



HM TREASURY

Budget 2009

Building Britain's future

Economic and Fiscal Strategy Report and Financial Statement and Budget Report

April 2009

Return to an Order of the House of Commons dated 22 April 2009

*Copy of Economic and Fiscal Strategy Report and Financial Statement and Budget Report – April 2009
as laid before the House of Commons by the Chancellor of the Exchequer when opening the Budget.*

Stephen Timms
Her Majesty's Treasury
22 April 2009

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The Economic and Fiscal Strategy Report and the Financial Statement and Budget Report contain the Government's assessment of the medium-term economic and budgetary position. They set out the Government's tax and spending plans, including those for public investment, in the context of its overall approach to social, economic and environmental objectives. After approval for the purposes of Section 5 of the European Communities (Amendment) Act 1993, these reports will form the basis of submissions to the European Commission under Article 99 (ex Article 103) and Article 104 (ex Article 104c) of the Treaty establishing the European Community.

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Economic and Fiscal Strategy Report

OVERVIEW

The Government's economic objective is to build a strong economy and a fair society, where there is opportunity and security for all. Budget 2009, *Building's Britain's Future*, presents updated assessments and forecasts of the economy and public finances and reports on how in the face of a steep and synchronised global downturn, the Government is delivering a comprehensive and coherent package of targeted support to continue to help households and businesses, while implementing a strategy to support a strong and sustainable recovery.

Building on the strategy set out at the 2008 Pre-Budget Report, the Budget announces targeted discretionary support for the economy through these difficult times, while continuing sustained fiscal consolidation from 2010-11 when the economy is expected to be recovering and able to support a reduction in borrowing:

- **support for employment, including for Jobcentre Plus and the Flexible New Deal, and the offer a guaranteed job, training or work placement for all 18-24 year olds who reach 12 months unemployed;**
- **support for business, including by extending the enhanced loss relief for an additional year and expanding HMRC's Business Payment Support Service, increasing capital allowances for new investment to 40 per cent for one year, and establishing a £750 million Strategic Investment Fund to support advanced industrial projects of strategic importance;**
- **support for individuals, including through an increase in the annual investment limit for Individual Savings Accounts (ISAs) to £10,200, up to £5,100 of which can be saved in cash; an additional payment alongside the Winter Fuel Payment worth £100 for households with someone aged over 80 and £50 for households with someone aged over 60;**
- **support for homeowners and homebuyers, including with a £600 million funding package of measures to build more homes through unlocking sites currently sitting as dormant, and an extension of the stamp duty holiday for all houses costing up to £175,000 until the end of the year; and**
- **support for the environment, including setting the world's first carbon budgets and measures to encourage energy efficiency and low-carbon growth.**

The Budget also announces:

- **from April 2010, an additional rate of income tax of 50 per cent will apply to income over £150,000, and the income tax personal allowance will be restricted for those with income over £100,000;**
- **from April 2011, tax relief on pensions contributions will be restricted for those with incomes of £150,000 and over, and tapered down until it is 20 per cent;**
- **fuel duty will increase by 2 pence per litre on 1 September 2009, and by 1 penny per litre in real terms each year from 2010 to 2013; and**
- **£5 billion recoverable value for money savings in 2011-11 raising the 2007 Comprehensive Spending Review target from £30 billion to £35 billion, and in the next Spending Review period additional efficiencies to help support the economy and front-line services rising to £9 billion by 2013-14. The Budget sets assumptions for spending growth from 2011-12 onwards, with current spending growing by on average 0.7 per cent in real terms and public sector net investment moving to 1¼ per cent of GDP by 2013-14.**

I.1 The Government's economic objective is to build a strong economy and a fair society, where there is opportunity and security for all.

Global economic downturn

I.2 The world economy faced exceptional challenges through 2007 and 2008, with the financial crisis of late 2008 precipitating a steep and synchronised global downturn. The UK, like other advanced economies, has seen a large fall in output, with GDP down 1.6 per cent in the final quarter of 2008 and industrial production down 4.5 per cent. In the euro area, GDP contracted 1.6 per cent, while industrial production fell more than 18 per cent in the year to February. In the US, GDP also fell 1.6 per cent and industrial production was down 5.4 per cent in the first quarter of 2009. In Japan, GDP fell by 3.2 per cent and exports were down by an unprecedented 45½ per cent in the year to February 2009.

