



National Assembly for **Wales**
Cynulliad Cenedlaethol **Cymru**

The Chancellor's Budget 2008

Abstract

On Wednesday 12 March 2008, the Chancellor of the Exchequer, Rt Hon Alistair Darling MP, issued the Budget Report for 2008.

This paper brings together a range of information, analysis and commentary on the Chancellor's Budget Report 2008, including an overview of its impact on Wales, together with a range of stakeholders' views and media coverage.

March 2008

The Chancellor's Budget 2008

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The Chancellor's Budget 2008

On Wednesday 12 March 2008, the Chancellor of the Exchequer, Alistair Darling, issued the 2008 Budget, entitled *Stability and opportunity: building a strong, sustainable future*. This is the Chancellor's first Budget. This paper brings together a range of information, analysis and commentary on the Chancellor's 2008 Budget, including an overview of its impact on Wales, together with a range of Stakeholders' views and media coverage.

1 About the Chancellor's Budget

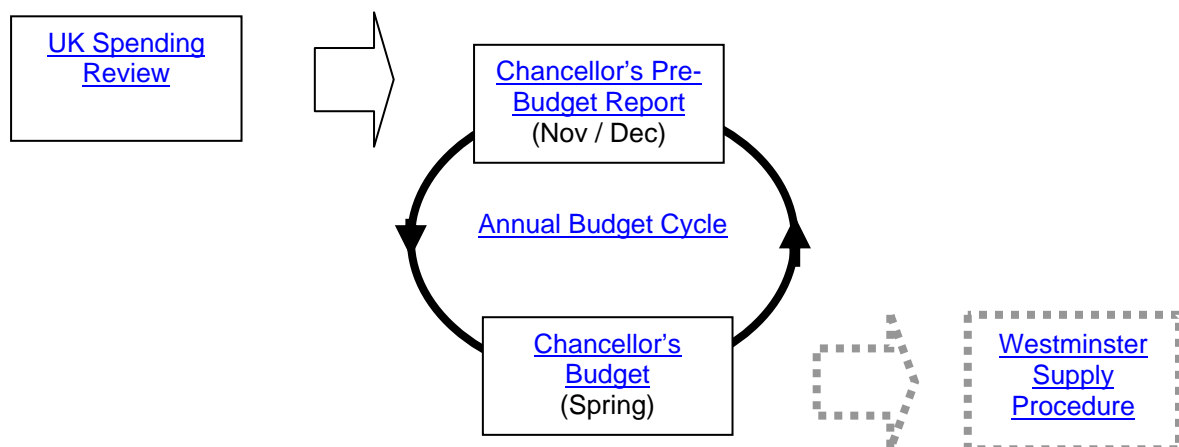
The Budget is the major financial and economic statement made each year by the Chancellor of the Exchequer to Parliament and the nation. The Budget information is published in two main sections - the Economic and Fiscal Strategy Report (EFSR) and the Financial Statement and Budget Report (FSBR).

The role of the Budget is to:

- provide an update on the state of the economy and public finances and to present new forecasts for each;
- set out the Government's economic and fiscal objectives;
- report on the progress the Government has made towards achieving its objectives;
- set out the further steps the Government is taking to meet them.

Since 1998, the Chancellor has presented the Budget in the spring.

Figure 1. The Budget process at Westminster



Within the context of the UK Spending Review cycle, the Chancellor's Budget is the key stage in the annual budget process. Following the publication of the Chancellor's Budget, the Main Estimates are prepared providing Parliamentary authority for expenditure through the Supply Procedure (including grants to fund the devolved administrations).

2 Key Points from Budget 2008

Budget Report 2008 – Chapter 1 Overview

Source: HM Treasury
Date: 12 March 2008
Reference: Publication
Link: http://www.hm-treasury.gov.uk/media/0/9/bud08_chapter1.pdf

The Chancellor's speech:

http://www.hm-treasury.gov.uk/budget/budget_08/bud_bud08_speech.cfm

The full budget report:

http://www.hm-treasury.gov.uk/budget/budget_08/report/bud_bud08_repindex.cfm

Extract:

The Government's economic objective is to build a strong economy and a fair society, where there is opportunity and security for all. Budget 2008, *Stability and opportunity: building a strong, sustainable future*, presents updated assessments and forecasts of the economy and public finances, and reports on how the Government's policies are delivering its long-term goals. The Budget:

- reports that the economy is stable and resilient, and continuing to grow, and that the Government is meeting its strict fiscal rules for the public finances;
- sets out further financial support for children, which will lift 250,000 children out of poverty;
- alongside the Winter Fuel Payment, an additional one-off payment of £100 to over 80's households and £50 to over 60's households in 2008-09. This will benefit around 9 million households;
- announces a package of access to finance measures including enhancing the Small Firms Loan Guarantee Scheme and the Enterprise Capital Funds to support small firms in accessing the resources they need to start up and grow;
- sets out a £200 million package over the next three years to bring forward by a year to 2011 the Government's ambition for no school to have fewer than 30 per cent of its pupils achieving 5 A*-C grades at GCSE, including English and maths.
- takes further steps to meet the long term challenge of delivering decent and affordable housing;
- postpone the planned fuel duty increase of 2 pence per litre in April 2008 until 1 October 2008;
- increases alcohol duty rates by 6 per cent from 17 March 2008;
- lays the ground work for the introduction of five-year carbon budgets, and announces that the first budgets will be set as part of Budget 2009;
- announces further steps to tackle climate change including reforms to Vehicle Excise Duty, auctioning of 100 per cent of allowances for large electricity producers in Phase III of the EU Emissions Trading Scheme, and that to eliminate single use carrier bags, the Government will legislate and impose a charge if retailers do not take voluntary action; and
- introduces further reforms to modernise the tax system, and a number of measures to tackle tax fraud and avoidance.

Budget report: Opposition response

Source: ePolitix
Date: 12 March 2008
Reference: Budget 2008: Conservative response
Link: <http://www.epolitix.com/EN/News/200803/0bfc4a8d-dfab-4e52-ac7c-b8e2a55fa75d.htm>

Extract:

The government has left Britain "badly prepared for an economic downturn", David Cameron has said.

Responding to chancellor Alistair Darling's first Budget in the Commons on Wednesday, the Conservative leader said ministers had "no room for manoeuvre".

Dismissing the statement as a "dire list of reviews and re-announcements", he said it showed no recognition of the rising cost of living and increasing tax bills.

"Everybody has now learned the cost of living under Labour," he said.

The government took "all the credit" when the global economy was growing, he went on, but now it was in difficulty "will not take any of the blame".

Accusing Darling of burying bad figures in the Budget, Cameron said that the current account deficit is set to rise to a record £72bn pounds.

The rate of business investment was "slumping" by two-thirds, he said, while debt as a share of GDP was 43.8 per cent when Northern Rock was taken into account - "busting" the government's fiscal rule.

The country has the highest tax burden in history, he said, and the highest budget deficit in Western Europe.

Cameron added that Britain has the highest interest rate in the G7 group of countries, and that only Hungary, Pakistan and Egypt had more debt as a share of national income.

"What we need is a government that helps people when times are tough, instead it kicks them when they are down," he said.

"In the years of plenty they put nothing aside, they didn't fix the roof when the sun was shining."

Source: ePolitix
Date: 12 March 2008
Reference: Budget 2008: Lib Dem response
Link: <http://www.epolitix.com/EN/News/200803/580e048d-4fa6-4ff9-827b-d6358e339dc7.htm>

Extract:

Liberal Democrat leader Nick Clegg has described this year's Budget as a "green cop-out".

Speaking in the Commons on Wednesday, Clegg said Alistair Darling had not done enough on green taxes.

"This Budget was widely trailed by the Treasury as the greenest ever," he told MPs.

"But at the first sign of political difficulty the government has run away by postponing the petrol duty increase until October."

The Lib Dem leader said Darling had performed an "act of political ventriloquism".

"The chancellor is the prime minister's creature, struggling to clear up a mess left by his boss under instruction from Number 10," argued Clegg.

"This is not a Budget for the environment. It's a Budget driven by fiscal incompetence and political desperation," he added.

Clegg also criticised the government's announcements on capital gains tax, saying these were "mired in chaos".

"It is a meagre, tinkering Budget which gives precious little help to the poor but maintains special treatment to the rich," he said.

"A Budget designed to fill a black hole masquerading as good for the environment. A Budget which will not make Britain fairer. A Budget which is a green cop-out."

On Darling's child poverty pledges, Clegg dismissed the "meagre, piecemeal reforms" to the "chaotic tax credit system", which he said would do nothing to help the government meet its target of halving child poverty by 2010.

He described the measures on fuel poverty as "too little, too late", saying that limiting regulations to pre-paid meters "doesn't go nearly far enough".

"This is not a green Budget, this is not a people's Budget. This is a tinkering con-trick Budget that protects the rich and abandons the poor," he added.

The Hansard records of the first two days of the Budget debate are available here:

Wednesday 12 March 2008:

<http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm080312/debindx/80312-x.htm>

Thursday 13 March 2008:

<http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm080313/debtext/80313-0006.htm#080314400001>

Point-by-point: Budget

Source: BBC News
Date: 12 March 2008
Reference: Press Article
Link: http://news.bbc.co.uk/1/hi/uk_politics/7291841.stm

Extract:

Here are the key points from the Chancellor Alistair Darling's 2008 Budget: **CIGARETTES AND ALCOHOL**

- Cigarettes up 11p a packet of 20 from 1800 GMT; five cigars up 4p.
- Beer up by 4p a pint, wine 14p a bottle, spirits 55p a bottle and cider 3p a litre by Sunday.
- Duties on alcohol will go up by 2% above inflation for next four years.

CARS, FUEL AND ROAD PRICING

- From 2009, major reform of the vehicle excise duty. For new cars from 2010, the lowest-polluting cars will pay no road tax in the first year. Higher-polluting cars will pay more.
- Funding set aside for road-pricing proposals.
- 2p increase in fuel duty is postponed until October this year.
- For environmental reasons, fuel duty will rise by 0.5p per litre in real terms in 2010.

HOUSING

- From April, key workers, such as teachers and nurses, will be able to borrow money from shared equity schemes.
- Stamp duty on shared ownership homes will not be required until people own 80% of their home.
- More people should have the chance to have a long-term fixed mortgage, which a report shows can reduce the risks for first-time buyers and can keep them on the housing ladder.
- Sites for 70,000 more houses have been identified.

PENSIONERS

- Winter fuel allowance will go up from £200 to £250 for the over 60s and from £300 to £400 for the over 80s.

BENEFITS

- From October 2009, rules for housing and council tax benefit will mean families on benefit are better off in work.
- From April, 2009, child benefit will be increased to £20 a week.
- From April 2010, all long-term recipients of incapacity benefit will attend work capacity programmes.

BUSINESS

- £60m over three years for equipping people to return to the workplace.
- Corporation tax will fall from 38% to 28% by April this year, with simpler taxes for small companies.
- More help for small businesses, with capital gains tax remaining at 10%.
- Funds available through the small firms loans guarantee will increase by 60% in the next year.
- There will be a capital fund of £12.5m to encourage more women entrepreneurs.

AIRPORTS AND AIR TRAVEL

- New measures at Heathrow and other airports, using biometric technology, to speed up the time it takes to get through security checks.

ENVIRONMENT

- Laws will be introduced by 2009 to tax plastic bags if shops do not do more to charge for their use.
- £26m to help make homes greener.



