

2012 Budget Announced By HM Treasury 2012

Wednesday 21 March, 2012

The Chancellor of the Exchequer, George Osborne, today announced his Budget which maintains the Governments strategy to reduce the deficit, announces far-reaching tax reforms, and support for growth and to reward work. It sets out the actions the Government will take in three areas - creating a stable economy, a fairer, more efficient and simpler tax system, and further reforms to support growth.

A stable economy

In line with the Governments fiscal strategy to ensure that the public finances are returned to a sustainable path, Budget 2012 sets out:

A Budget with a neutral impact on the public finances; and

Clear progress in implementing the Governments fiscal consolidation plan and reforms to welfare and public services, with borrowing £11 billion lower over the forecast period than predicted at the 2011 Autumn Statement.

A fairer, more efficient and simpler tax system

The Government is committed to creating a more sustainable tax system that is fair and supports growth. This Budget announces wide-ranging reforms that support this goal, with measures including:

An increase in the personal allowance by a further £1,100 in April 2013 - the largest increase in the personal allowance in both cash and real terms for the last thirty years;

An additional one per cent reduction in the main rate of corporation tax. The rate will reduce from 26 per cent to 24 per cent in April 2012, then to 23 per cent in April 2013 and to 22 per cent in April 2014;

A reduction in the top rate of tax from 50 pence to 45 pence in April 2013, where the direct cost is paid for more than five times over by other measures that affect the best-off;

The introduction of a limit on all uncapped income tax reliefs. For anyone seeking to claim more than £50,000 of relief, a cap will be set at 25 per cent of income (or £50,000, whichever is greater). This will help ensure that those with the highest incomes pay their fair share;

The correction of certain anomalies in the VAT system that cause very similar products to be taxed very differently. The Government will also close loopholes in the VAT system to prevent avoidance and ensure compliance;

A crack down on tax avoidance to protect revenues by closing down schemes which avoid stamp duty land tax, corporation tax, inheritance tax and income tax with effect from today; and

An increase in the tax charged on high value properties by introducing a new Stamp Duty Land Tax rate of 7 per cent for residential properties over £2 million.

Reforms to support growth

The Government has set out its plan to put the UK on a path to sustainable, long-term economic growth. Significant progress has been made in delivering these reforms, but additional measures include:

Relaxing Sunday Trading laws during the Olympics and Paralympics to allow retailers to make the most of the occasion;

Developing a National Roads Strategy, as well as exploring new ownership and financing models for the national roads network to drive up efficiency and leverage in private investment;

Introducing a package of oil and gas measures to secure billions of pounds of additional investment in the UK Continental Shelf;

Establishing a UK centre for aerodynamics to open in 2012 - 13 and support innovation in aerospace technology;

Supporting Network Rail to invest a further £130 million in the Northern Hub rail scheme to improve transport links between the northern cities of England; and

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Publishing a strategy for gas generation in the autumn, recognising that gas-fired electricity generation will continue to play a major role in UK energy supplies over the next decade and beyond.

The Budget also announces a reduction of the Special Reserve to reflect the end of UK combat operations in Afghanistan by the end of 2014. This is funding held over and above the Ministry of Defence budget. The cost of operations will continue to be paid on the same basis. At the same time, the Government will reinvest £115 million of the reduction in the Special Reserve provision to improve service accommodation and support military personnel and their families.

Notes for Editors

1. The Budget, containing full details of all measures, and supporting documents can be downloaded from the following link: www.hm-treasury.gov.uk/budget2012.htm

2. Chapter one explains how the measures announced in this Budget advance the Governments long-term goals. Chapter two provides a brief description of all Budget policy decisions.

3. The Office for Budget Responsibility have published updated forecasts for the economy and the public finances in their Economic and Fiscal Outlook, which can be downloaded from: budgetresponsibility.independent.gov.uk/

4. Other documents published alongside the Budget include:

Budget 2011 Policy Costings

The exchequer effect of the 50 per cent additional rate of income tax

Debt and Reserves Management Report 2012 - 13

5. Some avoidance measures take effect from today, following their announcement in the Budget.

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