BUDGET SPEECH

By the Chancellor of the Exchequer
House of Commons
Wednesday 23 March 2011

CHECK AGAINST DELIVERY

Mr Deputy Speaker,

Last year's emergency Budget was about rescuing the nation's finances, and paying for the mistakes of the past.

Today's Budget is about reforming the nation's economy, so that we have enduring growth and jobs in the future.

And it's about doing what we can to help families with the cost of living and the high oil price.

We understand how difficult it is for so many people across our country right now.

That we are able now to set off on the route from rescue to reform, and reform to recovery, is because of difficult decisions we've already taken.

Those decisions have brought economic stability.

And without stability there can be no sustainable growth or jobs.

Without stability governments have to keep coming back to their citizens for more – more taxes and more spending cuts.

In Britain, we do not have to do that today.

We inherited a record budget deficit.

But we have set out a credible, comprehensive plan to deal with it.

We have had to undertake difficult measures.

But we have already asked the British people for what is needed, and today we do not need to ask for more.

So this is not a tax-raising Budget.

But nor can we afford a giveaway.

Taken together the measures I will announce today are fiscally neutral across the period.

This is a Budget built on sound money.

A Budget that encourages enterprise.

That supports exports, manufacturing and investment.

That is based on robust independent figures.

A Budget for making things not for making things up.

Britain has a plan.

And we're sticking to it.

In recent months, many other countries have seen their ratings downgraded and their borrowing costs soar.

Our country's fiscal plans have been strongly endorsed by the IMF, by the European Commission, by the OECD, and by every reputable business body in Britain.

And for anyone who questions whether this matters in the real world, to real businesses and families, consider this.

Market interest rates in Greece are 12.5%, in Ireland they are close to 10%, in Portugal and Spain they are 7% and 5%.

Today our country's market interest rates have fallen to 3.6%.

We have a higher deficit than Portugal, Greece and Spain, but we have virtually the same interest rates as Germany.

This is our powerful monetary stimulus to our recovering economy.

Stability. Credibility. Lower interest rates.

This is what we've achieved.

But stability is not enough.

So today, in addition to the Red Book, we are publishing the Plan for Growth.

For this Budget confronts the hard truth that has been ignored for too long.

Britain has lost ground in the world's economy and needs to catch up.

In the last decade, other nations have reduced their business tax rates, removed barriers to enterprise, improved education systems, reformed welfare and increased exports.

Sadly the reverse has happened in Britain.

We gambled on a debt-fuelled model of growth that failed.

With the state now accounting for almost half of all income, we simply cannot to go on like this.

Britain has to earn its way in the modern world.

Mr Deputy Speaker, I turn now to the forecasts.

Last November I told the House that the recovery was going to be more challenging than recoveries from recessions in recent decades.

That is inevitable when we've had the sharpest fall in output since the 1930s, the highest budget deficit in peacetime, and the largest banking crisis in our entire history.

But I said that thanks to the course we have set, the independent forecast was for our economy to grow in each of the next five years, for unemployment to peak this year and then fall and for employment to rise through this Parliament.

That remains the case in the independent forecast published today.

Those forecasts have been drawn up by the Office for Budget Responsibility.

This important change has transformed the way Budgets are put together.

So instead of Chancellors fixing the figures to fit the Budget, they now have to fix the Budget to fit the figures.

Yesterday, the legislation to put the Office for Budget Responsibility on a permanent, statutory and independent footing received Royal Assent.

I am sure that the whole House will want to thank Robert Chote, Steve Nickell, Graham Parker, and their whole staff for the very professional job they are doing.

Let me start with their growth forecasts.

It has been known for Chancellors in recent years to rattle these off at great speed in the hope that no one will keep up.

I will not do that.

Although average quarterly growth this year is set to be higher than was previously forecast, the annual forecast for 2011 has been revised to 1.7%.

This the OBR attributes specifically to the weaker than expected final quarter of last year, the rise in world commodity prices and the higher-than-expected inflation in the UK.

However, the OBR point out that the effect, in their words, "creates scope for slightly stronger growth in later years" than previously forecast.

So while they expect real GDP growth of 2.5% next year, they forecast it will then rise:

To 2.9% in 2013;

To 2.9% in 2014;

Followed by 2.8% in 2015.

The European Commission has also this month published its growth forecasts.

These show that the UK is forecast to grow more strongly in the coming year than Spain, Italy, France, the average for the Eurozone and the average for the EU.

All countries have to steer a course between two central risks.

The risk of a European sovereign debt crisis on the one hand and on the other the risk that comes from rising global commodity prices.

Food prices around the world have increased by nearly 50% since the beginning of last year.

Oil has risen 35% rise in just 5 months.

That is why the OBR expect inflation to remain between 4 and 5% for most of this year, before dropping to 2.5% next year and then to 2% in two years time.

