

MONEY ^{with} PRINCIPLES

The quarterly newsletter from Co-operative Wealth—www.wealth.coop

—02a

co-operative wealth
Open and Honest Independent Advice

Spring Budget 2013

NEWS BITE...

Billed as a fiscally neutral Budget to boost corporate activity and local enterprise, increase employment and stimulate the housing market. Aims to encourage a low-carbon economy and encourage shale gas exploration and production and carbon capture/storage initiatives.

A BUDGET FOR AN ASPIRATION NATION

George Osborne offered the nation a fiscally neutral Budget that is aimed at “Building a modern reformed state we can afford”. The government will have borrowed £114bn in 2012/13, falling to £108bn in 2013/14. Economic growth for 2013 is forecast at 0.6%.

On the fiscal front, the main elements are the increase in personal allowances for income tax to £9,440 for tax year 2013/14, but more importantly to £10,000 from 2014/15. This will take 3 million people out of the tax system altogether.

A new ‘Employment Allowance’ is introduced. The first £2,000 of employer’s NI contributions will be cut, benefiting 450,000 businesses.

Corporation Tax will be reduced to 20% from 2015, but the bank levy will be increased to 0.142% so banks do not gain.

Tax-free ‘Child-care Vouchers’, offering 20% of the first £6,000 of such costs will be offered to working parents earning up to £150,000; this equates to £1,200 per child.

CGT relief is offered for the sale of businesses to employees and stamp duty is abolished on shares traded on AIM and other junior markets.

The planned September rise under the fuel increase escalator has been cancelled and whilst the planned increase in alcohol duty will happen, beer will see a 1 penny reduction in duty.

Housing gets a big boost, as the government intends to build 15,000 more affordable homes and launch two new ‘Help to Buy’ initiatives. One will offer £3.5bn, so that lenders can offer ‘Shared equity Loans’ of 20% of the property value to borrowers who can raise a 5% deposit; these will be interest free for 5 years. The other will give ‘Mortgage guarantees’ to lenders of up to £130bn, potentially for any home purchase except buy-to let. This should aid mortgage availability.

Savers see an increase to £11,520 in the ISA allowance, whilst social-care costs for the old will be capped at £72,000 from 2016.