- New non-domestic buildings to become zero-carbon from 2019.
- The government is asking the European Commission for tougher targets on car fuel emissions
- Consideration is being given to raising the UK target for emissions cuts to 80% by 2050.

EDUCATION

- There will be £200m extra for schools to raise GCSE results. By 2011, every school "will be an improving school".
- There will be a £30m fund to improve science teaching.

POVERTY

- Child poverty must be eradicated in Britain. Total of 600,000 fewer children in relative poverty and 150,000 fewer children in absolute poverty.
- Five million customers on pre-paid meters should get a "better deal". Energy companies should spend £150m on social tariffs.
- £17 more a week for poor families with one child.
- A family with two children earning up to £28,000 a year will be £130 a year better off. A further £125m to be spent over the next three years to help families.

SAVINGS

- The government will launch the "savings gateway" nationally with the first accounts available by 2010.
- Cash ISA limit confirmed as £3,600 a year from April.

ECONOMY

- Turbulence in global financial markets, starting in the US, has spread across the world - and this poses a major risk to the world economy.
- The British economy will continue to grow. "This Budget is about equipping Britain for the times ahead...about building a fairer society," Mr Darling said.
- Britain is more resilient and more prepared to deal with global shocks.
- The UK's GDP per head has gone from the lowest in the G7 in the 1990s to second highest now.
- The British economy will this year grow from between 1.75% and 2.25%, down from 3% last year.
- "There will be no return to the inflation rates of the early 1990s," Mr Darling said.
- To provide certainty, the chancellor said he is writing to the governor of the Bank of England to keep a 2% target on inflation.
- Borrowing next year will rise to £43bn, some 2.9% of national income. It will fall to 1.3% by 2012/13.
- By 2011, investment will have increased by 500%, trebling as a share of national income.
- Public spending in the coming three years will grow by 2.2% a year.

ARMED FORCES

- an extra £2bn will be spent on troops in the frontline, including £900m on military equipment.

PUBLIC SERVICES

- Spending on government departments must be matched by reform.
- The focus for the next decade on the NHS will be creating "world-class services".

NON DOMICILES

- The government welcomes the contribution made by people from outside the UK. But non domiciled families should pay a "reasonable charge" after seven years.

Q & A: What the Budget means to you

Source: BBC
Date: 12 March 2008
Reference: Press Article
Link: <http://news.bbc.co.uk/1/hi/business/7291896.stm>

Extract:

Chancellor Alistair Darling has presented his first ever Budget - but how will the changes he announced affect your finances?

What is happening to car and petrol taxes?

A rise in fuel duty of 2p per litre, due to start this April, has been postponed to October 2008. But there will be another rise of 0.5p per litre in real terms from 2010.

From 2009 there will be a "major reform" of the regime for taxing cars. This will involve new bands of vehicle excise duty (VED) for newly manufactured low-emitting cars.

From April 2010, there will be no VED in a car's first year if it emits less than 130 grammes per kilometre of CO₂. But there will be a higher first-year rate for the most polluting cars.

What changes are there to state benefits?

From April 2009, rather than 2010, child benefit for the first child will be increased to £20 a week.

Also from April 2009, the child element of the child tax credit for families on low and middle income will rise by £50 a year above inflation.

The chancellor said this would mean that families with two children, earning up to £28,000 a year, would be £130 a year better off.

From April 2010 "work capability assessments" will be brought in for long-term claimants of incapacity benefit - to get more of them off benefits and back into work.

Is anything being done about rising gas and electricity bills?

The chancellor said he might change the law to force utility companies to give a "fairer deal" to the five million customers who use pre-payment meters for their gas or electricity bills.

What about the tax changes the chancellor announced last year?

The changes to capital gains tax already proposed, including the new entrepreneurs relief, and the standard rate of 18%, will start this April.

The new regime for the "non-domicile" tax payers, which has already been announced, will come in during April as planned, but there will be no further changes in either this Parliament or the next one.

Aren't there other changes in the pipeline?

There certainly are - and they were announced in last year's Budget statement.



From 6 April this year the low 10% "starter" rate for income tax is being abolished, while the "basic" rate will come down from 22% to 20%.

People aged over 65 will benefit from a substantial rise in their annual tax-free allowance, which goes up from £7,550 to £9,030.

Meanwhile the "upper earnings limit" for national insurance contributions goes up by £100 a week to £770 a week. So an extra £100 of earnings per week will have national insurance levied at 11% rather than 1%.

Is anything being done to make it easier to buy a house?

Where people buy their homes through the government's shared-ownership scheme, stamp duty on these homes will not be charged until the buyer owns 80% of the equity in the home.

What about plastic bags?

If retailers do not take steps themselves to cut back on their use, then legislation may be brought in next year that could force them to charge for plastic bags.

Fags and booze?

Excise duty on tobacco goes up from 6pm today and will put 11p on the price of a packet of 20 cigarettes and add 4p to the price of five cigars.

And from midnight on Sunday, alcohol duty rates will go up by 6% above inflation.

That means beer will rise by 4p a pint, cider by 3p a litre, wine will be 14p a bottle more expensive and spirits will cost 55p a bottle more.

However these alcohol duties will increase by 2% above the rate of inflation, each year, for the next four years.

Pensioners?

The winter fuel payment for the over-60s will go up from £200 to £250 and for the over-80s it will rise from £300 to £400.

Source: epolitix
Date: March 2008
Reference: Press Article

Extract:

Darling delivers 'stability' Budget

Alistair Darling has said his first Budget will ensure "stability now and in the future" as the global credit crunch bites on the economy.

The chancellor told MPs on Wednesday his annual statement on the public finances had at its heart "core values of fairness and opportunity" and would seek to "end child poverty in a generation".



Darling was speaking after the Bank of England on Tuesday put £10bn into the money markets as part of an international move to combat the global downturn.

He accepted that "Britain, with its central role in the financial system, is no exception" to the "worldwide" problem.

But he said the UK was "better placed than other economies to withstand the global slowdown".

Growth

While the Treasury downgraded its official growth forecast for 2008 and 2009 from that predicted last year, Darling reported: "The British economy will continue to grow this year and beyond."

He estimated that growth this year would be between 1.75 and 2.25 per cent, down from his forecast of between two and 2.5 per cent

However, the chancellor said this would rise to between 2.25 and 2.75 per cent in 2009, and further still in 2010.

Darling insisted that the government was meeting its borrowing rules on balancing the budget over the economic cycle and borrowing only to invest, although this excludes the government's liabilities on Northern Rock.

He also said that while inflation will exceed targets this year, it will return to the Treasury's two per cent target in 2009.

Fuel

The statement had been trailed as a "green Budget" that would help curb carbon emissions.

However amid rising oil prices, a two pence rise in fuel duty due to come into force in April was postponed until October in order to ease the pressure on motorists and firms.

Fuel duty will now rise by half pence in real terms from 2010.

On domestic energy, the Treasury has been trying to broker a deal with gas and electricity suppliers to lower prices for those on low incomes suffering from fuel poverty, such as the elderly and customers who use more expensive pre-payment meters.

And if a voluntary deal cannot be reached Darling warned that "we will legislate when it is necessary to do so".

To help the elderly with rising fuel costs and improve "fairness", Darling said he would this year raise the value of the winter fuel payment from £200 to £250 for the over-60s and £300 to £400 for the over-80s.

Spending

Darling said the Budget reaffirmed commitments made in last year's comprehensive spending review, and made an "assumption" that spending would continue to rise by 1.9 per cent a year after 2011, below the predicted growth rate of the economy but continuing to deliver real-terms increases.

A priority will be working towards the government goal of halving child poverty by 2010 and eliminating it by 2020.

With ministers admitting that the target is currently off-track, a further £765m in the coming year and then £950m the following year was proposed, to take 250,000 more children out



of poverty.

The chancellor said that he will increase child benefit to £20 per week for the oldest child from April 2009, a year earlier than planned.

And more tax credits for lower and middle income families will also be introduced.

In education, more cash was announced for failing inner-city schools with tougher targets on the number of schools achieving the minimum expected standards.

Darling confirmed that the successful London Challenge scheme will be extended to areas outside the capital beyond Manchester and the Black Country, where it has already been trialled.

Extra funds were also unveiled for defence, with £2bn more for the armed forces on the frontline in Iraq and Afghanistan.

Tax

The chancellor reminded taxpayers of the forthcoming two per cent cut in the basic rate of income tax to 20 per cent in April, announced by Gordon Brown in his final Budget last year.

However following a consultation he said charities could still levy 'gift aid' at 22 per cent for the next three years.

But turning to his own poorly-received pre-Budget report tax plans, Darling offered few concessions on his aim to charge non-domiciled residents an annual £30,000 fee from April.

But in a bid to offer stability he said there will be no changes to this regime in this parliament or the next.

Neither will his capital gains tax reforms, bringing in a flat-rate 18 per cent, be delayed beyond next month, although the "entrepreneurs' relief" proposed in January will also be introduced.

In a bid to crack down on binge drinking and anti-social behaviour, alcohol duty will rise six per cent above the rate of inflation

The cost of cigarettes will also to up 11 pence for a packet of 20 and cigars by four pence on a packet of five.

3 Budget Charts and Graphs

Source: HM Treasury
Date: 12 March 2008
Reference: Economic and Fiscal Strategy Report
Link: http://www.hm-treasury.gov.uk/media/0/9/bud08_chapter1.pdf

Chart 1.1 presents public spending by main function. Total Managed Expenditure (TME) in 2008-09 is expected to be around £618 billion in 2008-09.