I have today written to the Governor of the Bank of England to confirm that the inflation target for the Monetary Policy Committee will remain at 2%, as measured by the Consumer Prices Index.

I can also confirm that the Asset Purchase Facility set up by my predecessor will remain in place.

Once cause of current instability is the conflict inside Libya.

The whole House will praise the courage and professionalism of our armed forces, who are trying to bring that conflict to an end and save lives.

And I can confirm that the additional cost of military operations will be met entirely from the Treasury reserve.

The House will also know that last week I authorised for the UK to take part in a co-ordinated G7 currency intervention in support of the Japanese Yen.

Our hearts go out to the Japanese people – and this is one way we can help.

It is still too early to say what lasting impacts the earthquake and tsunami will have on the world economy.

But this is an opportunity for me to report that we had already decided to rebuild the UK's foreign currency reserves, which are at a historically low level.

We will purchase a range of high-quality assets – though unfortunately, with the price of gold now at record highs, we will not be able to replenish the gold reserves sold at record lows.

I turn now to the fiscal forecasts for our debt and deficit.

Borrowing to fund the deficit this year is now set to come in at £146 billion, below target.

Then fall to £122 billion next year.

Then £101 billion the year after.

Then £70 billion in 2013-14.

Then £46 billion.

And £29 billion by 2015-16.

Inflation has had its impact but crucially the OBR assess that next year's structural deficit remains the same as forecast last November.

In other words, the size of the task of repairing Britain's finances is unchanged.

Our national debt, as a share of our national income, is forecast to be 60% this year, before peaking at 71%, and then starting to fall – reaching 69% by the end of the period.

This leads me to one of the central tasks of the OBR.

That of assessing the Government's performance against its stated budget goals – in an open and independent way, so that we avoid repeating the disastrous experience of the so-called golden rule.

Our fiscal mandate is to achieve a cyclically-adjusted current balance by the end of the rolling five year forecast period – which is currently 2015-16.

We have supplemented that with a fixed target for debt: so that debt should be falling as a proportion of GDP by the year 2015-16 as well.

I can report to the House that the OBR confirm that on their central forecast we will meet both these objectives – a balanced structural current budget and falling national debt by the end of the Parliament.

Indeed, the forecast remains that we will meet both these objectives one year earlier.

But, Mr Deputy Speaker, I said at the start that stability and fiscal responsibility was not enough.

Our country has to compete if we are going to create growth and jobs.

Britain has fallen behind many others in the world in the last decade.

We've dropped from 4th to 12th place in the global competitiveness league.

And growth in our country has been so unbalanced.

Consider this staggering truth – during the boom years before the bust, private sector employment actually fell in a region as important as the West Midlands.

So today's Budget is an urgent call to action for Britain.

Private sector growth must take the place of government deficits.

Prosperity must be shared across all parts of the UK.

Yes, we want the City of London to remain the world's leading centre for financial services, but we should resolve that the rest of the country becomes a world leader in advanced manufacturing, life sciences, creative industries, business services, green energy and so much more.

This is our vision for growth.

Difficult decisions and major reforms are needed to make it happen.

But the alternative is to accept Britain's economic decline and a continuing fall in living standards for our population.

And that is not an alternative anyone in this House should be prepared to accept.

This Budget sets for Britain these four economic ambitions.

That Britain should:

- **Have the most competitive tax system in the G20;**
- **Be the best place in Europe to start, finance and grow a business;**
- **Be a more balanced economy, by encouraging exports and investment;**
- **And have a more educated workforce that is the most flexible in Europe.**

Let me set out the measures now that will achieve these ambitions.

First, taxation.

Here's the truth – Britain used to have the 3rd lowest corporate tax rate in Europe. It now has the sixth highest.

At the same time, our tax code has become so complex that it recently overtook India to become the longest in the world.

Adam Smith first set out the principles of good taxation.

This Government declares these principles again today for the modern age.

Our taxes should be efficient and support growth.

They should be certain and predictable.

They should be simple to understand and easy to comply with.

And our tax system should be fair, reward work, support aspiration and ask the most from those who can most afford it.

In July last year, we set up the Office of Tax Simplification to provide independent advice on how to reduce the complexity of the existing system.

I want to thank Michael Jack and John Whiting for the work they have done.

Following their recommendations, I can announce today that this Budget abolishes no fewer than 43 complex reliefs.

This includes the 'millennium gift aid system' – which we won't need for another 989 years.

I have decided not to follow their advice to abolish the Community Investment Tax Relief – and instead I encourage people to take it up.

But this Budget at a stroke removes over 100 pages from our tax code and begins the work of simplification.

In the last Budget, I announced that from next month welfare payments and public service pensions would be up-rated in line with the Consumer Prices Index.

I said at the time we should also consider up-rating the tax system in the same way.

So from April 2012, the default indexation assumption for direct taxes will move to CPI.

There will be protection through this Parliament for those eligible for age-related, married couple and blind person's allowances – and for employers National Insurance Contributions.

