evasion
- Bank levy rate to be gradually reduced over the next six years and a new 8% surcharge on bank profits introduced from January 2016.
- Cap on charges imposed by claims management companies and an increase in insurance premium tax to 9.5% from November.
- Annual company investment allowance will be set at £200,000 – up from £25,000.
- Corporation tax currently at 20%. Will be cut to 19% in 2017 and fall to 18% by 2020.

Personal Taxation

- Abolishing permanent non domicile status for those resident in UK for last 15-20 years. Will be open to consultation with effect from April 2017.
- Dividend tax credit replaced with tax free allowance £5,000 but will pay 7.5% extra after that.
- Legislate for tax lock on personal taxes
- Raise tax free personal allowance to £11,000 from 2016
- 40p tax threshold raised to £43,000

Indirect Taxation

- Fuel duty to remain frozen this year
- By 2017 for new cars new Vehicle Exercise Duty bands. Tax will all be used in future for a new roads fund to finance new and better roads.