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in5

November 2011

# Autumn statement 2011

On 29 November 2011, George Osborne, the Chancellor of the Exchequer delivered his Autumn Statement; setting out the actions the government plans to take in three areas:

- protecting the economy;
- building a stronger economy for the future; and
- fairness.

Since the June Budget 2010, in which the government set out plans to reduce the deficit and rebuild the economy, the UK economy has continued to suffer, largely as a result of:

- higher than expected inflation, driven by a sharp increase in global commodity prices;
- the euro area crisis; and
- the ongoing impact of the full scale of the 2008-2009 financial crisis.

In response, the Office for Budget Responsibility has significantly revised down its projections for growth over the forecast period.

This inform+equip... in 5 summarises the key announcements made in relation to pensions, taxation and employment.

## Pensions

### State Pension Age (SPA)

The SPA will rise to 67 between April 2026 and April 2027. Basic State Pension and Pension Credit.

The full Basic State Pension will rise by £5.30 to £107.45 per week in April 2012.

The standard minimum income guarantee from Pension Credit will increase by 3.9% in April 2012, to £142.70 a week for single pensioners and £217.90 a week for pensioner couples.

### Asset backed pension contributions

The government will introduce legislation to ensure the amount of tax-relief given to employers making asset-backed pension contributions accurately reflects the amount of the payments made and does not give rise to unintended excess relief.

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## Tax, reliefs and duties

### Income tax

As previously announced, the income tax personal allowance will increase to £8,105 in 2012-2013. The government also announced further real term increases in subsequent years, to move towards the goal of a £10,000 personal allowance.

### Capital gains tax (CGT)

The annual exempt amount for CGT will be frozen at £10,600 for 2012-2013.

### Enterprise Investment Schemes (EIS) and Venture Capital Trusts (VCT)

A new Seed Enterprise Investment Scheme (SEIS) will launch from April 2012. This will offer 50% income tax relief on investments up to £100,000 in new enterprises, with each company eligible for £150,000 of investment in total. Investors will also receive a CGT exemption on gains realised in 2012-2013 and then invested through SEIS in the same year.

The £1million per company investment limit for VCTs will be removed.

### Corporation Tax

Further cuts to the main rate of corporation tax were announced. This will reduce to 25% from April 2012, and will reach 23% by April 2014.

### Business Rates

The government will extend the current small business rate relief holiday for a further six months from 1 October 2012. Businesses will also have the opportunity to defer 60% of the increase in their 2012-2013 business rate bills as a result of the RPI uprating, to be repaid equally across the following two years.

### Tax Credits

The child element of the Child Tax Credit (CTC), and disability elements of tax credits, will increase in line with the Consumer Prices Index (CPI) in 2012-2013. The government will not go ahead with the planned £110 above inflation increase to the child element of the CTC and will not uprate the couple and lone parent elements of the Working Tax Credit in 2012-2013.

## Pay and employment

### Public sector pay

Public sector pay awards will be set at an average of 1% per year, for each of the two years after the current pay freeze comes to an end. In addition, the government is to consult on how public sector pay can be made more responsive to local markets. The consultation will report by July 2012.

### Youth placement

The government plans to introduce a Youth Contract worth a total of £940million over the Spending Review 2010 period. This will fund wage incentives for 160,000 young people and at least 40,000 incentive payments for small firms to take on young apprentices. Extra support will be available from JobCentre Plus for unemployed 18-24 year olds, an offer of



a work experience or Sector Based Work Academy place will be available for every unemployed 18-24 year old who wants one (after three months on Jobseeker's Allowance), and a new £50million a year programme is intended to support some of the most disadvantaged 16-17 year olds into education, an apprenticeship or a job with training.

## Finding out more

If you would like to find out more about any of the issues raised in this edition of i+e...in 5, please contact your Johnson Fleming consultant or call us on:

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