The increase in the personal tax allowance already announced will vastly exceed anything lost through employee NICs up-rating, and that's even before any further increases in that allowance.

This will bring coherence to the tax and benefit system, and we look at moving indirect taxes onto the same basis when the fiscal position allows.

But there is one further step we should now undertake that will dramatically simplify the tax system.

For decades, we have operated Income Tax and National Insurance as two fundamentally different taxes and forced businesses large and small to operate two completely different systems of administration, with two different periods and bases of charge.

The resulting anomalies are legion.

And it imposes totally unnecessary costs and complexity on employers, and costs the taxpayer in the extra burden it places on HM Revenue & Customs.

So I am announcing today that the Government will consult on merging the operation of National Insurance and Income Tax.

I am not proposing we extend National Insurance to pensioners, or to other forms of income, or that we abolish the contributory principle.

Our purpose is not to increase taxes, it is to simplify them.

And this huge task will therefore require a great deal of consultation and take a number of years to complete.

But it is time we took this historic step to simplify dramatically our tax system and make it fit for the modern age.

Making our tax system more competitive is another challenge for the times we live in.

Again, let's face facts.

Other countries are quite deliberately making their tax systems more competitive, and attracting multi-national companies away from the UK.

We could stand there and do nothing.

But increasing the living standards of every hard pressed family in the country depends on keeping those companies, and the jobs and the investment and the tax revenues that come with them, here in the UK.

So we will go ahead with the highly competitive tax rate on profits derived from patents in industries like pharmaceuticals.

We will fundamentally reform the complex rules for Controlled Foreign Companies and make them more territorial.

We will introduce new rules that effectively apply an ultra-competitive 5.75% rate on overseas financing income.

That will give us a far more attractive system than France, America or Germany.

I want Britain to be the place international businesses go to, not the place they leave.

But today I want to do even more.

So I can today announce that from April this year corporation tax will be reduced not just by 1% as I previously announced but by 2%.

And it will continue to fall by 1% in each of the following three years – taking our corporate tax rate right down to 23%.

16 per cent lower than America, 11 per cent lower than France and 7 per cent lower than Germany – the lowest corporation tax rate in the G7.

Let it be heard clearly around the world – from Shanghai to Seattle, and from Stuttgart to Sao Paolo: Britain is open for Business.

And to ensure that this is not a net tax cut for banks, I am adjusting the bank levy rate next year to offset its effect.

In each and every year of this Parliament our permanent bank levy raises more than the one-year bonus tax of the last Parliament.

The most competitive tax system in the G20 is the first of our economic ambitions.

The second is that Britain becomes the best place in Europe to start, finance and grow a business.

Again, let's face facts: we are not that today.

In the last decade, countries like Germany, Denmark, Finland and the Netherlands have all overtaken us in the international rankings of competitiveness.

That is not surprising when the total cost of regulation imposed on business since 1998 is almost £90 billion a year.

So in today's Plan for Growth we take action:

- **£350 million worth of specific regulations will go – including the Equality Act's costly dual discrimination rules;**

- **Lord Young's recommendations on health and safety laws will be implemented in full;**

- **The no-win no-fee legal services that prey on employers will be restricted;**

- **Existing regulation will be scrutinised by the public.**

And from April, we are going to impose a moratorium exempting all businesses employing fewer than ten people – and all genuine start-ups – from new domestic regulation for the next three years.

We will take this fight against regulation to Brussels, where my RHF the Prime Minister is this week recruiting other European allies to ensure our continent doesn't price itself out of the world.

And we are going to tackle what every government has identified as a chronic obstacle to economic growth in Britain, and no government has done anything about: the planning system.

Councils are spending 13 per cent more in real terms on planning permissions than they did five years ago, despite the fact that applications have fallen by a third.

Yes, local communities should have a greater say in planning, but from today:

- **We will expect all bodies involved in planning to prioritise growth and jobs;**

- **We will introduce a new presumption in favour of sustainable development, so that the default answer to development is 'yes';**

- **We will retain existing controls on greenbelt – but we will remove the nationally imposed targets on the use of previously developed land;**

- **And we will allow certain use class changes, introduce time limits on applications and pilot for the first time ever auctions of planning permission on land.**

Cumbersome planning rules and bad regulation stand in the way of new jobs.

So too does the shortage of finance.

Small businesses are the innocent victims of the credit crunch.

That is why we have agreed with the banks a 15% increase in the availability of credit to small businesses.

But the lack of start-up capital has been a long standing problem in the British economy.

Too often we have the great ideas in Britain but it's other countries that exploit them.

So today I announce sweeping changes to improve the generosity, the simplicity and the reach of the Enterprise Investment Scheme.

From April this year, income tax relief will increase from 20% to 30%.

Next year we will double the amount that any individual can invest through the EIS, increase the size of company that can qualify for investment – and raise the limit on the amount that can be invested in a company by 400%.

