

Tax and benefit measures

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Taxes and benefits in the Budget

No huge changes, but some modest reforms to...

1. Alcohol and fuel duties
2. Universal Credit
3. Business taxes

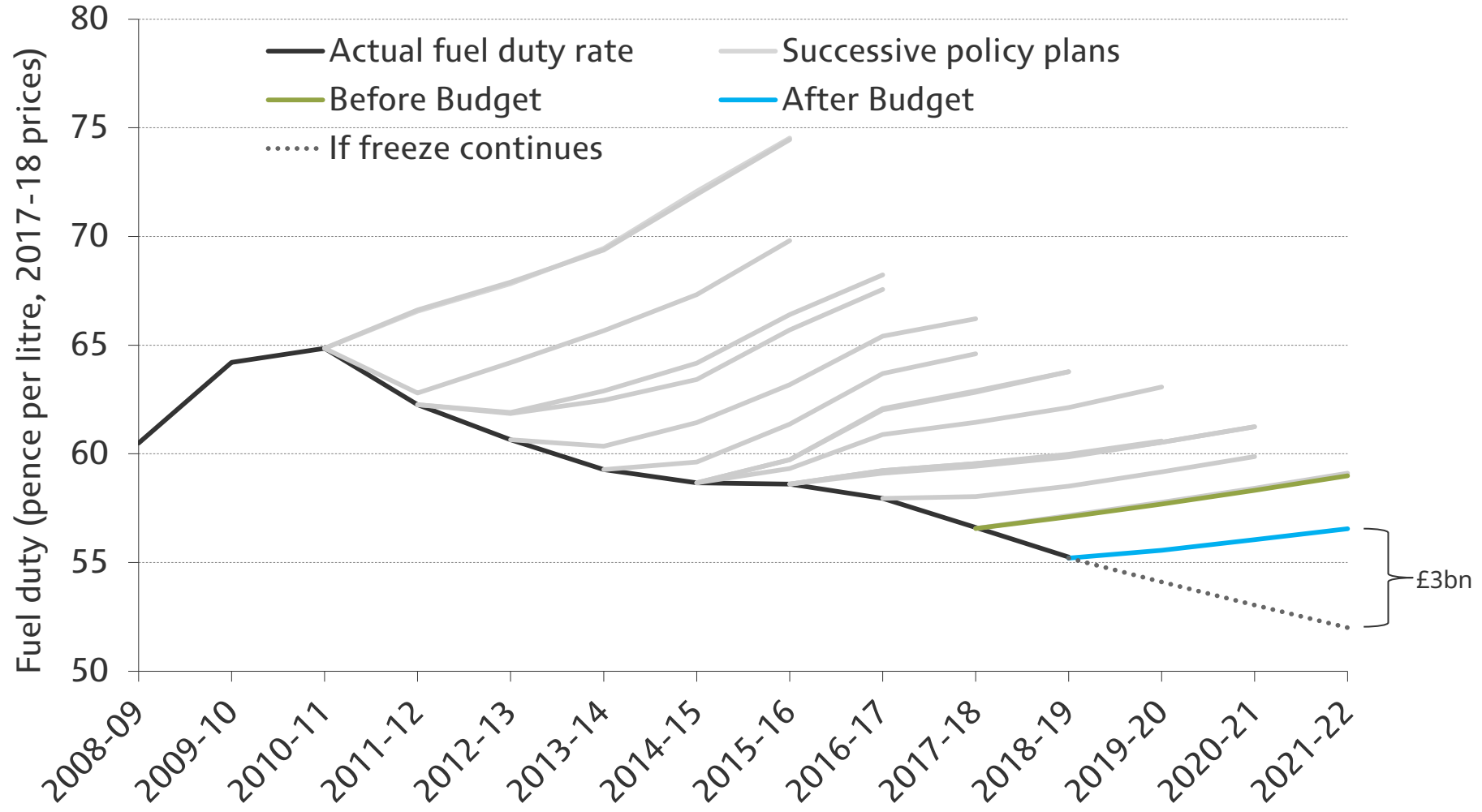
**Also an £11,850 personal allowance and £46,350 higher rate threshold
– unchanged in real terms**

'Inevitable' freeze in fuel duties...

'Inevitable' freeze in fuel duty rates costs £800m

- 8th consecutive year Government has frozen fuel duty – bringing the total cost of freezes since 2010 to over £6bn p.a.