UK and global policy response

I.3 There are worldwide economic difficulties with international causes and consequences for every country, so global solutions are needed. The UK Government, as Chair of the G20 in 2009, forged agreement between G20 Leaders on a comprehensive *Global Plan for Recovery and Reform* at the London Summit in April 2009.

I.4 Reinforcing the international response the Government is delivering a coherent and comprehensive package of support to stabilise the financial system, provide support to the economy and to those who need it most, and set a clear and fair plan for ensuring sound public finances over the medium term.

Prospects for the UK economy

I.5 In 2009, the world economy is forecast to contract for the first time in the post-war period, with UK GDP forecast to drop 3½ per cent. As support from macroeconomic policy takes hold and credit conditions ease, the world and UK economies are forecast to recover. Recovery in the UK is forecast to begin in late 2009, with growth picking up through 2010 and the economy is forecast to grow strongly in 2011.

Budget 2009

I.6 This Budget sets out the action the Government is taking to support individuals and businesses through the current downturn, while ensuring the economy is able to make a strong and sustainable recovery. Budget 2009 describes the next steps that the Government is taking to make further progress in:

- **maintaining macroeconomic stability**, through supporting the economic recovery and building a strong economy for the future, while ensuring sound public finances;
- **ensuring financial stability**, by introducing the Government's view of the longer-term action required to renew financial markets for the future;
- **supporting business**, with targeted measures that will help business' short-term cashflow, and improve competitiveness;
- **helping people fairly**, with further Government action to support employment, to help savers and families with childcare, to support pensioners, and help homeowners;
- **improving public services**, with continued investment in front-line public services alongside a stronger drive on value for money; and
- **building a low-carbon recovery**, with action to address the global challenge of climate change.

MAINTAINING MACROECONOMIC STABILITY

I.7 The Government's long-term economic goal is to maintain macroeconomic stability in order to achieve its objective of a fair society where there is security and opportunity for all. Chapter 2 sets out prospects for the UK economy and public finances, details of which are set out in Chapters B and C of the *Financial Statement and Budget Report (FSBR)*.

Policy response I.8 To promote economic recovery while ensuring sound public finances, Budget 2009 focuses on further targeted support for those most affected by the downturn and to ensure a sustained and sustainable recovery, including support for employment and investment.

I.9 In the UK, the Government has undertaken a set of measures to improve the flow of credit to creditworthy borrowers, and significant macroeconomic policy support is in place. The Bank of England has cut Bank Rate to ½ per cent, a £75 billion programme of asset purchases is under way, and the Government is delivering fiscal support worth 4 per cent of GDP in 2009-10 through discretionary action announced in this Budget and the 2008 Pre-Budget Report and the automatic stabilisers.

Ensuring sustainability I.10 Over the medium-term the Government's fiscal policy objective is to ensure sound public finances and that spending and taxation impact fairly within and between generations. Building on the significant fiscal consolidation announced in the 2008 Pre-Budget Report, this Budget sets out tax and spending measures that reduce borrowing by £26½ billion by 2013-14:

- from April 2010, an additional rate of income tax of 50 per cent will apply to income over £150,000 and the income tax personal allowance will be restricted for those with incomes over £100,000. From April 2011, tax relief on pensions contributions will be restricted for those with incomes of £150,000 and over, and tapered down until it is 20 per cent. Fuel duty will increase by 2 pence per litre on 1 September 2009, and by 1 penny per litre in real terms each year from 2010 to 2013; and
- the Government will continue to improve and invest in public services while delivering the additional savings identified by the Operational Efficiency Programme over the next Spending Review period, rising to £9 billion a year by 2013-14. Current spending will grow by an average of 0.7 per cent a year in real terms between 2011-12 and 2013-14 and public sector net investment will move to 1¼ per cent of GDP by 2013-14.