And next week my RHFs the Prime Minister and Business Secretary will launch 'Start-Up Britain', a new campaign by entrepreneurs for entrepreneurs, supported by many of Britain's most successful firms, that will help people start and grow businesses.

Today we can add to that help.

From 6th April this year I am doubling the size of Entrepreneurs Relief to £10 million.

Let Britain be the home of enterprise in an age when people can invest all over the world.

It's time too that we ended the uncertainty around the taxation of non-domiciles.

They are very welcome in this country, but I've always believed that they should pay something in return for their special tax status.

The last government followed our advice and introduced a £30,000 charge for those who had lived here for seven years.

I think we can ask more from those who've been here even longer, so I'm increasing the charge to £50,000 for non-doms who have been in the country for 12 years.

This will raise over £200 million in the coming years.

But in return – and to encourage investment in our country – I am removing the tax charge when non-doms remit foreign income or capital gains to the UK for the purpose of investing in a British business.

And we will introduce a statutory residence test.

To end the speculation and uncertainty, and to provide stability, I confirm that I will be making no further changes to the taxation of non-domiciles in this Parliament.

In an age when businesses and capital and people can increasingly move anywhere, high tax rates can do real damage.

That's true for high corporate taxes.

It's true for high personal tax rates too.

They crush enterprise, undermine aspiration and often undermine tax revenues as people avoid them.

I am clear that the 50 pence tax rate would do lasting damage to our economy if it were to become permanent.

That is why I regard it as a temporary measure.

Just as my Labour predecessor, the RHM for Edinburgh South West, did when he introduced it.

I've said before that now wouldn't be the right time to remove it, when we're asking others in our society on much lower incomes to make sacrifices.

For we're all in this together.

But I think it's sensible to see how much revenue it actually raises.

I've asked HMRC to find out the truth when the self-assessment forms start coming in.

Of course, taxation must be fair. It's right that the wealthiest should pay more than others.

And it's especially wrong when they avoid taxes.

I'll have more to say later on tax avoidance and evasion, but there's one area that needs extra work in the coming months, and that's on the taxation of very high value property, where evasion and avoidance are widespread and some of the wealthiest are not paying their fair share.

So as well as reviewing revenues from the 50p tax rate, we will also be redoubling our efforts to find ways of ensuring that owners of high value property cannot avoid paying their fair share.

Help for small businesses. A boost for enterprise. Reforms to planning. Cuts to existing regulations and a moratorium on new ones.

All part of our ambition to make Britain the best place in Europe to start, grow and finance a business.

Our third ambition is to encourage investment and exports as a route to a more balanced economy for Britain.

In the Plan for Growth we publish today, we set out specific measures we can take to help a wide range of businesses.

In life sciences, where we will radically reduce the time it takes to get approval for the clinical trials.

In our digital and creative industries, where we will improve the intellectual property regime.

In our professional and business services, one of our unsung success stories, we will reform our burdensome money laundering regime, promote the UK as the global centre of legal arbitration, and launch a new trusted business visa service.

Our retail sector includes many small shop keepers anxious about the impact of coming business rate rises.

The last government planned that the current rate relief holiday for small businesses should end in October this year.

I don’t think that would be right.

So I can announce that, at a cost to the Exchequer of £370 million, I will extend the rate holiday for small businesses for another year – to October 2012.

We will also take action to help the construction industry.

Stamp Duty will now be levied on the mean value of the houses being purchased within a portfolio – not the bulk cost.

And Real Estate Investment Trusts will be simplified to encourage home-building.

But average mortgage deposits are close to 30% and this puts home ownership beyond the reach of many many families.

This is not fair.

So I can announce that – from the proceeds of this year's bank levy – we will fund a £250 million commitment to first-time buyers.

A new shared equity scheme, First Buy, will be available for first-time buyers who want to purchase a newly built property, but who cannot afford the high deposits.

This will help 10,000 families get on to the housing ladder for the first time.

The previous government intended to end the temporary changes to the Support for Mortgage Interest scheme next January – instead we will extend it for another year.

That will reduce mortgage arrears for around 100,000 out-of-work homeowners.

Mr Deputy Speaker, manufacturing is crucial to the rebalancing of our economy.

Over the last decade, the share of the economy accounted for by financial services increased by over two thirds – while manufacturing's share fell by almost a half.

Under this Government manufacturing is now growing at a record rate – and 14,000 more jobs have been created in the sector in the last 3 months.

To help this continue, the Government announces plans today to:

- **Make our export promotion more entrepreneurial and create new export credits to help smaller businesses;**

- **Launch Britain's first Technology and Innovation Centre for high-value manufacturing;**

- **And fund a further nine new university centres for innovative manufacturing.**

Science is one area where Britain already has an advantage over many other countries – and it is central to our future as a place to create businesses.

That's one reason why I protected the science budget from cuts last year.