'Inevitable' freeze in fuel duties...



'Inevitable' freeze in fuel duties... ...alongside other 'traditional' cuts to alcohol duties

'Inevitable' freeze in fuel duty rates costs £800m

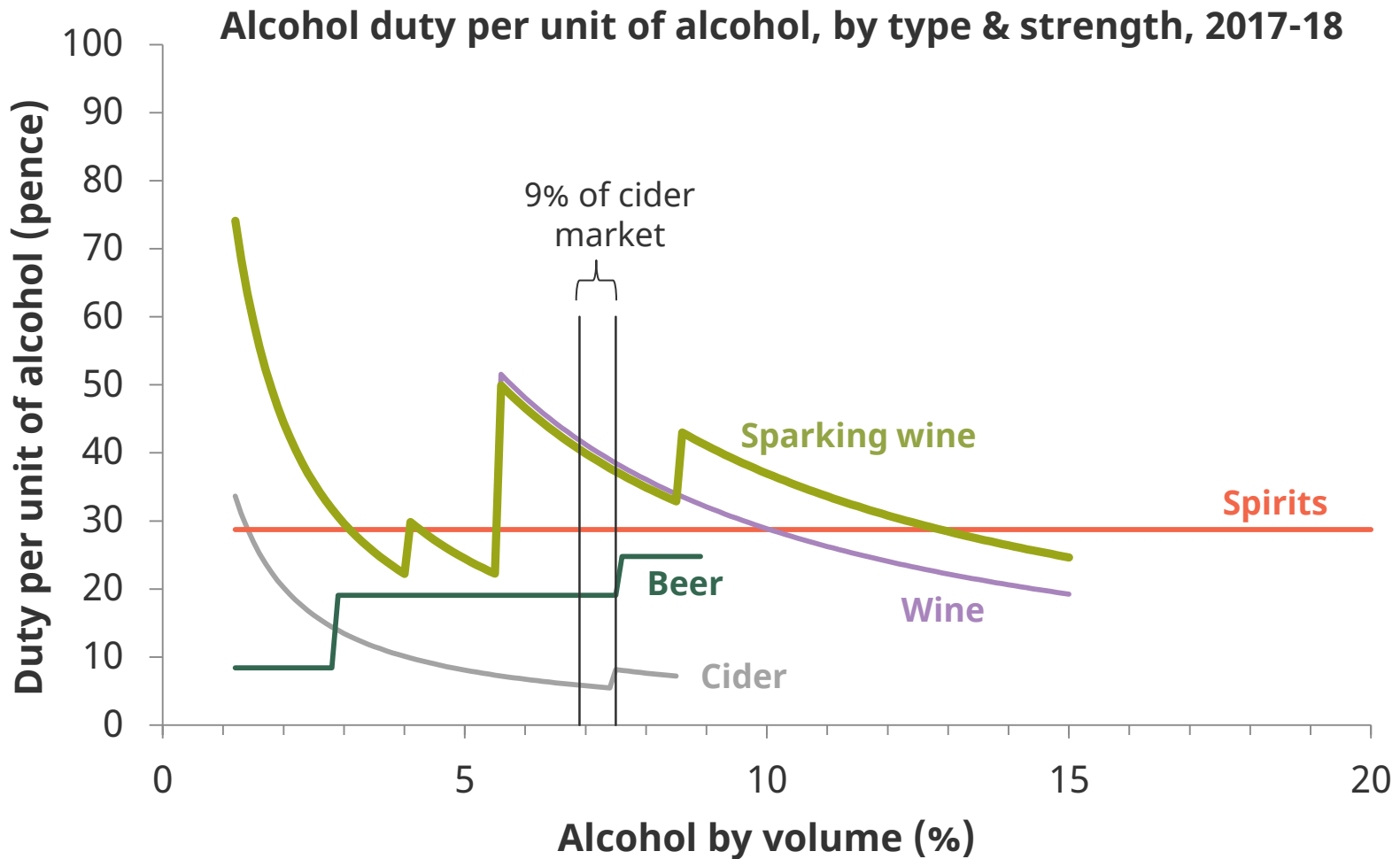
- 8th consecutive year Government has frozen fuel duty policy – bringing the total cost of freezes since 2010 to over £6bn p.a.
- Yet Government forecasts still assume fuel duties will rise: but continuing to do last minute freezes flatters the public finances