Economic prospects I.11 It will take time for policy support to take hold fully. With a sharp recession taking place in the world's economies, global forecasts are marked by very significant uncertainties and risks. World GDP is forecast to fall by 1¼ per cent in 2009, marking the first full-year contraction in the post-war period. Advanced economies are expected to contract most sharply, with G7 GDP forecast to fall by 4 per cent. As the global policy response takes hold and credit conditions ease, the world economy is forecast to begin to recover towards the end of 2009, with growth picking up through 2010 and 2011. In the UK, prospects for 2009 have been revised down substantially since the 2008 Pre-Budget Report. Like many advanced economies the UK will experience a sharp recession in 2009 with a forecast contraction of 3½ per cent. GDP is forecast to contract sharply in the first half of 2009, to stabilise in the second half of the year, and to pick up progressively through 2010 and 2011.

The public finances I.12 Global economic developments will have a profound effect on the fiscal positions of most countries, with debt likely to rise significantly in all advanced economies. The Budget 2009 projections show that:

- Public sector net borrowing (PSNB) is projected to peak at 12.4 per cent of GDP in 2009-10, as the economic downturn significantly reduces tax receipts, particularly from the financial sector. PSNB then declines to 5.5 per cent of GDP by 2013-14 as the economy recovers and the Government takes action to ensure the sustainability of the public finances; and
- Public sector net debt (PSND), including unrealised losses from financial sector interventions, increases over the period to 2013-14. It then stabilises at around 79 per cent of GDP by the end of the forecast period.

I.13 Reflecting the principle of transparency, the fiscal forecasts include a provisional estimate for the high end of a range for the net impact of unrealised losses on financial sector interventions, equal to 3½ per cent of GDP.

Table I.1: Summary of fiscal projections

	Per cent of GDP						
	Outturn	Estimate	Projections				
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Public sector net borrowing (PSNB)	2.4	6.3	12.4	11.9	9.1	7.2	5.5
Total change since 2008 Pre-Budget Report	-0.1	0.9	4.4	5.1	3.8	3.1	2.6
Impact of discretionary measures on PSNB ¹	0.0	0.0	0.5	0.0	-0.5	-1.1	-1.5
Surplus on current budget	-0.4	-3.6	-9.3	-9.4	-7.2	-5.6	-4.3
Cyclically-adjusted surplus on current budget	-0.7	-3.1	-6.7	-6.4	-4.9	-3.9	-3.2
Public sector net investment	2.1	2.6	3.1	2.5	1.9	1.6	1.3
Public sector net debt ²	36.5	43.0	55.4	65.0	70.9	74.5	76.2
Public sector net debt including unrealised losses ³	36.5	46.5	59.0	68.4	74.0	77.5	79.0

Note: Figures on a National Accounts basis unless otherwise indicated.

¹ Including changes in forecasting assumptions on spending growth in 2011-12, 2012-13 and 2013-14.

² Debt at end March; GDP centred on end March; excluding financial sector interventions.

³ Debt at end March; GDP centred on end March; including unrealised losses on financial sector interventions.

FINANCIAL STABILITY

I.14 The world economy was hit by a global credit shock in mid-2007. Since then, global financial markets have suffered a sustained period of stress and instability. The intensification of the financial market stress into the worst global financial crisis for generations delivered a severe blow to an already weakened world economy, precipitating a steep and synchronised global downturn. The world economy is forecast to contract in 2009 for the first time in the post-war period.

I.15 Financial markets are critical to the well-being of all citizens and the success of all businesses in this country. They also strongly influence economic growth and development across the world. They are the core mechanism for allocating resources efficiently in an economy and a key driver of productivity, growth and opportunities. Financial instability, to the extent that it disrupts the functioning of financial markets, can therefore affect everybody.

I.16 Governments around the world have provided significant support to strengthen their financial systems. At the London Summit, G20 Leaders committed to take all necessary action to restore the flow of credit and ensure the soundness of systemically important institutions.

I.17 The Government has taken decisive action to support the stability of the financial system and wider economy. Tackling a downturn of this nature and dealing with its consequences requires a comprehensive policy response to support the economy: fiscal and monetary policy, financial sector interventions, and targeted support for individuals and businesses.

I.18 The action taken by the Government since October 2008 has been successful in preventing the collapse of the financial system and ensuring that no retail depositors in UK banks or building societies lost money. These interventions have supported the wider economy, and they are helping individuals and businesses. The Government will continue to do whatever it takes to maintain financial stability through its objectives to ensure stability and restore confidence in the financial system, protect retail depositors' money and safeguard the interests of taxpayers.