I can tell the House that I have been able to find, again from this year's extra bank levy, an additional £100 million to invest this year in new science facilities at:

- **The Babraham Research Campus in Cambridge;**

- **The Norwich Research Park for environmental and life sciences;**

- **And the International Space Innovation Centre at Harwell;**

- **The National Science and Innovation Campus at Daresbury.**

But if Britain is really to become a home of innovation then we want research and development to take place not just in our great universities, but in our smaller businesses too.

One of our greatest high tech innovators, James Dyson, has urged me to increase the support they get.

I have listened to him, and gone even further than he recommends.

From April this year the small companies Research and Development Tax Credit will rise to 200% – and from next year it will rise again to 225%.

We also want to encourage manufacturers to invest in the latest machinery and technology.

So I propose to double the limit on the capital allowances for short life assets from four years to eight years.

And the allowance for the renovation of business premises in assisted areas – which was due to expire next year – we will extend for a further five years.

Supporting the private sector across the whole of the United Kingdom is central to our economic ambitions.

Savings in the Transport Department mean that we can also afford £200 million of additional investment in our regional railways.

We will go ahead with the £85 million Ordsall Chord scheme, linking Manchester's Victoria and Piccadilly stations and significantly reducing journey times between Liverpool and Leeds.

We can commit to – and I know many HMs have been calling for this – the Swindon to Kemble redoubling scheme. And this will complement our electrification of the Great Western Main Line to Wales.

And we can find another £100 million to help councils repair the winter potholes on our roads.

Helping all parts of our country succeed is also the purpose behind the new Enterprise Zones we launch today.

Mr Deputy Speaker there has been reports that we would be able to fund 10 new Enterprise Zones.

Today I confirm that instead we will fund instead 21 new Enterprise Zones.

Businesses will get up to 100% discount on rates, new superfast broadband and the potential to use enhanced capital allowances in zones where there is a strong focus on manufacturing.

In return for radically reduced planning restrictions, we will let local authorities keep all business rate growth in their zone for a period of at least 25 years to spend on development priorities.

The first ten Enterprise Zones will be in urban areas of highest need but also potential. In:

- **Birmingham and Solihull;**
- **Leeds;**
- **Liverpool;**
- **Greater Manchester;**
- **The Tees Valley:**
- **Tyneside:**
- **The Bristol area;**
- **The Black Country;**
- **Derbyshire and Nottinghamshire;**
- **And Sheffield.**

Tomorrow, my RHFs the Prime Minister and Deputy Prime Minister will announce some of the specific locations of these new Enterprise Zones.

And I confirm that a further Zone will be located in London – where I have asked the Mayor to choose a suitable site.

A further ten Enterprise Zones will be announced in the summer.

I want Local Enterprise Partnerships all over the country to come forward with proposals.

Responsibilities are devolved in Northern Ireland, Scotland and Wales, so we will work with the administrations so that they too can enjoy the benefits of this policy.

In Northern Ireland, tomorrow the Treasury will publish a paper on how we help their private sector to grow.

To deal with the unique issues posed by the Irish Republic's business tax regime, it considers the case for Northern Ireland having an even lower rate of corporation tax than the rest of the UK.

I look forward to engaging with all parties there on the way forward.

There is one other particular issue that affects a specific part of our country.

And that is the very high water bills for customers in the South West, because of the geography there, particularly for those on lower incomes.

So we will come forward with public money to help bring their bills down.

Mr Deputy Speaker, let me turn now to opportunity presented by the green energy revolution – and our determination to be the greenest government ever.

We've already announced our ambitious Renewable Heat Incentive and support for low emission cars, and changes to the company car tax regime today increase that support.

Our Green Deal to reduce the energy bills for homes will be introduced next year, and I now confirm that we will act to incentivise and encourage its take up.

We are pioneering new Carbon Capture and Storage technology with £1 billion already provided – and future projects will be funded out of general spending rather than a complex new levy.

But we need to take two further, bold steps if we are to make the green energy revolution a reality.

First, as I have long-argued, investment in green energy will never be certain unless we bring some stability to the price of carbon.

Today we become the first country in the world to introduce a carbon price floor for the power sector.

The price will start at around £16 per tonne of carbon dioxide in 2013 and move to a target price of £30 per tonne in 2020.

This will provide the incentive for billions of pounds of new investment in our dilapidated energy infrastructure.

To ensure customers get a fair deal, we will closely follow developments in the energy sector in the light of the OFGEM review published on Monday.

At the same time I am extending the Climate Change Agreements to 2023, and increasing the Climate Change Levy discount on electricity for those who sign up from 65% to 80% from April 2013.

This will help our most energy intensive industries.

Green taxes will increase as a proportion of our total tax revenues, as we promised.

The second bold step we take today is the creation of the Green Investment Bank, to support low-carbon investment where the returns are too long-term or too risky for the market.

We've already committed a billion pounds to it. Today I commit two billion pounds more, funded from asset sales and underwritten by the Treasury.