Government also announced a 'traditional' freeze in alcohol duties

- 6th real terms cut since 2010, bringing total cost to £1bn annually

... and an increase in duty on higher-strength cider from 2019

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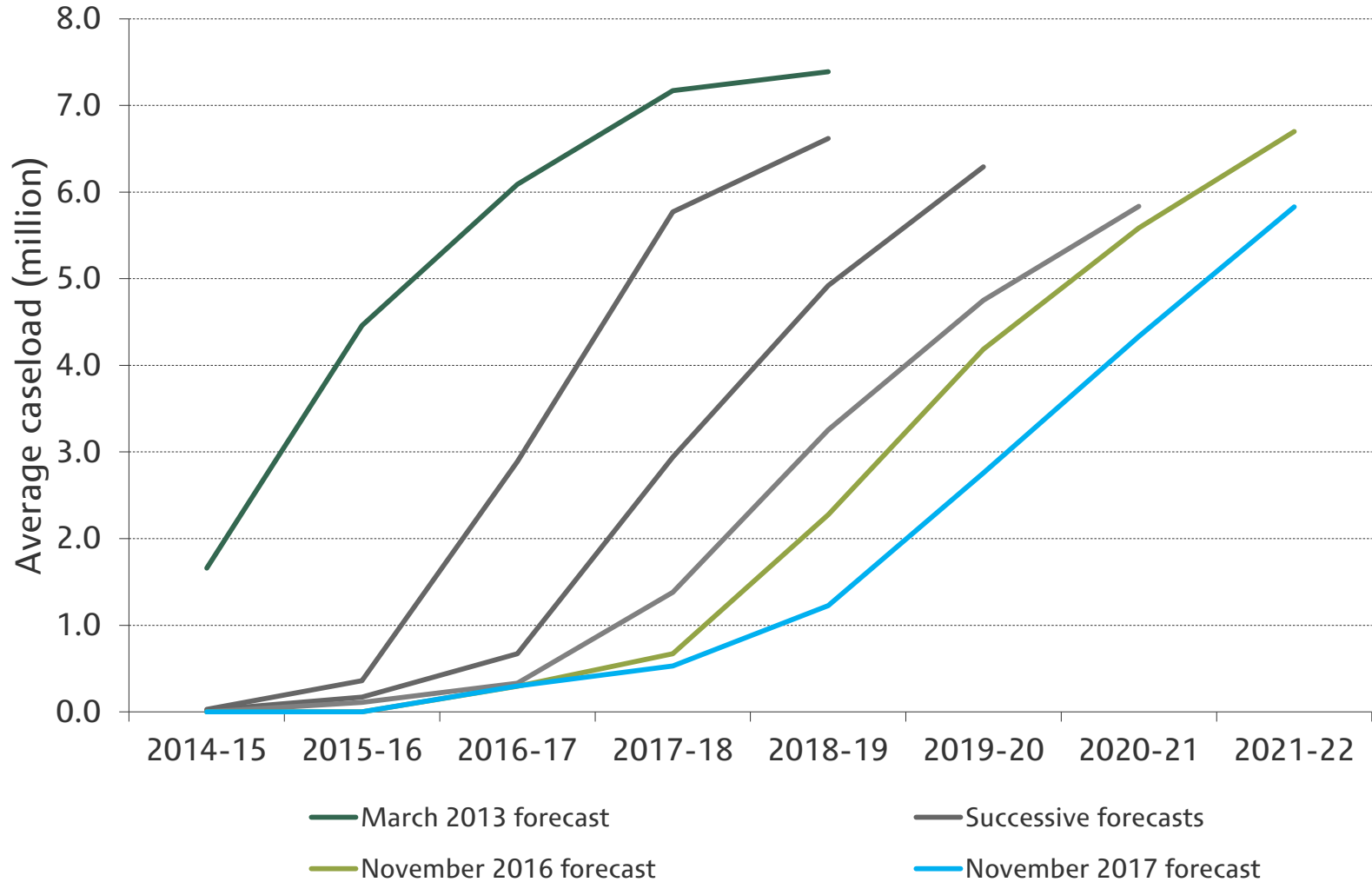


Changes to universal credit

Universal credit (UC) replacing six major means-tested benefits

- Large potential benefits from simplification and getting rid of very weakest work incentives
- Currently c. 600k claimants, rising to 7m by 2022-23
- But number of issues with roll-out – delayed again yesterday

Plans for rolling out UC – a history



Changes to universal credit

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3 changes announced yesterday to designed to address 'six-week wait'

1. Abolition of 7-day waiting period – reduces wait for first normal UC payment from 6 to 5 weeks
2. Advance loans now up to 100% of expected entitlement – prev. 50% cap.



