



**Garden Room, 402 Coniscliffe Road
Darlington, Co Durham DL3 8AJ**

Tel: 01325 242000 - Fax: 01325 244000

E-mail: enquires@3fs.co.uk - Website: www.3fs.co.uk

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LAST AUTUMN STATEMENT BEFORE GENERAL ELECTION

The Chancellor of the Exchequer, George Osborne, delivered the last Autumn Statement of this Parliament to the Commons on Wednesday 3rd December, ahead of next year's general election.

In an upbeat delivery, he announced that the UK is now the fastest growing economy in the G7, with Gross Domestic product (GDP) growth of 3% forecast in 2014, an improvement from the 2.7% forecast at the last Budget. This will dip to 2.4% in 2015, then 2.2% in 2016 and then recovering to 2.4% in 2017.

Overall, the UK economy has grown by 8% under this Government and that growth has been more balanced.

CPI inflation is forecast to be 1.5% in 2014, falling to 1.2% in 2015 before returning to its 2% target.

Government borrowing is predicted to fall from £97.5bn, seen in 2013-14, to £91.3bn in 2014-15, but the budget deficit has been halved since 2010 and is set to fall from £75.9bn in 2015, to £40.9bn in 2016, and £14.5bn in 2017, and seeing a surplus of £4bn in 2018. The Chancellor went on to predict a surplus of £23bn by 2019-20. Debt as a share of GDP to rise from 80.4% this year to 81.1% next year.

However, we can still expect "Substantial cuts in public spending" and continuing restraint in public sector pay, with additional pension reforms scheduled to save £1.3bn and the freezing of Universal Benefits, so that the Welfare spend will be £1bn lower than his previous budget forecast.

Unemployment is set to fall to 5.4% by 2015, as 500,000 new jobs have been created this year, with 85% of those full-time jobs.

GOING UP

Personal tax allowances are to be increased from £10,000 to £10,600 (instead of the £10,500 previously indicated) from next April. It is their intention to raise this to £12,500 in the life of the next Parliament. Higher rate tax threshold will be increased from £41,865 to £42,385, with the intention of increasing this further to £50,000 by the end of the decade.

The non-domiciled persons tax charge remains at £30,000 for those short-term residents, but then will be increased to £60,000 for those resident here for 12 or more of the past 14 years and then to £90,000 for those resident here for 17 years or more of the past 20 years.

No National Insurance will be payable when employing anyone under the age of 21 and the Job-Tax has been abolished for employers of apprentices under the age of 25.

The tax-free ISA limit is to be increased from £15,000 to £15,240 and its tax status will be retained on a partner's death. As previously announced, the current 55% tax on pension funds payable on a partner's death is to be abolished.





KIDS GO FREE

Fuel duty will remain frozen and Air Passenger Duty will be abolished for children aged under 12 years from May 2015. This exemption will be extended to those under the age of 16 years in 2016. Carriers will also be obliged to make any fuel surcharge to passengers completely transparent and clearly quantified.

In a surprise move, stamp duty on house sales has undergone a radical change with effect from 4th December. The Chancellor abolished the "residential slab" approach, where a house bought for £1 above the previous lower band had to pay the higher band achieved on the whole sum.



New bands will be set thus: at under £125,000 zero tax, below £250,000 2%, below £925,000 5%, below £1,500,000 10% and above £1,500,000 12%. These rates will now apply to only that part of the sale price that falls into each band. This change will result in a cut of £800 million paid each year, with 98% of future buyers paying less tax.

Aimed particularly at technology companies, the Chancellor will introduce a new 25% tax on profits generated here by international organisations and then removed out of the UK with the help of complex corporate structures.

Banks, who currently can offset previous years' losses against future profits will only be able to do so on 50% of them in future.

Value Added Tax paid by registered hospices and search and rescue organisations, including air ambulances, will be refunded. Helicopter Aid Services will also benefit from the FCA fines on banks, as a result of the manipulation of LIBOR.

BUSINESS MATTERS

On the business front the Government will review business rates, expand the 'Business Bank' for SMEs and extend the 'Funding for Lending' scheme for another year. Corporation Tax powers will be devolved to Northern Ireland.

Research and development tax credits will be increased for SMEs and a £45 million fund will be created to support exporters. On the High Street small business will receive £1,000 relief on their business rates.

Existing tax breaks offered to theatres will now be extended to orchestras and new tax credits will be offered to producers of children's TV programmes.

FULL STEAM AHEAD

The National Infrastructure Plan will see the proposed HS3 rail line going ahead, new franchisees being invited to tender for the Northern Rail and Trans-Pennine Express rail routes on the basis that new rolling stock is provided, and a £250 million investment through a Sovereign Wealth Fund from the benefits of future shale gas exploration in the North of England to create a "Northern Powerhouse". There will be further investment of £1.5bn for 84 defined road projects across England and £2bn for flood defence initiatives. Tax relief will also be expanded on business investment in flood defences.

Health services and the NHS will benefit from an extra £2bn of funding every year until 2020 and an estimated £1.2bn, received from the banks as a result of their fines for foreign exchange manipulation, will be spent on GP services. The current Employment Allowances will be extended to cover carers.