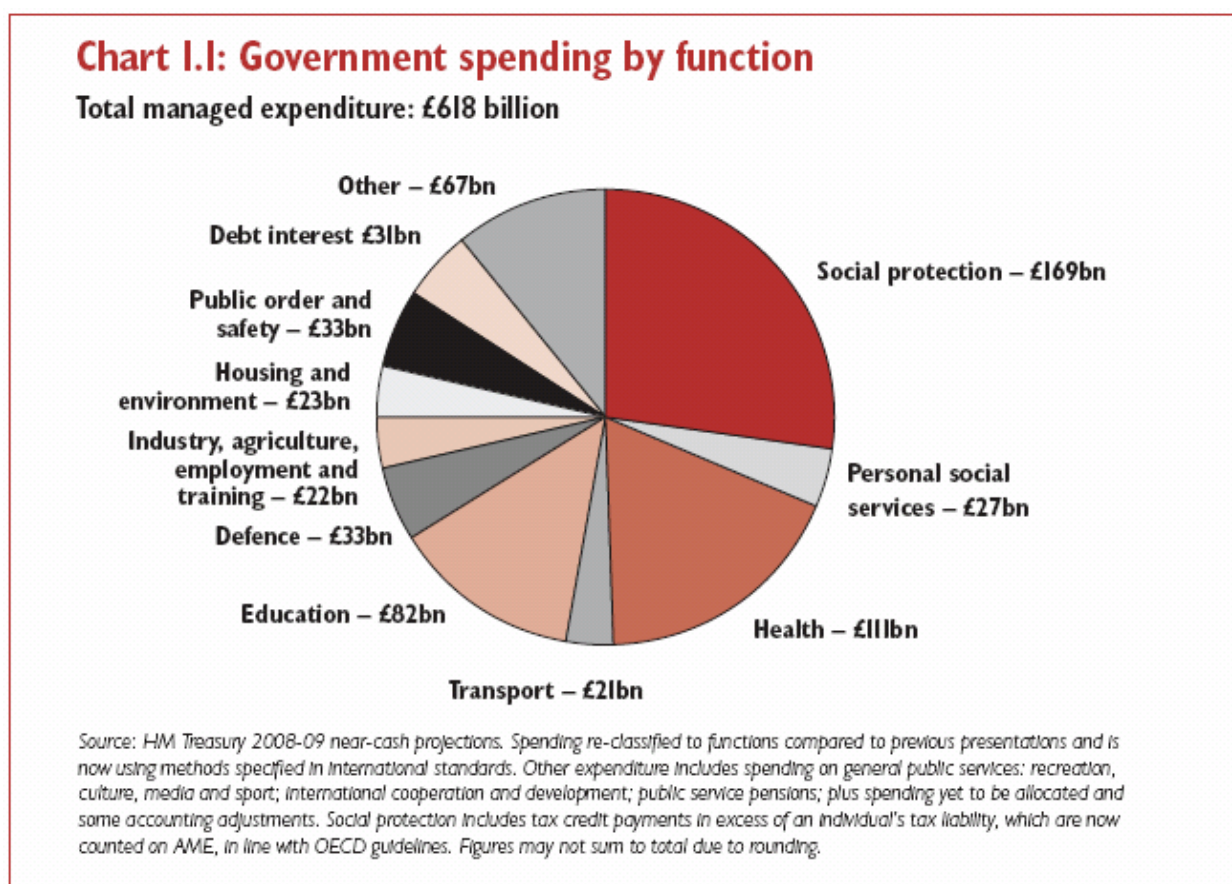
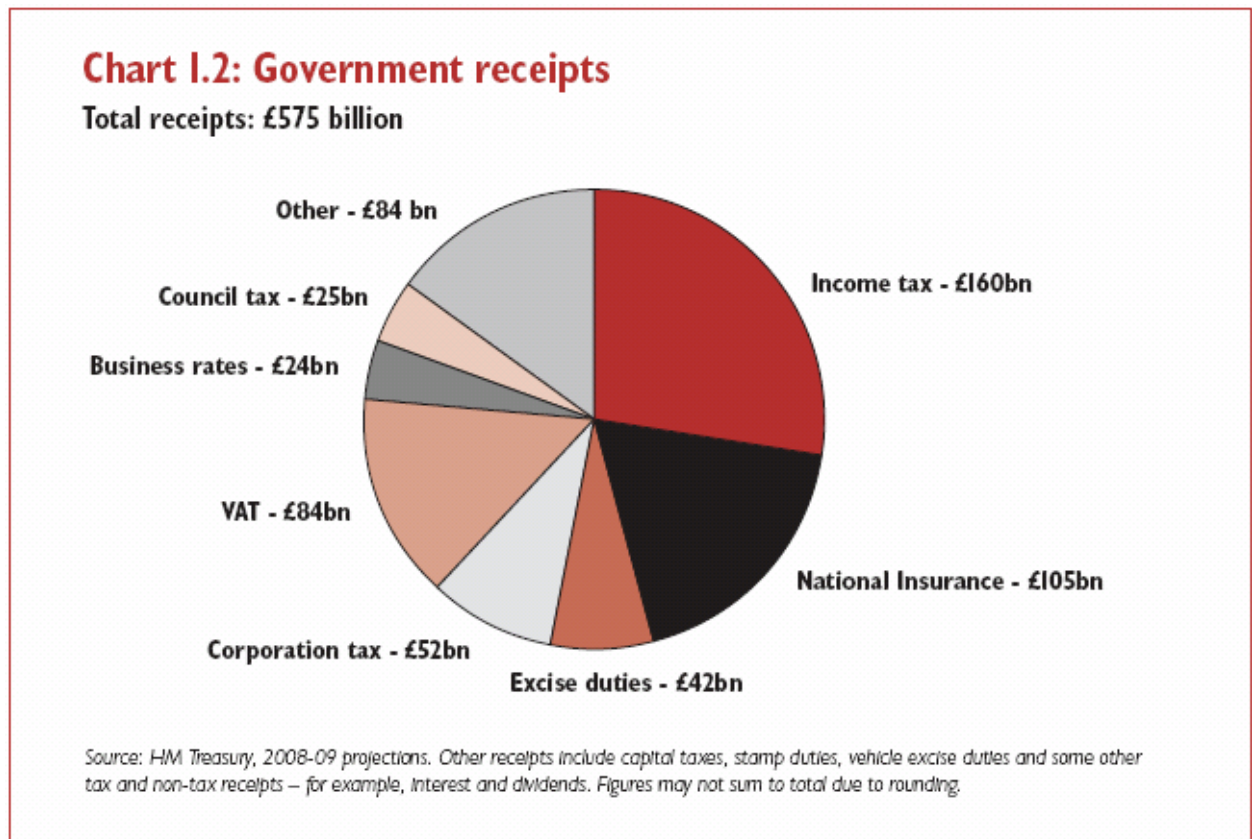


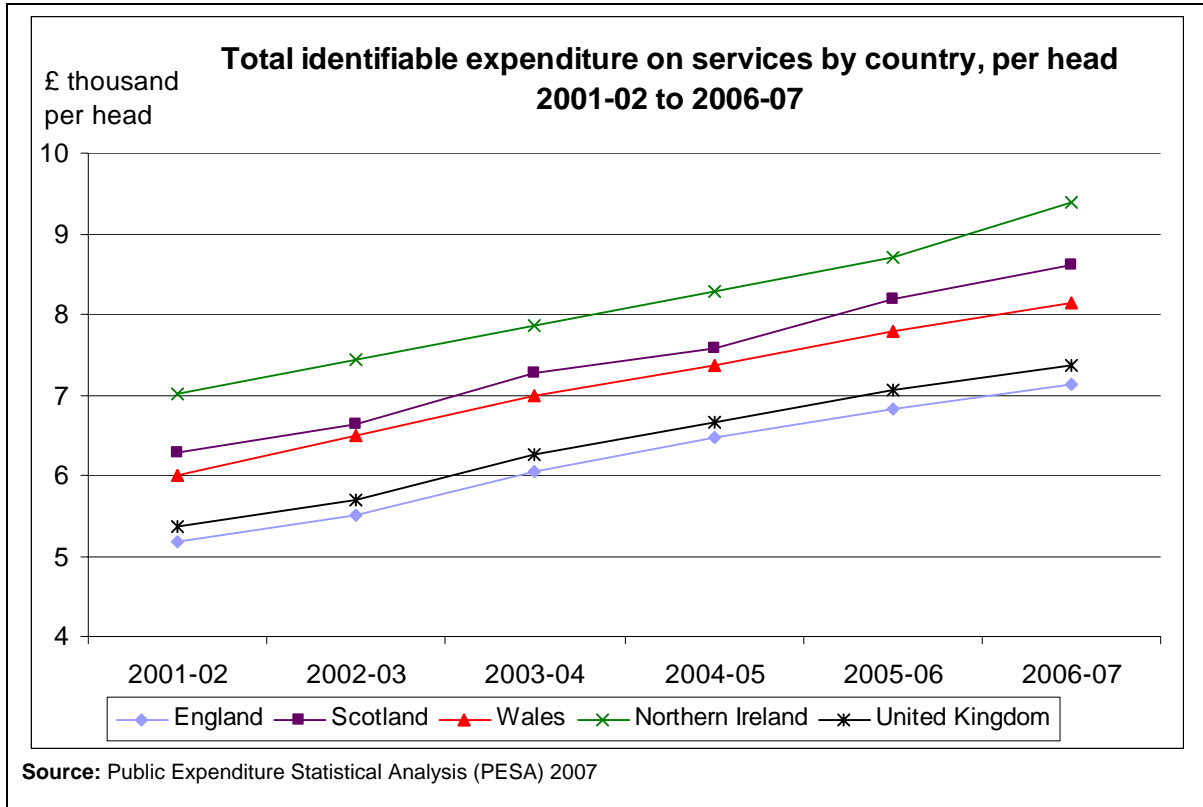
Chart 1.2 shows the different sources of government revenue. Public sector current receipts are expected to be around £575 billion in 2008-09.





Trends in per capita public expenditure across the United Kingdom

Source: Members' Research Service
Date: 12 March 2008
Reference: Per Capita Public Expenditure Chart



4 Impact on Wales

Source: HM Treasury
Date: 12 March 2008
Reference: Regional Press Notice
Link: http://www.hm-treasury.gov.uk/media/A/8/budget2008_pn_wales.pdf

Extract:

Measures announced today which are particularly relevant to individuals and businesses in Wales include:

- **an additional £5 million for the Welsh Assembly Government as a result of spending increases announced in the Budget for Government Departments.** It will be for the Welsh Assembly Government to decide how to allocate this increase.
- **Access to finance:** Budget 2008 introduces a package of measures to support small businesses access the finance and resources they need to start up and grow, responding to business needs in the short term:
 - A temporary increase of 20% in the amount of finance available through the Small Firms Loan Guarantee scheme, and relaxation of the restrictions on firm age to allow access to the scheme for a wider range of small firms;
 - The Government will work with the banks to explore mechanisms of ensuring small firms are able to access the most appropriate forms of finance, including mezzanine products. It will also provide additional Enterprise Capital Funds of £30 million to support this type of provision;
 - A new capital fund primarily focused on businesses run by women;
 - An increase in the Enterprise Investment Scheme's investor limit from £400,000 to £500,000 in any one tax year (subject to State aid approval), and a consultation on how best to simplify operation of the scheme; and
 - An increase in the value of share options an individual can hold under the Enterprise Management Incentive scheme from £100,000 to £120,000.
- **Further steps to simplify the tax system:** The Government is today announcing the next stage in its rolling programme of tax simplification to further enhance UK productivity and competitiveness.
- **Science and Innovation:** The Science and Innovation White Paper will be published on 13 March and will outline significant progress in implementing the Sainsbury Review's recommendations. The White Paper will also set out DIUS' forward strategy for promoting innovation.
- **Incapacity Benefit Reform** From late 2008, an integrated and simplified Employment and Support Allowance (ESA) will replace the current system of incapacity benefits for new claimants and will have a clearer balance of rights and responsibilities. The introduction of ESA will be accompanied by a new Work Capability Assessment (WCA), which will apply to new claimants from October



2008. To ensure that the increased focus on a person's capability to work has an impact for current as well as future claimants, the Budget announces that all existing incapacity benefits claimants will be required to take the Work Capability Assessment from April 2010. The Government is also looking at the way it contracts with specialist providers to support existing long-term incapacity benefits claimants. The Government will explore using a new funding mechanism to reward private and voluntary sector specialist providers for investing in helping long-term incapacity benefits claimants to return to work, in two pilot areas, for example Greater Manchester and Birmingham. **This will replace the existing system for 197,060 incapacity benefit claimants in Wales.**