Total giveaway of £330m in 2019-20 – declines after that

Bigger picture: UC is part of large package of benefit cuts

Universal credit will reduce benefit entitlements by about £5bn p.a. in the long run

- Creates lots of winners and losers

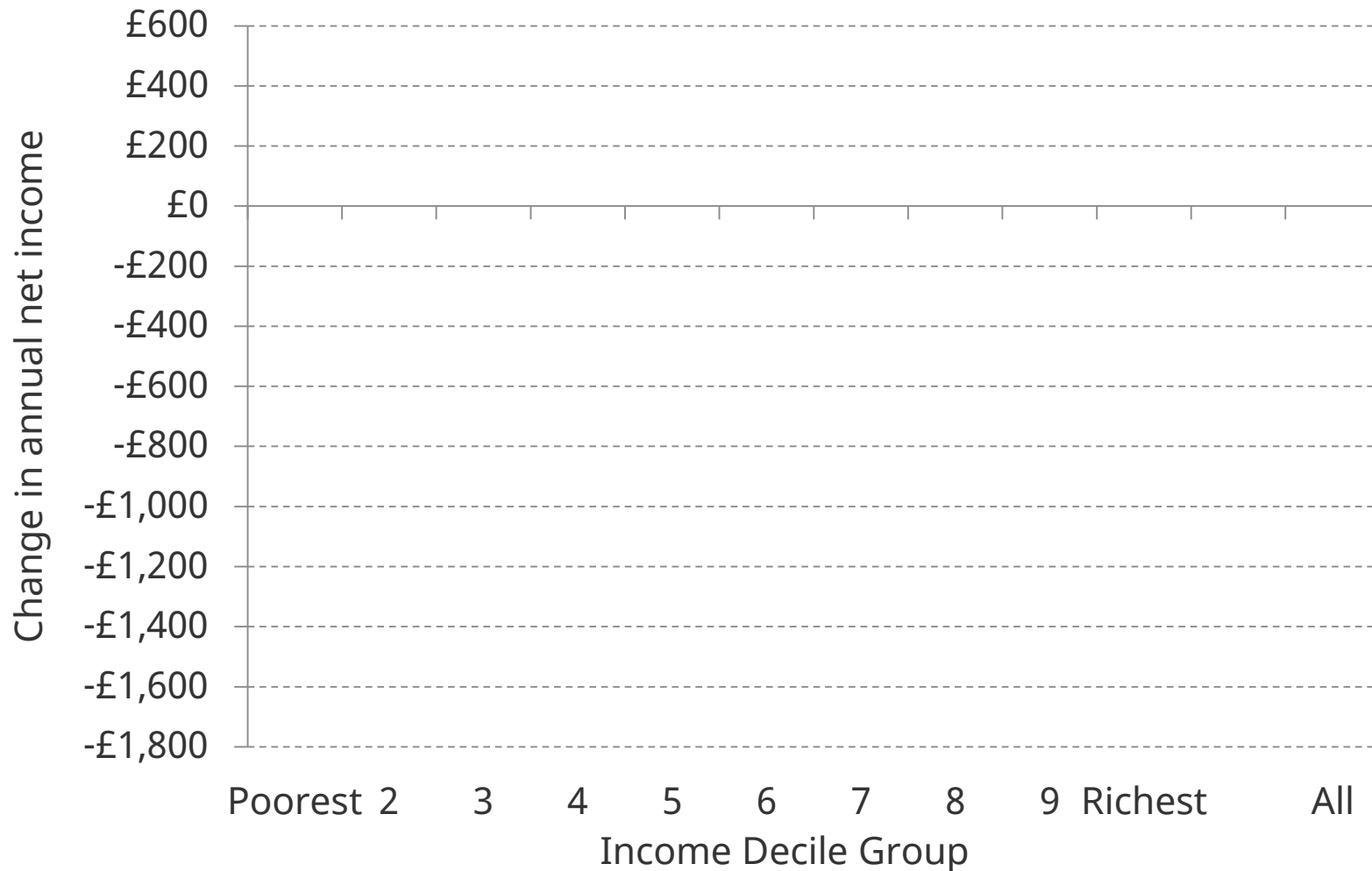
Most working-age benefits frozen in April 2018 and 2019

- 4-year freeze now expected to save c.£4½ bn p.a., with 11m households affected losing over £400 p.a. on average.