This will enable the Green Investment Bank to start operation one year earlier than planned – in 2012.

It will leverage an additional £15 billion of private sector investment in green projects over this Parliament.

I can also confirm today that from 2015-16, and subject to our overall debt target being met, we will allow the Green Investment Bank to borrow and invest in a better future.

So a Green Investment Bank with its resources trebled. A new Carbon Price floor. New capital allowances for manufacturing. New support for homebuilders and first-time home buyers.

An economy where the growth happens across the country and across all sectors.

That is our ambition.

And leads me to this fourth ambition.

To create a more educated workforce that is the most flexible in Europe.

Britain's working age population has lower skills than the populations of America, Germany and France.

That's probably the biggest problem facing our economy in the future.

That's why we're undertaking far-reaching reform of our schools and universities, and funding a Pupil premium and additional early years support for our most disadvantaged children in poverty.

That is why we commissioned Alison Wolf's impressive report.

The Government is committed to funding new University Technical Colleges which will provide 11-19 year olds with vocational training that is among the best in the world.

The curriculum is being developed in close co-ordination with both local universities and leading employers – and I commend Ken Baker for getting these new colleges up and running in our manufacturing heartlands.

To date the Government has announced that it will fund 12 new University Technical Colleges.

I can tell the House we will provide funding to double that number to at least 24.

We will also deal directly with the challenge of youth unemployment that has been on a steady rise for the last seven years, and give people direct contact with the work place.

Instead of 20,000 young people benefiting from our new work experience scheme, as we planned, we will increase that number fivefold – to 100,000 places over the next two years.

In Austria, Germany and Switzerland around one in four employers offer apprenticeships.

In England fewer than one in ten do.

That's got to change. Last year, my RHF the Schools Minister published a Skills Strategy and confirmed the largest ever expansion in adult apprenticeships.

Today, I am funding another 40,000 apprenticeships for young unemployed people.

There are currently only 1,500 higher level apprenticeships across the whole of England. This Budget provides for 10,000 more.

That brings a total of 250,000 more apprenticeships over the next four years, as a result of this Government's policies.

A Government backing what works, real training, secure jobs, more growth.

Mr Deputy Speaker, we shouldn't talk about those at the start of their working life – without also talking about those who are coming to the end of their working lives and looking to retirement.

I am very proud that it was this Coalition Government that took the decision to re-link the basic state pension to earnings – and guarantee its increase through a triple lock.

This would simply not have been affordable – as Adair Turner's report argued – without an increase in the State Pension Age.

The State Pension Age is set to rise to 66 by 2020. I can tell the House that we will now seek – hopefully with all-party support – a new, more automatic mechanism for future increases in the State Pension Age based on regular, independent reviews of longevity.

This is another major reform that will help Britain live within her means.

We also need to make sure that our public service pensions are both fair to those who give their working lives to help others, and fair to the taxpayers who have to fund them.

Today we publish the result of our consultation on the discount rate, which shows that a more appropriate rate would be inflation plus GDP growth.

This reinforces our case for increasing the employee contributions by an average of 3 percentage points.

Indeed, the new discount rate could be used to justify further contribution rises.

As part of the wider reforms, I am not proposing to ask for more than the 3 percentage point average.

John Hutton has now completed his final report, which looks at the pension benefit.

I am sure Members in all parts of this House will want to thank him for a very impressive piece of work.

I confirm today that the Government accepts Hutton's recommendations as a basis for consultation with public sector workers, unions and others.

There should be no cherry-picking on either side.

I believe this House should also recommend similar changes to the pensions of MPs.

And we should also address the state pension system, which has become unbelievably complex.

If people can't work out what they're going to get in retirement, or how much will be clawed back by the means-tests – then they can't work out what they need to save.

So the Pensions Minister, the Pensions Secretary and I have worked together to develop options including a new single-tier pension.

It would be simple; it would be based on contributions; it would be a flat-rate, so people know what to expect.

And it would cost no more than the current system.

We currently estimate this new single-tier state pension would be worth around £140 per week.

It will not apply to current pensioners – and it will take years fully to come into effect.

As with the other major reforms I have announced today to simplify our tax system, improve our economic performance and reform our public sector pensions – this Government is doing the right thing for the long term.

The most competitive corporate taxes.

The best place to start-up and run a business.

An investing, exporting, greener more balanced economy.

A better educated workforce.

A fairer pensions system.

These are our ambitions for Britain.

With the measures to match.

Mr Deputy Speaker, let me now turn to personal taxes and duties.

And let me start by noting that a society should not just be judged by the strength of its economy, but also the compassion of its people.

The Culture Secretary and I have been working on a series of substantial reforms that will support giving, from the largest donations to the coins collected in the charity bucket.

First, we will dramatically simplify the administration of Gift Aid.

Instead of asking charities to submit a written record of every donation made, we will by 2013 pay for a much easier online system.