- **Child Poverty:** The Government remains firmly committed to tackling child poverty and since 1997 has made considerable progress against its objectives. The Budget sets out the next steps, including measures to make significant further progress towards the target of halving child poverty by 2010, which are expected to lift up to 250,000 children out of poverty. The Budget announces:
 - an increase in the first child rate of Child Benefit to £20 a week from April 2009, reinforcing the Government's commitment to Child Benefit as the foundation of financial support for all families, **benefiting 360,000 families in Wales;**
 - an increase in the child element of the Child Tax Credit by £50 a year above indexation from April 2009 to further help low to middle income families **benefiting up to 197,000 families who claim this benefit in Wales;** and
 - Child Benefit will be disregarded in calculating income for Housing and Council Tax Benefit from October 2009, improving work incentives for many of the lowest paid families and boosting their incomes. A working family with one child on the lowest incomes will gain up to £17 a week from this change, which will benefit low income working families in Wales.
- **The Saving Gateway – introduction of a national scheme.** Following the success of the pilots in promoting saving and financial inclusion the Saving Gateway will be introduced nationally, with the first accounts available to savers in 2010. The Saving Gateway is a cash saving scheme for those on lower incomes. Individuals in receipt of the following benefits and tax credits will be entitled to open an account in the national scheme: Working Tax Credits; Child Tax Credits paid at the maximum rate; Income Support; Jobseeker's Allowance; Incapacity Benefit; Employment and Support Allowance and Severe Disablement Allowance. Saving Gateway accounts will be offered by financial institutions such as banks and building societies, and will run for two years. At the end of the accounts the Government will match (make a contribution for each pound saved) money which people have saved into their accounts. Third sector organisations such as credit unions, social housing providers and the Citizens Advice Bureau have expressed interest in providing information and support for savers in the scheme. A consultation document 'The Saving Gateway: Operating a National Scheme', is published alongside the Budget. **Approximately 470,000 individuals in Wales would be eligible for the scheme.**
- **Support for pensioners:** Building on the Government's substantial commitment to help pensioners, Budget 2008 announces a one-off payment of £100 to households with someone aged 80 or over and £50 to households with someone aged 60 or over, to be paid alongside the Winter Fuel Payment in 2008-09. **This will benefit around 480,000 households in Wales**



- **Promoting giving through Gift Aid:** Budget 2008 announces a comprehensive package of measures in response to the Gift Aid consultation, including major reform to the auditing process; a programme for bringing smaller charities into Gift Aid; redesign of guidance; and the launch of targeted marketing tools. This Budget also announces that although the basic rate of tax will be 20%, Gift Aid will be paid at a transitional rate of 22% from 2008-09 to 2010-11 - providing charities with additional Gift Aid worth around £300 million over three years.
- **An environmentally sustainable world:** Budget 2008 announces a number of measures to improve the environment including:
 - The Climate Change Bill, which will commit the Government to fixed and binding 5-year carbon budgets, based on the advice of the independent Committee on Climate Change;
 - Budget 2008 announces the domestic Environmental Transformation Fund allocates over £400 million, to ensure that technologies that are in the later stage of development can be brought to market and demonstrated;
 - Budget 2008 announces reform of the Vehicle Excise Duty (VED) structure. From 2009, VED will be restructured so that people win financially by choosing the car with the greenest cars. From 2010, there will be a new higher first year rate to influence purchasing choices;
 - The King Review of low-carbon cars publishes its final report alongside this Budget and the Government welcomes this report. The Review makes recommendations for action to reduce emissions from transport in four key areas: reducing vehicle emissions; cleaner fuels; consumer behaviour; and research and development.
- **Fuel duty rates:** the Budget announces that the planned fuel duty increase of 2 pence per litre in April 2008 will now take place on 1 October 2008.

Source: Wales Office
Date: 13 March 2008
Reference: Budget report: Response by the Secretary of State for Wales

Extract:

Paul Murphy welcomes 'responsible' budget for Wales

Welsh pensioners, children, small businesses and the environment are all winners in this year's responsible Budget, Secretary of State for Wales Paul Murphy said yesterday.

Welcoming Chancellor Alistair Darling's first Budget, Mr Murphy said up to 480,000 pensioner households in Wales would benefit from increases in Winter Fuel payment, while increases in the Child Benefit for the first child to £20 will benefit around 360,000 Welsh families and an increase in Child Tax Credits of £50 would benefit 197,000 families and help to reach the Government's target to halve child poverty in the UK by 2010.

Mr Murphy said: "Pensioners in Wales, like those across the UK, will receive increases in Winter Fuel payments. For the over 60s it will be a £50 increase to £250 while over 80s will receive an additional £100 for a £400 one-off payment.

"This will be a real difference to some of the most vulnerable people in our communities in



Wales by helping reduce the costs of their heating bills.

“The UK Government is also committed to working with the Welsh Assembly Government to achieve our shared objectives in reducing child poverty so that we can go on making a significant contribution to improving the life chances of our most disadvantaged children in Wales, now and for the future.

“Reforms to personal tax and benefit systems in previous budget announcements have meant poverty rates for children in Wales have come down to below the UK average for the first time. Our aim remains to eradicate child poverty in Wales, and across the UK, within a generation.

“The Savings Gateway, a cash saving scheme for those on lower incomes, is also being introduced nationally. After two years the Government will make a contribution for each pound saved under this scheme, and around 470,000 Welsh people will be eligible for it.

“The issue of child poverty typifies the partnership working of the governments at Westminster and Cardiff Bay to delivering the best possible services and opportunities for the people of Wales.

Mr Murphy said today's Budget would deliver a Barnett consequential to Wales of £5 million over three years for the Welsh Assembly Government to spend on its priorities.

Mr Murphy said small and medium sized businesses in Wales would benefit from reduction in capital gains tax and increases in entrepreneur relief, plus tax simplifications - rewarding enterprise, innovation and skills in Wales and continuing the Welsh economic success story.

He added: “The environment is also a Budget winner with the reform of road excise duty, encouraging drivers to choose greener vehicles, and the introduction of charges for single-use carrier bags from 2009. The Government is keen to see the measures extend across the whole of the United Kingdom and will work with the devolved administrations to establish the most appropriate way to achieve this.”

Mr Murphy also wrote in the Western Mail, 13 March 2008 “Welsh pensioners, children, businesses and the environment were Budget winners”

Link: <http://icwales.icnetwork.co.uk/news/politics-news/2008/03/13/paul-murphy-s-budget-verdict-91466-20614706/>

Source: Plaid Cymru

Date: March 2008

Reference: Budget report: Response by Plaid Cymru

Extract:

They're bankrupt in so many ways

AFTER 11 years at the helm, is this the legacy of New Labour: public finances in a mess, the housing market teetering on the brink of a crash and the Bank of England bailing out the banks amid financial turmoil in the money markets?

If only the Government had shown the same generosity to manufacturing, tourism and agriculture then the story of the last decade for us in Wales might have been somewhat rosier.

This is a Government that has frittered away its political support in the same way as its finances. It is now in the uniquely depressing position of being morally, politically and economically bankrupt. And whatever New Labour may claim, they have only themselves to blame.



When Labour came to power in 1997 it inherited a budget surplus of £20bn. This year there will be a budget deficit in excess of £43bn – around 10% of which is to pay for Labour's foreign wars – and the Treasury is forecasting continuing deficits for the coming years. Despite raising tax as a proportion of GDP and increasing public sector borrowing, the government has now painted itself into a corner in terms of financial manoeuvrability and this is the principal reason for trying, for example, to stage the pay increase for the police.

But above all this was a Budget about tax. The Government had an opportunity to respond to the public mood and reintroduce some fairness to the way in which we raise money for vital public services. Unfortunately, it failed the tax fairness test yet again at every stage.

For business, the corporation tax rate will be reduced next month from 30% to 28%. This will be offset by the scrapping of general plant and machinery capital allowances which will save the Treasury around £1.5bn.

This change favours service industries – the banking sector, for example, at the expense of the manufacturing industry. Yet another example of Labour looking after its friends in the City of London. At the same time the Government raised the corporation tax rate for small companies – again a classic example of the Government favouring big business over small entrepreneurs.

The change in capital gains tax on business assets will also raise the rate of capital gains tax being paid by entrepreneurs and owners of small companies when they come to sell a part, or all, of their business. The latest fudge which provides some relief up to a net gain of £1m will discourage serial entrepreneurs and owners of smaller businesses worth more than £1m. The change in CGT also makes it less attractive to hold shares in companies quoted on AIM (The Alternative Investment Market). This is a popular way for smaller businesses to go public and raise funds for investment in the business, and is, therefore, a further blow to these small businesses.

On income tax, it was confirmed that the 10% starting rate band for income tax would be abolished and the standard rate of income tax cut will be cut from 22% to 20%. This is a regressive move which penalises the low paid who were paying a marginal rate of income tax of 10% only. The changes to capital gains tax means that wealthy partners in private equity firms will pay tax at a rate of 18%, while, thanks to the abolition of the lower 10% band, the people cleaning their office will be paying tax at a higher rate of 20%. How can this be right?

A major concern for us in Wales is the abolition of the non-business asset category for capital gains tax which means that the rate of tax on the sale of second homes will be 18 per cent rather than the tapered rate which varies from 40 per cent to 24 per cent. This will make owning and selling second homes more attractive and deal another blow to those local people on low incomes in rural and coastal areas of Wales. This is at a time when a committee established by Gordon Brown is looking into the problem of holiday homes; another case of poor coordination in Government policy, and a tendency to favour the have-yachts over the have-nots in society.

The Chancellor said he wanted to see "a fair Britain in which everyone can succeed". But what did we get? Tax breaks for the mega-rich and just £50 a year for a child in tax credit and a one-off payment of an extra £50 for pensioners' winter fuel allowance. That's hardly enough for an extra loaf of bread a week.

Can Labour MPs honestly say that this kind of injustice is the reason they joined the Labour Party? They must surely be hanging their heads in incredulity and shame.

Source: Welsh Conservatives
Date: March 2008
Reference: Budget report: Response by the Welsh Conservatives
Link: <http://icwales.icnetwork.co.uk/news/politics-news/2008/03/13/tory-view-most-will-be-poorer-91466-20614698/>

Extract:

One thing's certain: most will be poorer

IF ever a Chancellor has been given a hospital pass – Alastair Darling is that man.

Gordon Brown has left him with an economic legacy that is so catastrophic that today the Chancellor delivered one of the most lacklustre performances at the dispatch box that I can ever remember seeing in the more than 15 years I have been in the House of Commons.

Every man and woman in Wales knows that the cost of living is soaring. Real inflation can be felt in the household budget, which is biting on every family in the country.

Under Labour, council taxes have gone through the roof and mortgages cost more to arrange. Every time you fill up the car or go to the supermarket the prices have risen; household bills just keep costing more and the amount of money families have to spend is falling.

But the Chancellor doesn't seem to get the picture and with so little room to manoeuvre, this was not a Budget that would make anyone feel better off or confident about the country's future. The public will not be reassured that this new Chancellor is a safe pair of hands. This did not seem like a man delivering his first Budget. It sounded like a man delivering his last.

If anyone needs proof that the Chancellor does not have any room to manoeuvre in the economy, just look at taxes. Whilst our competitors are cutting taxes on enterprise, the Chancellor confirmed they are going up. Capital gains tax is up by £700m, tax on family businesses is up by £200m – that's the new income shifting rules that hit family businesses. Corporation tax on small businesses is up by £800m and as we approach the downturn, we have a Chancellor who is hitting wealth, jobs and investment this country so badly needs.

The country is in debt because the Prime Minister, when Chancellor, failed to save for a rainy day. Borrowing figures confirmed yesterday that we have the largest deficit in the developed world – so now, as the economic downturn is starting to reverberate around the globe, we owe more money than any other country in the developed world and cannot pay it back.

The Barnett consequential is estimated as £5m over the next three years, but more than that will be collected in taxes on hard pressed families.

Other countries are cutting taxes, but the bottom line for families here, after this Budget, is an additional £110 of tax to be paid by every family.