And in long-run low-income families to lose significantly from cuts to child tax credit

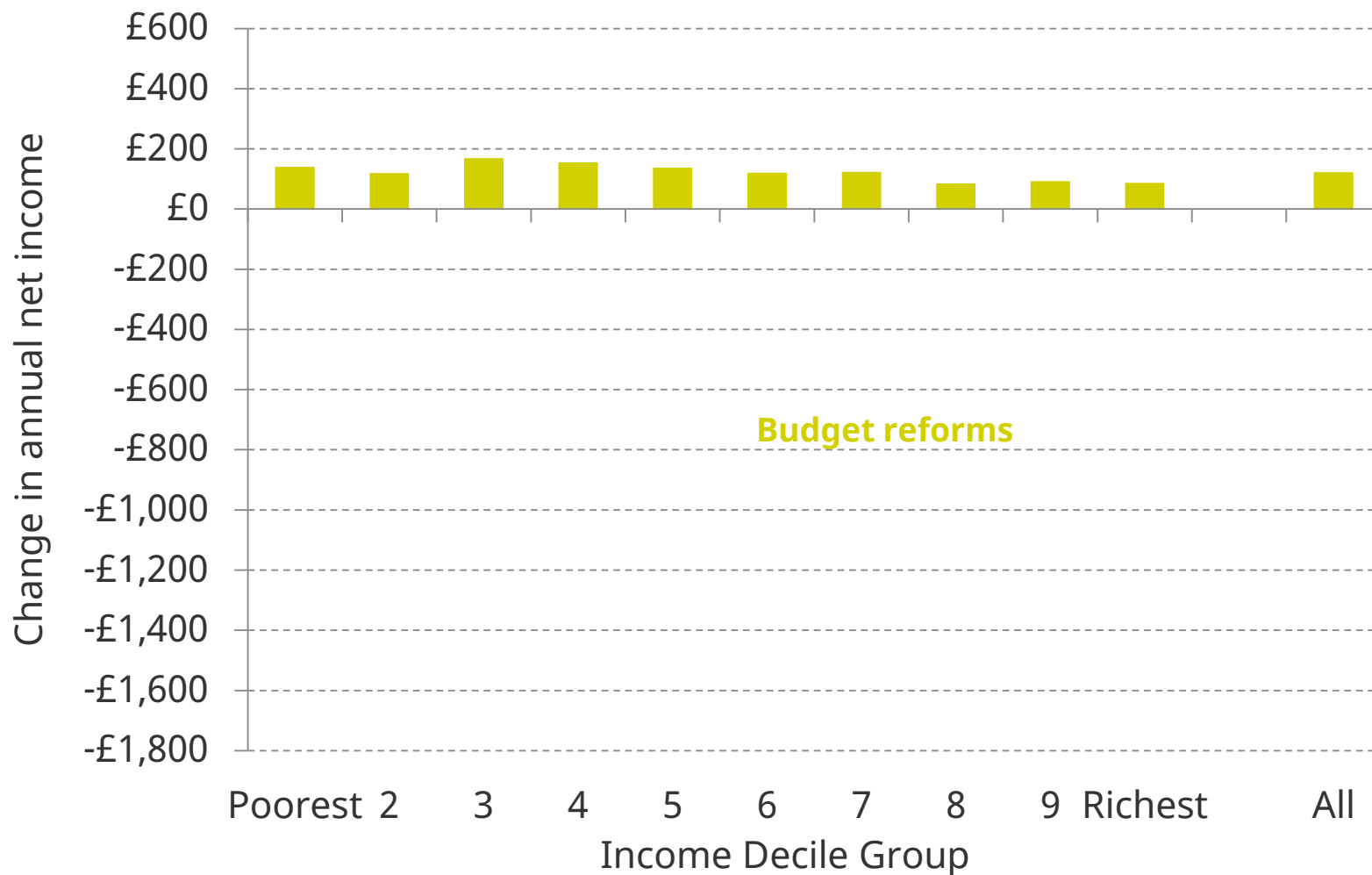
- Long-run saving of around £5bn a year