Second, we will encourage wealthy people in our society to give even more.

The Gift Aid benefit limits will be increased from £500 to £2,500 so that charities and museums can say thank you properly.

We will consult in the coming year on how to encourage the donations of pre-eminent works of art and historical objects to our nation in return for a tax deduction.

And we will introduce from April next year this major change to our inheritance tax system.

If you leave 10 per cent or more of your estate to charity, then the Government will take 10 per cent off your inheritance tax rate.

Let’s be clear. No beneficiaries will be better off.

Just the charities. To the tune of £300 million.

I want to make giving 10% of you legacy to charity the new norm in our country.

The third reform we make to the charitable taxes is not about the biggest donations, but the smallest.

We will introduce a new scheme where Gift Aid can be claimed on small donations, up to a total of £5,000 a year per charity, without the need for donors to fill in any forms at all.

That means Gift Aid on the contents of the collecting tin and the street bucket.

100,000 charities will benefit to the tune of £240 million.

Together, these represent the most radical and most generous reforms to charitable giving for more than twenty years.

Do the right thing for a charity, and the Government will do the right thing by you.

It's a big help for the Big Society.

But our charity does not extend to those in our society who seek to avoid paying their fair share of taxes.

Tax avoidance and evasion mean that we have to ask more from working families.

And that is not fair.

Unfortunately, not enough has been done in recent years to tackle this injustice. HMRC estimate that £14 billion was lost through avoidance and evasion in 2008.

Today we publish our new strategy paper on *Tackling Tax Avoidance* and we take specific measures to shut down the open abuses that have been allowed to continue for too long.

We will close down three forms of Stamp Duty Land Tax avoidance, tighten capital gains rules for companies – and end the practice of disguised remuneration, which sees highly paid employees offered tax-free, lifetime loans that are never repaid.

And we're going to tackle the exploitation of low value consignment relief that has left our high street music stores fighting a losing battle with warehouses in the Channel Islands.

In total, on the numbers audited by the independent OBR, the tax avoidance measures in this Budget raise around £1 billion a year – that's £4 billion over the Parliament.

We are doing more today to clamp down on tax avoidance than in any Budget in recent years.

And that gives us more resources, in a fiscally neutral budget, to help those families who do pay their taxes – but who are struggling with the daily cost of living.

We have already taken steps to help from this April.

I am glad to report that following measures in my Budget last year, every local authority in England has chosen to freeze council tax in the coming year.

Compared to the amount council tax could rise by, this freeze will save a family in an average band D property £72 a year.

In two weeks time the child tax credit for lower income families will increase by an additional £255.

I can confirm today that in the coming year all workers in the armed forces, prison service, NHS, teachers and civil servants earning £21,000 a year or less will receive a pay uplift of £250.

As I said last year, the National Insurance rate rise which the last Government announced will have to go ahead.

But because we have increased the threshold, it will actually be cheaper to employ people on incomes of less than £21,000 than it is today.

That's how we've stopped Labour's jobs tax.

And anyone earning less than £35,000 a year will also be better off because in 14 days' time the personal income tax allowance – the amount people can earn tax free – will go up by £1,000.

That's the largest rise in history.

That means in real terms around £160 extra per year, or £200 in cash terms, for 23 million taxpayers.

The Coalition Agreement commits this Government to real increases in the personal allowance each and every year.

And sets this country the goal that no one earning less than £10,000 should be caught in the income tax net.

This Budget today takes another step towards that valuable goal.

I can confirm that from April next year the personal tax allowance will increase by a further £630, to £8,105.

That's another real increase of £48 extra per year, or £126 in cash terms.

Together with this year's rise, a total of £326 extra money each year for those working hard to pay for their family's needs.

And it means, just ten months into office, this coalition Government has taken 1.1 million low paid people out of tax altogether.

And one more thing.

Last year, we restricted the allowance increase to basic rate taxpayers. This year we have not.

The result is that there will be no more people pulled into the higher rate tax band as a result of this Budget.

Mr Deputy Speaker, let me turn to excise duties.

First, Air Passenger Duty.

We hoped we could replace the per passenger tax with a per plane tax.

We have tried every possible option, but have reluctantly had to accept that all are currently illegal under international law.

So we will work with others to try to get that law changed.

In the meantime, we are consulting today on how to improve the existing and rather arbitrary bands that appear to believe that the Caribbean is further away than California.

We will also seek to bring private jets, which pay no duty at all, into the scope of taxation.

The wealthiest should not escape the tax the ordinary holidaymaker has to pay.

And I can tell the House that with the hefty duty rise last year, and with the cost pressures on families, we think it would be fair to delay this April's Air Passenger Duty rise to next year.

Let me turn to duties on alcohol.

We have already announced plans to increase duty on the strongest beers and cut in half the duty paid on low alcohol beers.

Beyond that I can tell the House I have no further changes to announce to the rates of alcohol duty put in place by the previous government.