Darling's plans also hit everyone who drinks responsibly. If you go down the road for a pint, that will cost you 4p more; if you like a glass of wine, 14p is going on a bottle and if you want a whisky, add another 55p. This unsophisticated and poorly targeted approach will ensure that it costs more to visit the rural pub. Instead of targeting yobs who get drunk on alco-pops and strong lager the Chancellor is penalising the responsible majority.

And the rural pub is not the only loser in the countryside. Vehicle excise duty rises will hit people who really depend on their cars.

The abolition of the 10p starting rate of tax, which is about to come in next month –



courtesy of the last Budget – will penalise health workers, education assistants and even our soldiers fighting in the heat and dust of Afghanistan. All will end up paying more tax.

In a politically calculated move, Alistair Darling has delayed the fuel tax rise, but even so £1.6bn of extra taxes will fall on motorists.

Also looking ominous for Wales is the announcement that national road pricing is now becoming a reality. The Chancellor has ordered that the technology to tax road users should be ready by the end of next year.

There is some good news but once again it does not bear close examination. The extra money for the winter fuel costs is for one year only and, as Age Concern said, it is “a spoonful of sugar to make the bad medicine Budget go down for pensioners.”

The child poverty announcement means that in reality Labour will miss its own 2010 target for lifting children out of poverty by as many as 450,000 children. As Save the Children said, “His investment does not match his ambition”.

Finally, as far as the green aspects of the Budget are concerned, they are quite frankly rather disappointing. Conservatives maintain that green taxes should be revenue neutral, shifting the burdens from the family onto the polluter. Forgive me for being cynical, but it seemed to me that gesture politics are alive and well in No 11 Downing Street, with the green agenda falling short of measures that could have ensured that it was cheaper and easier to reduce our carbon footprint.

As usual, it will take some time to wade through the spin, but make no mistake – when all the details of this Budget have been unpicked, as with all New Labour budgets, the one certainty will be that most of us will be poorer.

But will our economy be stronger in Wales and in the United Kingdom? I doubt it.

Reference: Budget report: Response by Angela Burns

Extract:

BUDGET HIGHLIGHTS WELSH PUBLIC SPENDING SLOWDOWN

COMMENTING on today's news that the Assembly Government will receive an additional £5mn over three years as a result of today's Budget, Shadow Finance Minister Angela Burns AM said:

“This is further evidence of the slowdown in public spending in Wales.

“While any extra money is welcome, it is clear budgets are going to be tight and investment in frontline services is going to be low.

“While the Assembly Government budget has doubled over the last nine years the people of Wales have every right to ask where all their money has gone.

“Council taxes are set to rise yet again, while local authorities are faced with making frontline service cuts.

“Gordon Brown and Alistair Darling have left themselves with no room for manoeuvre.

“After today's Budget they've ensured their Labour-Plaid colleagues in the Assembly have few options either.”

Source: Welsh Liberal Democrats
Date: March 2008
Reference: Budget report: Response by the Welsh Liberal Democrats
Link: <http://icwales.icnetwork.co.uk/news/politics-news/2008/03/13/a-green-cop-out-which-fails-the-poor-91466-20614702/>

Extract:

A 'green cop-out' which fails the poor

AFTER 10 years of a Blair Government of spin and broken promises, many of us from across the political spectrum hoped that Gordon Brown would bring some substance back into policy, and would put the focus back where it should be – on social justice

So far, we have been sorely disappointed. In just eight months we have seen an impressive catalogue of mistakes. Blunders on Northern Rock, the loss of 1.5 million people's personal data, and mismanaged reforms to capital gains tax and inheritance tax, to name but a few.

Many fear that an economic storm could be around the corner. The lending practices of banks have created a credit binge, with people across Wales and the UK borrowing far more than they can handle, and the ready availability of credit has driven house prices up to the unaffordable levels we see throughout Wales today.

We are already seeing the unwelcome effects of this binge. This week we learned there has been a staggering 168% rise in bankruptcies in Wales since 2000. Repossession rates are similarly high.

Since Labour came to power, the gap between rich and poor has got bigger.

In 1997 the Government pledged to eradicate child poverty by 2010. But progress has been painfully slow. The latest figures show that 150,000 Welsh children still live below the bread-line, and for the last 10 years Wales has had higher rates of child poverty than the UK average.

And how does Gordon Brown propose to close this gap? Instead of proposing meaningful reform to the tax credit system, the Government seem to be throwing money at a system that is failing hopelessly.

The Government have also scrapped the 10% income tax rate, which will see 5.3 million people paying more tax. Labour proposes giving money back to the richest in society, who have cried wolf over capital gains tax and non-dom reform.

To tackle child poverty, Lib- Dems would abolish the current payments systems of tax credits, and return to six monthly fixed awards which cannot be demanded back because of a change in your circumstances.

Too many people who don't need tax credits are entitled to claim them. All this does is clog up the system, and reduces the pot of money available for the truly needy. The Child Trust Fund should be scrapped, and the money should be used to invest in children earlier on in their lives, where it could make much more of a difference.

The increase in the winter fuel allowance is welcome for pensioners across Wales, but the Chancellor failed to mention that this £50 increase is a one-off. What pensioners in Wales need is a fairer state pension, with the link to earnings restored, not one-off gimmicks, bringing pensioners off the means-tested pension credit.

Liberal Democrats don't want higher levels of overall taxation. We want a fairer system, so that the very well-off pay a bit more in capital gains and income tax, and lower and middle-income families get a tax cut – 4p in the pound off national income tax. We also think the sensible option is to see non-doms brought under UK tax rules after seven years.



The Government claim this is a green Budget, but really it is a move to grab more tax. We argue for green taxes, particularly on polluting aircraft. But we see green taxes as a way to cut other taxes, and help to change behaviour too. If the tax burden goes up as a result of today's statement then people will rightly be sceptical.

There was nothing in this Budget to reform the regressive and unfair council tax. Council tax is totally unrelated to people's ability to pay – it is the least fair tax in Britain. Yet Labour have done nothing to reform it. In fact, they used Wales as a guinea pig for reviewing council tax, a move which proved so unpopular they ditched plans to extend the review to England. Council tax hits pensioners and those on low incomes the hardest. Wales needs a fairer local tax based on the ability to pay.

The Chancellor promised that the Budget would deliver world class services. Yet Wales continues to be short-changed in a major way by the way in which the Government funds the public services in Wales.

Whether you look at rates of poverty, economic indicators, or historic problems of ill-health, it is clear that Wales has greater needs, and these needs will continue being ignored and neglected as long as the Government keeps using the current formula to determine public spending in Wales.

The Budget was a major opportunity to tackle this problem, missed again by Government. Without reform of Barnett, public services in Wales will continue to lose out.

This Budget is a green cop-out which dodges the difficult decisions on environmental taxes and offers no help to the millions of hard-pressed families struggling to make ends meet.

It leaves loopholes for the super rich in place, and bears down on the poor.

And it does far too little to tackle the injustice of child poverty, an injustice which remains more prevalent in Wales than anywhere else in the UK.

Source: Daily Post
Date: 13 March 2008
Reference: Assembly gets spending power

Extract:

Assembly gets spending power
Chancellor Alistair Darling's first budget will deliver an extra £5m spending power for the Welsh Assembly Government over the next three years.
Some 360,000 families in Wales will also benefit from increased child benefit, while 197,000 low and middle income families will receive help from changes to tax credit.
About 480,000 Welsh households will be better off thanks to extra support to pensioners from the winter fuel allowance.

5 Chancellor's Budget 2007 – Selected Press Notices

Source: Confederation of British Industry

Date: 12 March 2008

Reference: "Budget - resilient economy but not enough for children"

Link: <http://www.cbi.org.uk/ndbs/press.nsf/0363c1f07c6ca12a8025671c00381cc7/fb573443ff80b8cc8025740a00381270?OpenDocument>

Extract:

Reacting to the Chancellor's Budget speech, Richard Lambert, director-general of the CBI, said:

"The Chancellor didn't set the Thames alight, but then he didn't have anything to set it alight with.

"On the surface there are no nasty surprises, but his growth assumptions are optimistic and leave him with no room for manoeuvre should things take a turn for the worse.

"Borrowing also looks set to rise by a further £20 billion over the next four years, which is a cause for concern. And by 2010/11, the impact of this Budget will be to raise total tax take by nearly £1.9 billion.

"The government has much to do if it is to win back its enterprise credentials, but the measures announced today are a credible first step on the road. Although the anger over capital gains tax is still simmering, entrepreneurs and smaller businesses will recognise that the government has made an attempt to listen.

"For business, although there may have been no further big shocks in today's speech, we mustn't lose sight of the whole raft of tax rises announced in the previous Budget and the Pre-Budget Report. These are scheduled to kick in from April, putting a further squeeze on firms at this already turbulent economic time.

On tax complexity, Mr Lambert said:

"107 new technical tax proposals don't support the Chancellor's claims to be moving towards a simpler tax system."

Non-doms

"The Chancellor has made some worthwhile changes to core aspects of the non-doms proposals, notably leaving alone gains and income from assets in trusts kept offshore, and pledging to avoid double taxation issues. All this will soften the impact. However damage has been done to the UK's reputation for tax stability and as a country which actively wants to attract talent and capital.

"When the legislation is finalised over the coming weeks it must be crystal clear, especially in relation to double taxation, in order to rebuild confidence in the system. This is particularly important if the welcome assurance that the regime will not be changed for several years is to have its desired effect of delivering certainty. Then it will be a case of waiting and seeing what the fall-out of the whole process and final proposals will be."

Enterprise white paper

"The decision to delay income-shifting legislation is welcome. As drafted it would have been a tax raid on family-run businesses and would have placed an intolerable burden on the wider SME community.

"The promised radical measures to cap Whitehall departments' ability to impose new regulations is greatly welcome. However to date this government's delivery has fallen short of its regulatory promises so this pledge needs to be followed through in practice.

"We welcome improved access to finance, with the removal of the five year trading



restriction in the Small Firms Loan Guarantee and the injection of new capital for the current year.

"Small businesses will be encouraged by the measures to improve access to public procurement contracts. We also welcome the uplift in thresholds for the Enterprise Investment Scheme which should encourage more investment in growth companies."

Postponement of the 2p fuel duty increase

"The decision to delay the 2p increase will be a welcome relief to hard-pressed hauliers, businesses and other motorists, particularly since oil has leapt from \$60 a barrel when the increase was announced to \$104 today. The further half a pence rise from 2010 needs to be kept under review.

"In the longer term the government needs to level out the playing field for UK hauliers to compete with their foreign counterparts who enjoy far cheaper fuel prices."

Air Passenger Duty

"Air Passenger Duty is a very blunt instrument and is ineffective as a green tax - that is the reason government gave for its decision to consult on an alternative 'per flight' tax. Yet today's announcement that tax revenue from the new duty will increase by 10% in the second full year of operation seems to confirm fears the government sees this as a revenue-raising exercise, rather than as a genuine attempt to change behaviour."

Green taxes on new cars

"While we welcome the broad approach, the pace and scale of the proposed new car taxes will present a sting in the tale for some manufacturers. The fact that this move will raise £735m will not build confidence in the government's green measures - we need carrots as well as sticks to change behaviour."

Zero carbon buildings

"The target that all new non-domestic buildings should be zero carbon by 2019 is the right sort of ambition - the CBI's climate change task force highlighted buildings as major area of potential. Defining what constitutes zero carbon, and how we get there poses major challenges which need to be properly addressed in the consultation."