Long run impact of tax and benefit reforms since May 2015



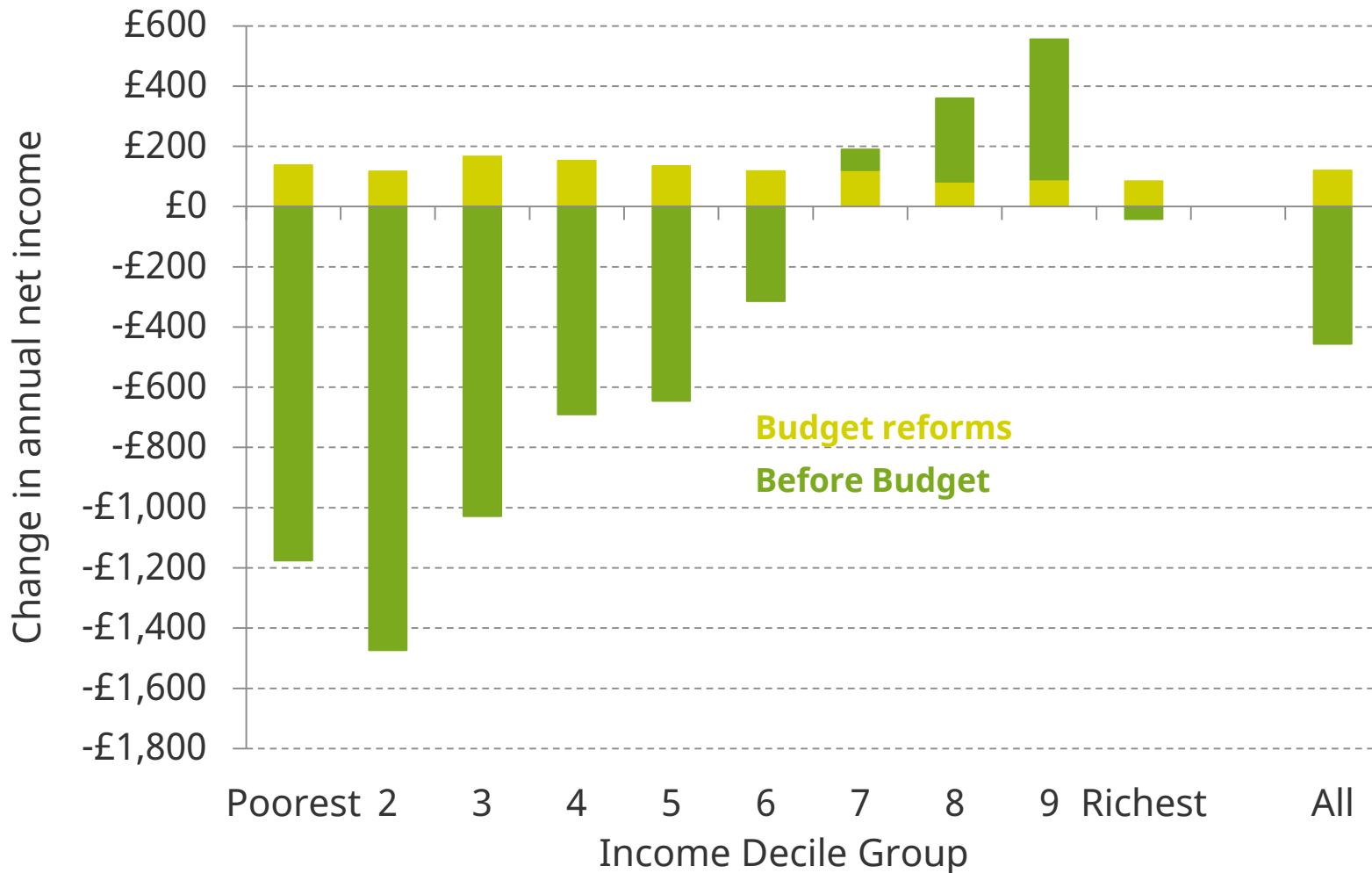
Notes: Assumes full take-up of means-tested benefits and tax credits and all changes fully in place.