As usual these changes will come in at midnight on Sunday.

As announced by my predecessor, tobacco duty rates will increase by 2 per cent above inflation.

However, it is clear that the structure of the tobacco duty regime is being exploited to produce cheaper cigarettes.

So we will change the regime to narrow the differential between these lower cost brands and the rest, and between cigarettes and hand-rolled tobacco.

This will reduce smoking and improve our nation's health.

These tobacco duty changes will come into effect at 6pm this evening.

I turn now to other excise duties.

Rates of vehicle excise duty will increase by inflation only – and we will freeze rates for Heavy Good Vehicles to help our hauliers.

I am also proposing to increase the Approved Mileage Allowance Payments.

This mileage rate has not increased at all since 2002, making those who depend on their car for work increasingly worse off.

It will now increase from 40 pence to 45 pence per mile.

And I can tell the House that we will extend this relief to cover volunteers travelling as passengers – as charities and others have been calling for over many years.

All other duty rises will remain exactly as planned by the previous Government.

Except Fuel Duty.

The price of petrol has become a huge burden on families.

In the last 6 months, the cost of filling up a family car such as a Ford Focus has increased by £10.

This rise has also hit businesses hard, especially small businesses.

And it is important that when shocks like the steep rise in the oil price occur, a responsible government is able to listen and respond.

Let's be clear about what's within our control and what is not – so we don't raise false hopes.

British Governments are not in charge of the world's oil price.

As we've seen, events like those in the Middle East can push the cost of petrol at the pump higher.

But British Governments are in charge of the duty we levy on petrol.

And the previous Cabinet put in place before they left office a new fuel duty escalator that involved seven fuel duty increases.

Three have already taken place, adding just over 3p to the price of petrol.

The third step on the escalator is due to come into effect next week, and that would add almost another 5p to the price of a litre of petrol.

I have made it clear that I would listen to the concerns put to me by so many people.

Many have suggested that we should use the extra revenues we automatically get from the North Sea.

It's true that they go up when the oil price rises, but the OBR confirms that rising oil prices also cause other tax revenues across the rest of the economy fall by a similar amount.

I am not prepared to undermine the public finances like that.

Others in this House have suggested that we create a separate VAT rate for petrol.

The Treasury has examined this proposal.

It wouldn't fully offset their 5p rise that's coming.

It would take six years to come into effect.

And that's because it turns out to be illegal.

So I have decided to reject this approach and do something different.

The North Sea Oil tax regime was most recently changed in 2006, when the price of oil stood at $66. It is now almost double that amount.

That means the oil companies are making unexpected profits on oil prices that are far higher than those they based their investment decisions on.

Other oil-producing countries have a tax regime that automatically regulates returns when prices rise.

We do not – and the North Sea is too mature to introduce such a regime now.

Instead, we can do something else.

We can introduce a Fair Fuel Stabiliser.

From tomorrow the supplementary charge levied on oil and gas production will increase from 20% to 32%.

Even after this, profits on a barrel of oil are forecast to be higher in the next five years than in the last 5 years.

That will raise £2 billion additional revenue.

And we will use the new tax money to do this.

First, we will delay the inflation rise in duty planned for next week until next year – and also delay the April 2012 inflation rise until the following summer.

Second, the fuel duty escalator that adds an extra penny on top of inflation every year will be cancelled – not just for this year, or next year – but for the rest of this Parliament.

But I don't want important investment in the North Sea lost.

So if the oil price sustains a fall below $75, and we will consult on the precise figure, we will reintroduce the escalator and reduce the new oil tax in proportion.

That is how it will work. No escalator when the oil price is high. No extra tax on the profits of North Sea oil companies if the oil price falls and stays low.

It's a Fair Fuel Stabiliser.

And the result is this for Britain's hard-pressed families.

I've made sure there will be no fuel duty rise this year.

I have cancelled the fuel duty escalator when the oil price is high.

And one final thing.

As well as stopping these fuel duty rises I am today cutting fuel duty by 1 penny per litre.

This will take effect in petrol stations from 6pm tonight.

I know that by itself this will not end the pressure on family budgets.

But we've done what we can to help.

Help for families.

Help for businesses.

A Government that listens and helps.

Mr Deputy Speaker,

There were some who said that this year my job was to help families with the cost of living.

There were others who said 'no', my task was to back enterprise, support business and undertake far-reaching reform to help the economy grow.

It is the central understanding of this Government – and core to our strategy – that these are not two separate tasks.

They are one and the same thing.

We are only going to raise the living standards of families if we have an economy that can compete in the modern age.

So this is our plan for growth.

We want the words:

'Made in Britain'

'Created in Britain'

‘Designed in Britain’

‘Invented in Britain’

To drive our nation forward.

A Britain carried aloft by the march of the makers.

That is how we will create jobs and support families.

We have put fuel into the tank of the British economy.

And I commend this Budget to the House.

ENDS