Public service reform

"The Budget Report contains a welcome recognition of the importance of competition in delivering better quality public services and improving value for money. The Chancellor's words on reform, like the prime minister's earlier in the week, are a good sign but the government will be judged on its actions."

Promotion of science in schools

"Too many companies have serious problems recruiting individuals with science skills. Inspirational teachers are key to encouraging more young people to study science, while high quality careers advice is vital to show them that these subjects open doors to well-paid and interesting careers. So 'Project Enthuse' and a £6m campaign to promote science in school will be welcomed by business."

Extra £60m funding for adult skills

"The expansion of 'Train to Gain' and the introduction of skills accounts should ensure public funding follows the needs of employers and employees more closely. The focus must be on developing the economically valuable skills the UK needs to compete - today's announcement of additional funding for intermediate skills and adult apprenticeships is welcome, as employers' skills needs are often at these higher levels."

Date: 12 March 2008
Reference: "Budget - resilient economy but not enough for children"
Link: <http://www.tuc.org.uk/economy/tuc-14445-f0.cfm>

Extract:

Commenting on the Budget today (Wednesday), TUC General Secretary **Brendan Barber** said:

'Britain's economy is better placed than many to escape the worst effects of the world-wide economic slowdown. The Government deserves praise for its continuing stewardship of the economy.

'But while there was limited scope today for major changes, the Chancellor should have done more to tackle child poverty. While there are welcome measures today, the Chancellor has not done enough to meet the target of halving child poverty by 2010, but neither has he made it impossible.

'But to do so will require much more bravery in making the super-rich pay their fair share of tax. While the Chancellor has stuck to his non-dom guns, he was wrong to rule out further changes when the threatened talent exodus fails to materialise. The richest non-doms will hardly be troubled by this £30,000 poll tax.

'Nor has he signalled any new efforts to end the loopholes that big companies and the super-rich use to avoid paying proper taxes. And the energy companies will be breathing sighs of relief that they have got away so lightly with the modest requirement to help the fuel poor.

'It is disappointing that the Chancellor did not announce a fresh start for the public sector today. The Government's ideological preference for moving public sector work to the private sector continues, and public servants will continue to suffer falling living standards.

'So a sensible Budget for the overall economy, but something of a missed opportunity to make real progress to a fairer society.'

Source: epolitix
Date: March 2008
Reference: Budget 2008: Fleet Street responds
Link: <http://www.epolitix.com/EN/Bulletins/PressReview/Items/200803/5b142aa0-b00c-46cf-8cd5-930a72f1f6a2.htm>

Extract:

Budget 2008: Fleet Street responds

The papers respond to Alistair Darling's first Budget in their leading articles.

FT

Alistair Darling's maiden Budget was greeted with sighs of relief. The chancellor should not mistake these for gasps of enthusiasm. He delivered a speech devoid of significant fiscal changes. In doing so, he avoided a repetition of the unseemly retreat that followed last October's tax plans, intended for an election campaign that did not happen.

At first sight, yesterday's proposals do not seem to make matters worse. But this achievement is modest and does not entitle the government to bask in the claims to financial rectitude that were such a feature of Gordon Brown's time at the Treasury.

Times

In other circumstances, Mr Darling's tinkering and tax-neutral Budget might have suggested a lack of imagination. It is unfortunately true that after a decade of rising government spending and increased borrowing under Gordon Brown, the new chancellor had little choice but to promise "stability" and hope for the best. Still, against the backdrop of a precarious world financial system, a slowing British economy and an overstretched public purse, the modesty of Mr Darling's first Budget provides a welcome dose of dullness for the British economy in these all too interesting times.

Guardian

Boxed-in by the slowdown, and his predecessor's inability to keep down debt, the chancellor at least threw small money at the right things: child poverty and heating for the elderly. He was brave to put up tax on alcohol, too. Nor did he back down on taxing non-doms or the private equiteers. That pleased the Labour backbenchers, but the chancellor could have done more to address other constituencies beyond his party. As David Cameron pointed out, the average family is paying more for food, fuel and energy. Some reassurance for them from Mr Darling would have been welcome.



Telegraph

We had urged the chancellor to use the Budget to take bold pre-emptive action to boost growth. With the retail sector ailing and this week's figures from the Council of Mortgage Lenders showing house buying at a nine-year low, there was plenty of scope for a judicious injection of the feel-good factor. Mr Darling did not oblige...

The statement also lacked coherence. With one hand, Mr Darling helped the less well-off with an increase in child benefit, while, with the other, he hit them hard with big rises in tobacco and alcohol duties.

Independent

The word to which the Chancellor returned time and again was "stability". He intended it as reassurance. If maintaining stability is the Chancellor's priority, however, it rather presupposes that the enemy at the gate is instability. This inspires less confidence than he may have hoped...

Overall, Mr Darling's Budget was little more than an assemblage of micro-measures, which illustrated just how little room for manoeuvre his predecessor – and the global climate, and the rescue of Northern Rock – had left him. That he had to hark back so often to comparisons with 10 or 20 years ago also showed how few bragging rights Labour's 11 years in power had given him.

Mail

The problem is that Britain's public finances are out of control. We've accumulated an extremely worrying deficit - and that is why Mr Darling has no alternative but to increase taxation to fill the black hole. The chancellor was certainly justified in listing Labour's proud economic achievements over more than 10 years of steady growth. But that was then and this is now. Make no mistake. If he can manage two per cent growth over the next two years it will be a considerable achievement. If, however, he fails, the implications for the British economy, with our huge debt, are dire indeed.

Sun

With a faltering economy and a bumpy ride ahead, a big giveaway was never on the cards. Government borrowing is soaring. Inflation is up and growth slowing. It was good that the Chancellor found something extra for the poorest families and the elderly. But for most of us there was nothing to celebrate.

And even if there was, we'll be paying more for our tipple. Under pressure to tackle binge drinking, Labour have raised alcohol prices for everyone. That was wrong. Tax should not be used as an instrument to control social behaviour. Binge drinking is down to individuals. Clamping down on it is a matter for the police, not a reason for raising taxes.



Mirror

Difficult times undoubtedly lie ahead as a credit crunch that started in the United States continues to spread to Britain. Economic growth is slowing, government borrowing is increasing and inflation will rise.

But the chancellor earned an enviable reputation for competence in previous cabinet posts and if Britain emerges next year or the year after relatively unscathed, his Budget will have proved to be a triumph.

Express

The truth is that he could not have administered the necessary medicine, even had he accurately diagnosed the ailments afflicting our society because his boss Gordon Brown is the man who has conducted the disastrous socialist experiment from day one. As Tory leader David Cameron noted yesterday, while he occupies 10 Downing Street there is no prospect of progress.

Source: The Institute for Fiscal Studies
Date: 12 March 2008
Reference: Immediate Budget Analysis
Link: <http://www.ifs.org.uk/pr/budget08.pdf>

Extract:

Public Finances

Like Gordon Brown so often before him, Alistair Darling today had to concede that Government borrowing is likely to be higher over the next few years than he had previously thought, but predicted that the problem would resolve itself without the need for big tax increases.

The Chancellor did announce some net tightening. By 2010-11 he expects to raise roughly £1.7 billion from environmental measures, £600 million from drinkers and the usual £500 million from anti-avoidance measures. He plans to give back a third of the proceeds to cut child poverty, leaving a net tightening of just under £2 billion – just 0.1% of national income.

This makes only a small dent in the extra borrowing that the Treasury now predicts over the next few years. Despite the extra revenue he plans to collect, Mr Darling said that borrowing would be £5 billion higher on average each year over the next four years than he thought last October. But by 2012-13 he returns to his previous borrowing forecast, partly by assuming that the squeeze on public spending over the next three years gets even tighter thereafter.

The extra borrowing means that public sector net debt is now expected to reach 39.8% of national income in 2010-11, just a whisker below the Government's self-imposed 40% ceiling (excluding the impact of Northern Rock). A succession of over-optimistic fiscal forecasts has now all but exhausted the Treasury's room for manoeuvre against this target.

The Chancellor has had to revise down his tax revenue forecasts largely because of the weakening housing market, lower share prices and weaker consumer spending (exacerbated by a shift within people's spending towards items like food and energy on which less VAT is paid). Revenues are also reduced because economic growth overall is expected to be weaker, although this is partially offset by higher expected inflation.

There is clearly a danger that tax revenues will turn out to be even weaker – for example if the slowdown in the economy is deeper or more persistent than the Treasury hopes. The Chancellor may also be overoptimistic about the medium-term path of corporation tax receipts.

There are also political pressures. Will the Chancellor be able to get away without repeating next winter's "one-off" £575 million giveaway to pensioner households? Will he be able to hold off pressure for further delays in planned fuel duty increases? And presumably he will want to do more to bring the Government closer to its child poverty target: even if today's measures do take 250,000 children out of poverty as the Chancellor hopes, it will probably still be half a million short of the Government's target for 2010-11 if he finds nothing further.

So, on a number of counts, Mr Darling delivered today's Budget with fingers crossed. If the downturn is deeper than expected, if he is overoptimistic about the underlying strength of tax revenues, or if political pressure requires further giveaways, then Mr Darling or his successor may have to inflict more pain than he did yesterday.

Measures directly affecting households



The main Budget changes directly affecting households in 2008-9 are a one-year-only rise in winter payments for those aged 60 or more, a delay to October in the planned 2p rise in road fuel duties, and a 6% real rise in all alcohol duties, the first real rise since the early 1990s. Together, these changes cost the Treasury £0.7bn a year.

In subsequent years, families with children will benefit from small increases in child benefit and child tax credit, and a targeted change to housing benefit and council tax benefit that increase the gain to work for some families with children currently facing the weakest work incentives. However, the impact on the Exchequer of the extra £870m a year spending on families with children in 2010/11 is more than offset by further rises in alcohol duty, rises in the duty on main road fuels and biofuels, and a new system of vehicle excise duty, which together raise £2.2bn in 2010/11.

The changes announced today are dwarfed by those already announced by Gordon Brown in last year's Budget which will take effect in April: the abolition of the 10p income tax rate, the cut in the basic rate of income tax from 22p to 20p, the higher tax allowances for those aged 65 or over, more generous child and working tax credits, and the rise in the upper earnings limit for national insurance contributions.

6 Budget Report – Selected Stakeholders' views by Topic

Source: Organisation's websites
Date: March 2008
Reference: Stakeholders' Views

6.1 Education

Association of School and College Leaders

<http://www.ascl.org.uk/MainWebSite/SearchResultsd24452490f5d494.aspx?Map=0014830DE8403804B0E0833ED4F2E002&NewsItemID=128&NewsGroupID=0>

ASCL comment on £200 million for struggling schools - 12 March 2008

Responding to the Chancellor's 2008 budget announcement of £200m to ensure all schools achieve at least 30 per cent five A*-C GCSEs, the Association of School and College Leaders has stressed that the current model of 'support' for struggling schools is inadequate.

ASCL General Secretary Dr John Dunford said:

"More money to provide support for schools in challenging circumstances is very welcome."

"However, let us be clear that there are not 638 failing schools; there are 638 schools below the government's ever increasing floor target, now 30 per cent of students with five higher grade GCSEs. Of these schools, 250 are performing above average when contextual data is taken into account. That is, the pupils in those schools are already doing better than expected, given their specific needs and backgrounds."

"For those schools that genuinely need support, more money will not be enough. As ASCL has been saying for at least three years, the government needs to develop a clearer, more strategic approach to support for schools in difficulty. School support has become contested territory, with local authorities and various DCSF departments all jumping the queue to set their own 'targets' for the school. There is no single place in which all these arrangements are set out clearly."

