

Budget Summary 2014

The Budget

19 March 2014

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Summary of key proposals

- Annual Investment Allowance (AIA) doubled to £500,000 and extended to the end of 2015.
- Anyone using tax avoidance schemes will have to pay disputed bills upfront then claim back their money plus interest through the courts.
- Residential properties bought for more than £500,000 by companies will be liable for 15% stamp duty land tax.
- Research and development (R&D) tax credit payable to loss-making SMEs to increase from 11% to 14.5% from April 2014.
- Export finance doubled to £3 billion with interest rates cut by a third.
- Personal tax threshold to increase to £10,500 from April 2015.
- 40p income tax threshold to increase to £41,865 from April 2014 and then to £42,285 from April 2015.
- Cash and shares ISAs to be merged, with tax-free limit increased to £15,000 from 1 July.
- Restrictions on pensioners' access to pension pots removed, taking away need to buy annuity.
- Total pension saving taken as lump sum doubled to £30,000, while taxable part of pension pot taken as cash on retirement to be charged at normal income tax rate.
- Emergency services workers killed while on duty to be exempt from inheritance tax.
- Carbon price floor to be capped under £7 billion package of measures to help manufacturers avoid increasing energy costs.

Setting the scene

Chancellor George Osborne made clear that this year's Budget was for "makers, doers and savers", emphasising that the economic recovery was happening faster than anticipated.

"Hard-working people" was an often-repeated phrase during Mr Osborne's speech, with a pledge that those who had worked hard and saved hard would get to keep more of their money.

The Office for Budget Responsibility (OBR) upgraded its growth forecast for 2014 from 1.8% a year ago and 2.4% in December to 2.7%. Mr Osborne said this was the biggest upward revision to growth between Budgets for at least 30 years.

The growth forecast for 2015 is 2.3% (up from 2.2%), while 2016 remains unchanged at 2.6%. Growth for 2017 is forecast at 2.6% (down from 2.7%), while 2018's forecast is 2.5% (also down from 2.7%).

The deficit forecast has been cut from 6.8% to 6.6% of GDP for 2014/15. This will then decrease further to 5.5%, 4.2% and 2.4% until it reaches 0.8% in 2017/18. A surplus of 0.2% is predicted by the OBR in 2018/19.

Duty

Once again, Mr Osborne announced that September's planned fuel duty rise had been cancelled.

Scrapping the alcohol duty escalator, the Chancellor said that alcohol duty would rise in line with inflation, with the exception of Scotch whisky and other spirits, and 'ordinary' cider, duty on which will be frozen.

Beer duty will again be cut by 1p " a move Mr Osborne first introduced last year.

Tobacco duty will rise by 2% above inflation, with this escalator to be extended into the next Parliament.

The Chancellor also announced that all long-haul flights would carry the lower rate of air duty charged on current flights to the US.

Personal tax

The personal tax threshold will increase to £10,500 from April 2015 - an increase of £500 on the £10,000 rate which takes effect from April this year.

The 40p income tax threshold will increase from £41,450 to £41,865 from April this year and then by a further 1% to £42,285 next year.

Rules exempting military services personnel from inheritance tax are to be extended to include people working in the emergency services who are killed while on duty.

Business and enterprise

In a Budget of relatively few surprises, the Chancellor made the unexpected announcement that the Annual Investment Allowance (AIA) of £250,000, which was only due to last until the end of the year, would be doubled to £500,000 and extended to the end of 2015.

Export finance will be doubled to £3 billion while interest rates on the lending scheme will be cut by a third.

The rate of research and development (R&D) tax credit payable to loss-making small and medium-sized enterprises will increase from 11% to 14.5% from April 2014.

Discounts in business rates and enhanced capital allowances in enterprise zones will be extended for three years.

As previously announced, under-21s will be taken out of employers' national insurance contributions.

Tax evasion and tax avoidance

Mr Osborne confirmed that those accused of using tax avoidance schemes will have to pay any disputed bills upfront and then go to court if they wish to claim their money back. If successful, they will get their money back, plus interest.

From 20 March 2014, residential properties bought for more than £500,000 by companies (through 'corporate envelopes') will be liable for 15% stamp duty land tax.

Homes and infrastructure

The Chancellor confirmed a raft of new infrastructure projects, including the previously announced garden city to be built at Ebbsfleet, £140 million funding for flood defence repairs following the wettest winter on record, a £270 million guarantee for the Mersey Gateway Bridge and £200 million funding to fix potholes.

He also announced that the Help to Buy scheme will be extended to 2020.

Energy and the environment

The carbon price floor will be capped as part of a £7 billion package which Mr Osborne said would ensure manufacturers avoided rising energy costs.

Pensions, savings and benefits

Cash and shares ISAs will be merged to create a new single ISA from 1 July 2014, with the annual tax-free limit increasing to £15,000 (£4,000 for junior ISAs).

The Chancellor also announced that restrictions on pensioners' access to their pension pots will be removed, meaning they will not have to buy an annuity. The total pension saving which can be taken as a lump sum will be doubled to £30,000, while the taxable part of a pension pot taken as cash on retirement will be charged at the normal income tax rate, rather than 55%.

The cap on Premium Bonds will be raised from £30,000 to £40,000 from June this year, increasing to £50,000 in 2015.

Mr Osborne also outlined a new Pensioner Bond, available to all over-65s from January 2015 with interest rates of 2.8% for one-year bonds and 4% for three-year bonds.

The 10p starting rate of tax will be abolished completely.

The welfare budget will be capped at £119 billion for 2015/16, rising in line with inflation to £127 billion in 2018/19. This covers child benefit, incapacity benefit, winter fuel payments and income support but does not affect the state pension or jobseeker's allowance.

Official documents from George Osborne's 2014 Budget :

<https://www.gov.uk/government/publications/budget-2014-documents>



Abbotstones