Long run impact of tax and benefit reforms since May 2015



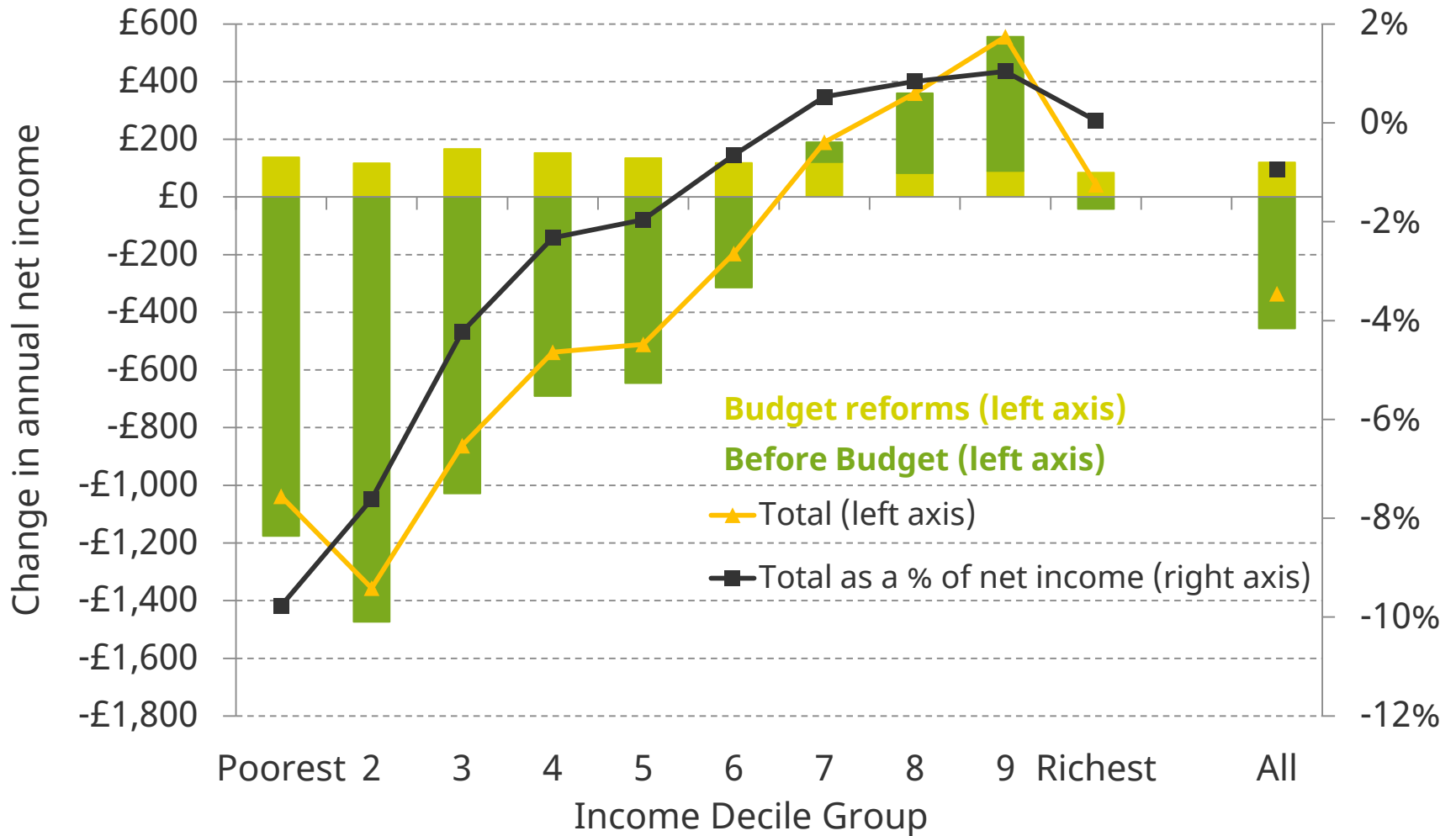
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Business taxes

Increase main R&D credit from 11% to 12% (-£175m)

Business rates giveaways (-£520m)

- Bring forward CPI uprating to 2018-19
- Move to revaluations every 3 years

Anti-avoidance measures (+£1.5bn)

Capital Gains (+£685m)

- Freeze indexation allowance

VAT threshold frozen at £85,000 for 2 years (+£170m)

Conclusion

No huge giveaways or takeaways in taxes or benefits yesterday

Some changes on duties:

- Ongoing fuel duty freeze becoming increasingly costly
- Cider reform represents a small detail in the bigger picture

Universal Credit reforms may well ease early days for claimants

- But bigger picture remains substantial cuts to working-age benefits

Business taxes

- Series of small changes, overall a revenue raiser