"Currently, school support is a very top-down process, in which various things are 'done to' the school. The government must focus on the long-term health of the school, rather than a quick fix."

"ASCL is in no doubt that the centre of the support strategy should be partnership working. ASCL research has shown that schools improve when they work closely with other schools. Development is more effective if staff in a school have a clear link with another school, exposing them to new perspectives and more effective ways of working. Partnership raises expectations and shows how things can be done differently. The success of the London Challenge is testament to the benefits of partnership working and it is good that this is to be the emphasis of the proposed new National Challenge."

ASCL President Brian Lightman, also head of St Cyres School near Cardiff, said:

"I am pleased that struggling schools will have additional resources and that there will be more funding for science teaching. However, this budget announcement only serves as a

reminder of the ever widening funding gap between schools in England and Wales. Consequential funding for Wales from today's budget provides a golden opportunity for the Welsh Assembly Government to begin to address the inadequacies of Welsh education funding."

6.2 Families and Young People

Children and Young People Now

<http://www.cypnow.co.uk/bulletins/Daily-Bulletin/news/790275/?DCMP=EMC-DailyBulletin>

Budget 2008: Child poverty target in doubt despite billion pound investment

Campaigners have warned that the government's child poverty target will still be missed despite a cash injection of over one billion pounds.

In his Budget speech Alistair Darling, the Chancellor, promised to spend £765m next year, and £950m the year after to cut the number of children living in poverty.

He said the cash will support initiatives that will raise 250,000 children out of poverty, on top of another 250,000 who will benefit from measures announced in the last year.

Charities welcomed the news, which comes at a time when the government has little spare money to invest, but said it still falls short of the £3.4m that is needed to meet the government's aim of halving child poverty by 2010.

Ross Hendry, head of public policy at children's charity NCH, said: "We were really pleased to see the commitment, but on the negative side we still know this isn't going to be enough."

Specific measures announced in the Budget include raising Child Benefit for the first child to £20 a week from April 2009, increasing the Child Tax Credit, and disregarding Child Benefit when calculating Housing and Council Tax Benefit.

A separate document, Ending child poverty: everybody's business, sets out the government's long term plans to meet its goal of eradicating child poverty by 2020.

This talks about a "contract out of poverty", where society works to tackle poverty as a whole, and those in poverty are expected to do their best to help themselves, for example by finding work.

6.3 Older People

Help the Aged

http://www.helptheaged.org.uk/en-gb/Campaigns/News/en_darlingsfirstbudget_120308.htm

Darling's first budget delivers 'a pittance for pensioners' says Help the Aged

Darling fails to combine 'grey with green' as older people left behind in Chancellor's first speech

Reacting to the Chancellor of the Exchequer's budget speech in the House of Commons this afternoon, Mervyn Kohler, spokesman for Help the Aged comments:

'This was a Budget that simply hasn't delivered enough for older people struggling with the soaring cost of living. Fuel bills, water rates, Council Tax and even food and other basics are all increasing way beyond the pitiful rises in the basic state pension and Pension Credit. As a result, more older people will face tough choices over the course of this year when what was hoped for was genuine action on pensioner poverty.

'The Chancellor rightly spoke much about families and children, but older people themselves merited only the most cursory mention. The signal this sends speaks volumes.

'It is a badge of shame that Alistair Darling has not taken more decisive action to combat the evils of fuel poverty. The one-off increase in the Winter Fuel Payment is nothing more than a sticking plaster which will fail to help pensioners over the long term. Older people need far more than gestures while energy prices spiral ever upwards.

'The announcement of a voluntary code on smart meters and more pressure on energy providers to introduce wider social tariffs is puny. This is a clear case of the Government passing the buck.

'This Budget also failed to address the issue of benefit take-up. £4.5 billion worth of entitlements for pensioners goes unclaimed each and every year and is instead used by the Chancellor on Government expenditure elsewhere. That money should be going to older people themselves. Automatic payment of benefits would help solve this problem by ensuring pensioners can make simpler claims. Help the Aged calls on Ministers to deliver policy change which would deliver this and finally end the scourge of pensioner poverty, a cause which this Government appears to have left behind.

'All in all, this is a Budget which was long on warm words but which lacked the long-term solutions our pensioner population so urgently needs.'



Age Concern

<http://www.ageconcern.org.uk/AgeConcern/40D5ABE01C544C76A7617EB328C5E2E9.asp>

A SPOONFUL OF SUGAR TO MAKE THE BAD MEDICINE BUDGET GO DOWN'

Gordon Lishman, Director General of Age Concern, said:

"An increase to the Winter Fuel Payment this year¹ is a spoonful of sugar to make the bad medicine Budget go down for pensioners. Although this announcement is welcome many older people will feel it is nowhere near enough to address the cocktail of price hikes they have had to swallow this year. With limited room to manoeuvre this Budget suggests older people are not among the Chancellor's key priorities."

Energy Bills

"Whilst increases to the Winter Fuel Payment this year are good news in the short-term, we need to see a long-term solution for the estimated 2.25 million older people in fuel poverty. Vague promises on extra help on pre-payment meter charges and social tariffs simply aren't enough for the government to meet its target on fuel poverty. A radical new package of measures should be introduced to target all of those in fuel poverty.

"Energy industry profits and the extra VAT revenue the government receives could have been re-directed into providing targeted support for the poorest pensioners and other groups hit hardest by the hikes. We wanted to see the £200 Winter Fuel Payment raised to at least £300 and significant investment made in energy efficiency schemes, in particular increasing the maximum Warm Front grant available. Through the Energy Bill the government should also make it compulsory for energy companies to offer meaningful social tariffs to vulnerable groups."

Pensions

"It is very disappointing that on the hundredth anniversary of the state pension's introduction, the government has missed yet another opportunity to bring forward the date to re-establish the link to earnings. Older people are feeling the pinch of huge hikes in living costs, yet the real value of the state pension is declining."

Savings

"The government's commitment to encouraging those on low income to save is welcome. However it must ensure that the Savings Gateway scheme it intends to provide does not have a discriminatory cut-off point which denies help to those aged over 65.

Social Care

"The government has acknowledged social care is one of the main priorities for public service reform, yet this was not even mentioned in the Budget. Its commitment to addressing the social care crisis isn't being backed up with enough money. It is estimated that Local Authorities are failing to provide 1.5 million older people with all the care they need in their own homes. Without radical reform of the system in the long-term, and more funding in the short-term, the Government's rhetoric on social care will continue to fall short of reality."

Council Tax

"Many pensioners will be disappointed that the government hasn't offered any help with their Council Tax bills. Council Tax should be replaced by a fairer system that reflects people's ability to pay. In the mean-time efforts to improve the take-up of Council Tax Benefit must be increased and there should be moves towards a system of automatic benefits payments.

Gift Aid

"The government's commitment to providing a transitional rate of gift aid to allow charities to continue to enjoy the same level of benefit despite changes in income tax rates is a welcome short-term measure.

6.4 Environment

Renewable Energy Association

<http://www.r-e-a.net/content/images/articles/080312PostBudget.pdf>

A Budget that fell far short of Stern

The Renewable Energy Association reacted negatively to today's budget.

Commenting, Executive Director Philip Wolfe said;

"We can only envy the Chancellor who must be living on a planet not threatened by climate change. Here on planet earth time is running out, as the Prime Minister acknowledged clearly last year. That means a technological revolution including massive expansion of renewable energy is essential. Yet the UK is almost the worst performer in Europe."

Philip Wolfe warned,

"Headline grabbing targets and consultations have become a dangerous cover for inaction."

Greenpeace

<http://www.greenpeace.org.uk/blog/climate/green-budget-dirty-brown-more-like-20080312>

Green budget? More like dirty brown

We were promised the "greenest budget yet". We've been given a budget that's dirty brown. Instead of grasping the opportunity to restructure our economy to deal with the threat of catastrophic climate change, the Chancellor has actively damaged his environmental credentials and hurt efforts to reduce UK CO2 emissions.

It is not just that the green taxes announced will be ineffectual; it's that there is no recognition of the scale of the problem or fundamental changes needed if we are to decarbonise our economy.

Let's start by looking at the so-called big-idea on gas guzzlers. Alistair Darling has proposed a first year tax charge on the sale of new high-emitting vehicles. As a concept, it's fine (although the level of tax is hardly likely to make a difference if you are already shelling out for a new Chelsea tractor). But there is a more fundamental problem: what is going to happen to the money?

Green taxation is an important tool in the armoury of government as it seeks to encourage good behaviour and stop our polluting habits. Putting up the cost of one activity should encourage us to do another.



However, for any new tax to work, it has to have popular support. The poll tax riots showed what happens to politicians who introduce taxes which the public don't like. And this is where Alistair Darling is running into problems.

The Treasury hate linking money raised by one tax with spending on another area. For example: spending the proceeds of aviation taxes on financing new railways. In economics jargon it's called hypothecation; in the real world it's called common sense; but in the Treasury it's called heresy. To do it would mean giving up power - power built up over many years - and no politician likes to do that.

Yet, if the public are to support green taxation, they have to know that the money is going to a good cause. If the extra cash raised by taxing a gas guzzler goes towards bailing out the national debt then it will just cause resentment. If an extra 2p on a litre of petrol goes to finance the Northern Rock, then of course we will see more fuel protests.

There was nothing in today's speech which recognised this or attempted to address issues of public acceptability. In fact it was worse. By claiming that his measures are green, he simply undermines support for the measures we need if we are going to change behaviour.

Others can decide whether this budget is good for the economy in the short term. It is clear to us that it will do nothing to help the fight against climate change, and that is a disaster in the long term.

CPRE

<http://www.cpre.org.uk/news/view/482>

Budget 2008: A deeper green would suit you, Darling
12 March 2008

'Today's Budget does not go quite far enough to make the Chancellor the Darling of the countryside, but it contains some encouraging measures. We hope it marks the first step on the path to a greener economy.'

This was the reaction of CPRE's [1] Head of Campaigns, Ben Stafford, to today's Budget statement by the Chancellor, Alistair Darling.

TRANSPORT

Ben Stafford said:

'The major disappointment today is that much of what Mr Darling said about transport policy doesn't live up to the pre-Budget environmental spin. The Budget statement contains little to suggest that the Chancellor has abandoned the "ostrich approach" to aviation policy, hoping that its climate change impacts might go away if they are ignored.'

On road transport, Mr Darling is sending confusing signals. The promise of funding to examine road-pricing proposals is encouraging, but the Chancellor's hope that technology will deliver significant cuts in emissions from road transport looks wildly optimistic.

Ben Stafford said:

'Reforms to Vehicle Excise Duty to encourage people to buy more efficient cars are all very well, but no substitute for demand management. Mr Darling should have had the



courage to raise fuel duty now, with revenues going to improve public transport. Reduced car use would be good for climate change, and would reduce pressure for new road-building that damages our countryside.'

HOUSING

Mr Darling devoted a significant passage in his Budget speech to the need for housing market stability. Ben Stafford said:

'We welcome the Chancellor's support for affordable housing, but the Government must address this challenge in rural as well as urban areas. So the funding pledged for new, affordable and social housing is the right approach. We hope to see more of this, and less of the view expressed elsewhere by Mr Darling that simply building more and more houses will deliver affordability.'

