

“

The Chancellor, Alistair Darling, has today delivered his third, and potentially final, Budget on the last significant Parliamentary date before the coming general election. Against the backdrop of several polls pointing towards the possibility of a hung Parliament, Darling set out the terms on which the Government would fight the election, reiterating the need to maintain state support for British industries to secure the economic recovery. However, the Government's continuing refusal to set out the detail of departmental spending plans – and likely cuts – has led to opposition calls that today's announcement amounts to no more than a 'phoney budget'.

While acknowledging that the 'recovery is still in its infancy', Darling sought to set out the scale of the challenge the Government faced when the economic crisis struck in 2008 and to contrast its interventionist approach to the policies advocated by the Conservatives. The Government, he said, 'should not stand aside' when targeted help for businesses and families is necessary. Even amid the 'deepest global recession of the last 60 years', he said, the Government's efforts had meant that the number of people claiming unemployment remains lower than when Labour came into office in 1997.

Despite promising in recent days a 'workmanlike' budget offering no 'giveaways', the Chancellor found space in the public finances to offer some pre-election sweeteners to help the Labour Party's campaign to woo the middle classes during the election campaign. As expected, Darling confirmed that the stamp duty limit would be doubled from £125,000 to £250,000 for first time buyers but, surprised the House of Commons by announcing that this would be paid for by a rise to 5% on stamp duty on houses over £1 million.

The Chancellor reiterated the Government's commitment to halving the deficit within four years and scaled down his borrowing projection for this year by £11 billion to £167 billion. With much stronger tax revenues over the past three months than had been expected, Darling said he was able to claim that national debt by 2013-14 will be £100 billion lower than expected and the deficit reduced from 11.2% to 5.2%.

The recovery, however, is still fragile, he said, and the Chancellor was forced also to make a less optimistic growth forecast than he gave in the Pre-Budget Report. Bringing his forecast closer to the predictions of those in the City, he put forward a revised figure for 2011 of between 3% and 3.5%. Mr Darling said that the UK could not 'take growth for granted' and more support was needed for major industries and to encourage more lending from the state-owned banks. He said that the one-off 50% tax on bank bonuses over £25,000 – much derided when it was announced in the Pre-Budget Report last year – had so far raised over £2 billion, more than twice as much as expected.

In understandably his most political address since moving into No 11, the Chancellor produced the biggest cheers from the Labour benches when he announced measures to clamp down on tax avoidance and evasion, with agreements to be signed 'in the next few days' with Domenica, Grenada and Belize, where the Conservatives' controversial Deputy Chairman, Lord Ashcroft's business interests are based.

The Response

"Darling announced tax deal with Belize: The Treaty of Cashcroft."

Kevin Maguire, Daily Mirror

"Labour may well get the headline they want from today - the Robin Hood Budget."

Paul Waugh, Evening Standard

"It was an election Budget from a Labour politician."

Benedict Brogan, Daily Telegraph

"very short on specifics... very long on pre-election politics."

Nick Robinson, BBC

"Public Spending is the last bubble to burst in this country."

Fraser Nelson, Spectator

"With the election just weeks away, this was a clever, political budget."

Richard Lambert, CBI

Reaction

Conservative Party - David Cameron: The Conservative leader claimed that many of the ideas in the Budget – including the rise in the stamp duty threshold – had been stolen from the Conservatives. He strongly attacked the Government for borrowing more money than ‘any Government in history’ and said that the Chancellor was misleading the country by disguising the action that needs to be taken now to reduce the deficit. A credible plan, he said, requires action now and the spending cuts that either party will have to make after the election should be identified now. The country, he said, had ‘run out of money’ and requires ‘new energy and new leadership’ and a ‘Conservative Government to clean it up.’

Liberal Democrats - Nick Clegg: In his response, the Liberal Democrat leader, Nick Clegg, attacked both Labour and the Conservatives, saying that neither party offered the change of approach the country needs. For the Government, this budget was more of an ‘obituary’, he said, rather than a manifesto, while the Conservatives too, are ‘talking tough to cover the truth’. The most significant omission from the Chancellor’s statement, he said, was action to tackle the continuing problems in the banking sector, which, Clegg said, had been ‘let off the hook again.’

Summary of announcements from the Chancellor’s speech.

Economy

- Predicted growth of 1-1.25% in 2010, in line with forecasts.
- Downgrades growth forecast for 2011 to 3-3.5%.
- Deficit £11bn lower in 2009/10 £14bn lower in 2010/11.

Spending

- Spending to increase by 2.2% above inflation 2010/11.
- 15,000 civil servants to be relocated outside London .

Taxes

- Tax allowances for those earning over £100,000 to be gradually removed.
- Inheritance tax threshold frozen for four years.
- Clampdown on tax avoidance to raise £500m, together with new tax agreements with Belize, Grenada and Dominica.
- No current plans for changes to VAT or income tax.

Borrowing

- Borrowing this year forecast to be £167bn - £11bn lower than expected.
- Borrowing to be cut from £163bn in 2010-11 to £74bn by 2014-15.
- Net debt to reach 56% of GDP this year and peak at 78% by the end of the forecast period in 2014-15.

Jobs

- The guarantee of Six month work or training for under 24s extended to 2012.

- Reduction in the amount of time over-65s have to work to receive work credits.

Education

- Funding for 20,000 new university places in science and maths.
- £35m enterprise fund to help university-launched businesses.

Pensions

- Winter fuel allowance rates extended for further year.

Environment

- £2bn investment bank to back low-carbon industries

Duties

- Duty on cider to rise by 10% above inflation from Sunday.
- Wine, beer and spirit duty up 2% a year until 2013.
- Tobacco duty up 1% this year and 2% a year in future years.
- 3p fuel duty rise to be phased in between April and January 2011.

Small businesses

- £2.5bn support for small business to boost skills and innovation.
- One year business rate cut from October to help 500,000 companies.
- Investment allowance for small firms doubled to £100,000.

Further information

The full text of the Chancellor’s speech can be found here:

http://www.hm-treasury.gov.uk/budget2010_speech.htm

The Treasury’s full Budget report can be accessed here:

http://www.hm-treasury.gov.uk/d/budget2010_complete.pdf