PLASTIC BAGS

A bold and eye-catching Budget initiative is the announcement that, unless there is sufficient progress by retailers to cut the use of single-use plastic bags voluntarily, legislation to impose a charge on their use will come into force next year. Litter despoils our towns and countryside, and the tide of plastic bags is a depressingly familiar part of the problem.

Ben Stafford concluded:

'With limited signs that a voluntary approach to tackling the blight of plastic bags will work, the Government is right to flag more robust measures through this Budget. Litter is a highly visible problem that suggests a lack of concern for the state of our towns and countryside. The Government is showing today that it can take a lead in addressing these issues, although it must make sure that "sufficient progress" in tackling plastic bags really is sufficient, and fulfil its promise to legislate if not.'

Construction Products Association

<http://www.constructionproducts.org.uk/newsdesk/dbfiles/Darling's%20Political%20Rhetoric%20Insufficient%20To%20Tackle%20Challenges%20Ahead.pdf>

12 March 2008

Darling's Political Rhetoric Insufficient to Tackle Challenges Ahead The Construction Products Association has welcomed the recognition in the Chancellor's first Budget statement of the challenges faced on climate change, housing and transport; but stressed that rhetoric alone will not resolve these issues.

Michael Ankers, Chief Executive at the Association, said: "We are pleased that the Chancellor has recognised these challenges, and confirmed that action is needed to address these issues. However, it is disappointing that the Chancellor chose not to utilise this opportunity to lay out in detail how the government will begin to deliver its solutions to these crucial challenges.

"The Chancellor's renewed commitment to provision of new housing is welcome. However, the announcement of an additional 70,000 homes does little towards meeting the government's stated aim of three million new homes by 2020. It remains unclear how this target will be met.

"The government has also missed the opportunity to address the problem of carbon emissions from existing housing stock. Government must recognise that it has a key role



to play in encouraging householders to invest in energy saving measures. The Chancellor has a responsibility to provide fiscal incentives, through a reduction in either stamp duty or in VAT on specific energy saving products. This will significantly influence homeowners spending priorities in a way that will support the programme to reduce carbon emissions in the UK.

“The Association welcomes the recognition from the Chancellor that historically investment in transport infrastructure has been poor. However, having abandoned its original target of a 5% cut in congestion on the national road network by 2010, the government’s new target is also at risk. Construction of new and improved roads is now at its lowest for a quarter of a century and the current pace of progress is proving insufficient to accommodate traffic growth and curb congestion. The government must now make firm commitments to reduce congestion if this issue is to be resolved.”

6.5 Business Issues

Federation of Small Businesses

<http://www.fsb.org.uk/news.asp?REC=4537>

Date: Wednesday, March 12, 2008 Ref: PR 2008 17

FSB welcomes a Budget speech with no nasty surprises

The Federation of Small Businesses, FSB, welcomed a Budget speech with few alarms and surprises for the UK’s 4.5 million-strong small business community.

John Wright, FSB National Chairman, said:

The Treasury’s dithering since the Pre-Budget report and a series of damaging tax rises in the last year have totally undermined the Government’s position with small businesses.

“Alistair Darling’s first Budget is unlikely to make that situation much better, but it is a relief that it will not make it any worse either. Finally it seems we may have an announcement from the Chancellor that doesn’t spring any nasty surprises on small businesses.

The deferral of plans to change income shifting rules, which would have forced tens of thousands of family businesses to create and maintain a massive amount of extra paperwork on individuals’ contributions to their business, is welcome news. The plans should now be abandoned permanently.

“We welcome the freeze on fuel duty until October, but the issue is unlikely to go away. The cost of fuel is damaging small businesses and their customers in every industry and every area of the country.

“Plans to reform regulation, improve access to finance by expanding the small firms loan guarantee scheme, help female entrepreneurs and for a goal to give at least 30 per cent of public sector procurement to small and medium-sized businesses all have our support. These plans will need to be backed up with real action.

“Small businesses are totally opposed to road pricing that does not discriminate between essential business use of the roads and non-essential use. We’re worried that the Chancellor appears to be pushing ahead despite massive opposition.



"The laudable aim to make all new non-domestic buildings zero carbon by 2019 must be handled carefully because it could restrict small businesses' access to premises."

British Retail Consortium

<http://www.brc.org.uk/details04.asp?id=1336&kCat=&kData=1>

GREEN SMOKESCREEN HIDES TAX GRAB

The Chancellor is using claims of tackling social and environmental ills as an excuse to take yet more tax from hard-pressed businesses and consumers. His emphasis on carrier bags as a cause of climate change is outrageous. He has failed to offer significant incentives that could make a real difference to the environment and to the economy.

Reacting to today's Budget (Wednesday) the British Retail Consortium (BRC) said Alistair Darling was simply trying to disguise the need to plug holes in his finances.

Stephen Robertson, Director General of the British Retail Consortium, said: "We'll need to look beyond the headlines to the inevitable unannounced detail before we can fully assess this Budget, but it's clear the Chancellor has huge holes in his accounts and is trying to hide an old-fashioned tax grab behind a bags and alcohol smokescreen.

"Retailers are driving efforts to achieve social and environmental objectives but the Chancellor's green tax gimmickry is simply an excuse to take yet more money from hard-pressed businesses and consumers."

On compulsory carrier bag charges, Stephen Robertson said: "It's outrageous to suggest carrier bags are a major cause of climate change. There are many more significant contributors. Why does the Government believe improving the energy performance of homes only deserves a feeble £26 million?"

"Retailers have already committed to reduce the environmental impact of plastic bags by a quarter by the end of this year. Huge progress has been made without any need for legislation.

"Customers took a billion fewer bags in the last 12 months and retailers are over half way to achieving the target on cutting the use of new plastic. This shows bans or taxes are not the only way.

"By setting a date for legislation the Government appears to have jumped to a verdict already, abandoning their agreement. Retailers take their environmental responsibilities very seriously, but want policies that are based on clear evidence, rather than knee-jerk reactions to highly emotive campaigns."

On increased alcohol taxes, Stephen Robertson said: "We share the Government's concerns on responsible drinking but are not convinced that raising the price of alcohol through taxation is the correct solution. The key issue is changing our culture and encouraging awareness of sensible drinking, a process retailers are committed to working with Government on as part of its alcohol strategy. The problem with taxation on alcohol is that it's a blunt instrument that raises the price to millions of consumers who drink responsibly."

On incentives for companies to use greener vehicle fleets, Stephen Robertson said: "While focussing on the tax regime for cars, the Chancellor has ignored our calls to reward



the use of greener vehicle fleets. Voluntarily, retailers are investing massively in achieving more efficient transport, including electrical and bio-fuel vehicles. This should be recognised and encouraged.

"The Chancellor has also done nothing to reduce VAT on energy-efficient products, such as low-energy light bulbs and efficient household appliances. If he had it would have made them more affordable for customers, supported retailers' efforts at promoting these goods and made his first Budget genuinely green."

On Crossrail and funding local infrastructure projects, Stephen Robertson said: "We're seriously concerned at the Chancellor's claim that 'Crossrail funding has been secured'. He certainly hasn't explained how. Does this mean he has decided, without consultation, to give local authorities the power to impose Business Rates Supplements?"

"Retailers already pay £4.5 billion a year in business rates, more than any other sector. Giving local authorities powers to demand more could see retailers paying out an extra £130 million. The Government must guarantee tight controls to stop local authorities abusing these supplements as another indiscriminate burden on struggling businesses."

Society of Motor Manufacturers and Traders

<http://smmtlib.findlay.co.uk/articles/news/News/pr4548%20SMMT%20initial%20budget%20response.doc>

Sales taxes on higher emitting cars have little effect on CO2 emissions and create an unwelcome market distortion. That's the view of SMMT to news that buyers of new cars with CO2 above 160g/km will have to pay a supplement to VED on first purchase from 2009. For cars emitting more than 255g/km CO2 this rises to £950 (£455 of which is VED)

"Since the introduction of CO2-based road tax in 2001, there has been a clear trend towards lower-CO2 new cars," said SMMT chief executive Paul Everitt. "Encouraging even more buyers to choose models with class-leading emissions should be the priority. We are therefore pleased to see an increase in the number of bands to 13 from 2009.

"However, introducing what is effectively a sales tax for many new cars is a retrograde step. Trying to force people out of high-value cars has no environmental merit and will be seen as a smokescreen for revenue-raising."

SMMT believes the key to driving demand for cleaner cars is to improve incentives in what are currently the middle bands; these make up more than three-quarters of new car sales. It is encouraged therefore that the number of bands will increase to 13 and welcomes the certainty that comes from a system set until 2011.

Today's budget will take VED to a more linear framework, like that applied to company car tax. This rewards drivers who specify lower-emitting models within each class, as well as lower CO2-emitters overall, through a linear pathway of 5g/km tax increments. Since its introduction in 2002 this long-term model has worked, encouraging sales of lower-CO2 emitting company cars.

British Beer and Pub Association

http://www.beerandpub.com/newsList_detail.aspx?newsId=236

Beer Duty – Brewers' Budget response



Commenting on today's increases in beer duty in the Budget, Rob Hayward, British Beer & Pub Association (BBPA) Chief Executive, said:

"The millions of people who enjoy beer have just been hit by a £50.5 million a month tax raid on their family budgets.

"By aiming a tax hike at beer, the Chancellor is shooting himself in the foot. Treasury revenues will continue to fall, pubs will continue to close and beer sales sink further."

"Every single day, the Treasury is losing over £1 million in beer taxes and four pubs are closing. People are now drinking 1 million fewer pints a day compared with last year. That trend will continue. It's a decision doomed to failure – bad for taxpayers, beer, pubs and bad for the Treasury as well.

"Government is punishing all beer drinkers rather than tackling the minority of drunken hooligans. But Government tax policy is fuelling Britain's binge drink problem by driving people away from beer, out of the pub into the arms of the deep discounting supermarkets. They don't pay beer duty and don't allow brewers to pass it on, so their rock bottom prices will remain unaffected by this tax hike."

Wine and Spirit Trade Association

http://www.wsta.co.uk/index.php?option=com_content&task=view&id=296&Itemid=74

The Wine & Spirit Trade Association (WSTA) says consumers are set to suffer after today's inflation busting rise in the rates of duty on wine and spirits.

The Chancellor's considerable tax hike (14 pence on the price of a bottle of wine and 55 pence on a bottle of spirits) means people in Britain now pay more tax on wine than in any other European Union country.

WSTA Chief Executive Jeremy Beadles said: "It is no cause for celebration that British consumers will now pay more tax on wine than anyone else in the European Union.

"It is bizarre at a time when the economy is slowing, prices are rising and many families are feeling the pinch that the Government should choose to add to their burden by making the simple pleasure of a glass of wine or spirits considerably more expensive.

"We are surprised that a Government which came to power promising to govern in the interests of the many now wishes to punish them. Our polling shows voters don't support this."

"Wine and spirit drinkers already face the prospect of price rises as a result of the increasing cost of raw materials - grapes, grain, packaging, glass, freight and energy. This tax hike will simply make things worse for the average consumer."

"That the Government should commit itself and future Governments to an above inflation rate increase for alcohol for the next four years is hitting all drinkers for the sins of a minority even before it has received the results of its own report on Pricing, Promotions and Harm. A policy of commit now, hurt consumers now, study the issue later."

Members' Research Service: Research Paper
Gwasanaeth Ymchwil yr Aelodau: Papur Ymchwil



Cynulliad National
Cenedlaethol Assembly for
Cymru Wales