I.19 Chapter 3 sets out the Government's response to financial market disruption in two areas. First, it describes the Government's immediate response aimed at ensuring the stability of the financial system, involving:

- targeted action for individual financial institutions; and
- a comprehensive system-wide response, including action to ensure liquidity, strengthen bank capital, guarantee certain wholesale funding, deal with impaired assets, and increase lending in the economy.

I.20 Second, Chapter 3 sets out the Government's view of the longer-term action required to renew financial markets for the future. It introduces a forthcoming paper by the Government, covering:

- key elements of the Government's approach to the future of financial markets;
- steps already taken to achieve this approach, including the Turner Review, leading work in the G20, and the Banking Act 2009; and
- further important action, including renewing financial regulation, reducing the impact of bank failure, protecting and supporting consumers, improving efficiency and competition in capital markets, and strengthening regulators and the international regulatory framework.

SUPPORTING BUSINESS

I.21 The financial crisis has caused a steep and synchronised global downturn. Government support, alongside action to restore the flow of credit in the financial system, is helping businesses across the UK. Budget 2009 builds on this support with targeted measures that will help businesses' short-term cashflow, including:

- **further support to loss-making businesses, by extending the enhanced loss relief announced in the 2008 Pre-Budget Report for an additional year and expanding HMRC's Business Payment Support Service;**
- **enabling businesses to spread payment of this year's inflation up-rating to business rates over three years, as announced on 31 March 2009;**
- **a 'top-up' trade credit insurance scheme to help businesses maintain their finances, in which Government will offer to match private sector trade credit insurance provision, for a temporary period, if insurers reduce cover to any UK business; and**
- **for a temporary period, a vehicle scrappage scheme, co-funded with industry, that will enable consumers who scrap vehicles older than ten years to replace them with new vehicles at a discount of £2,000.**

I.22 Over the last decade the UK has built up key strengths that provide a platform for growth as the UK emerges from the recession. Consistent with the strategic vision set out in *Building Britain's Future: New Industry, New Jobs* published 20 April 2009, Budget 2009 announces a package of measures that will support the adjustment towards renewed economic growth and improve the UK's competitiveness, offering:

- **an increase in capital allowances for new investment to 40 per cent for one year, with effect from April 2009, to allow a higher proportion of private investment to be offset in that year against taxable profits;**
- **a £750 million Strategic Investment Fund to support advanced industrial projects of strategic importance, of which a third of the funding will be earmarked specifically for low-carbon projects; and**
- **the implementation of a package of reforms to the taxation of foreign profits, including the introduction of an exemption for foreign dividends, supported by a limited restriction to the interest deduction rules.**

HELPING PEOPLE FAIRLY

Budget 2009 policy decisions

I.23 Low inflation and interest rates mean many households will have higher real incomes in 2009. In addition, households have benefited from action that the Government has taken to support economic recovery, including an increase in the personal allowance and a temporary cut in VAT. However, the Government recognises that many households have been hit by the downturn, including those affected by rising unemployment or by falling hours or wages.

I.24 Budget 2009 announces further Government action to support employment, to help savers and families with children, to support pensioners and to help people manage their finances, including:

- **an additional £1.7 billion set aside for the Department for Work and Pensions to sustain the high numbers of individuals currently moving off Jobseeker's Allowance in the early months of each claim and provide support for the minority who remain unemployed for longer periods;**
- **a guaranteed job, training or work placement for all 18-24 year olds who reach 12 months unemployed to ensure no young people are left behind due to long-term unemployment;**
- **an additional payment alongside this year's Winter Fuel Payment, worth £100 for households with someone aged over 80 and £50 for households with someone aged over 60;**
- **an increase in the annual investment limit for Individual Saving Accounts to £10,200, up to £5,100 of which can be saved in cash.** These higher limits will be available to people aged 50 and over from 6 October 2009 and available to all from 6 April 2010, directly benefiting over 5 million people who currently use their full ISA allowance;
- **an increase to the child element of the Child Tax Credit of an additional £20 a year above indexation from April 2010, providing valuable support to families with children;**
- **an additional £125 million in 2009-10 and £145 million in 2010-11 allocated to the Social Fund; and**

- an increase in the level of statutory redundancy pay, making the weekly rate £380.

I.25 Budget 2009 also announces a package of measures to help homeowners, homebuyers and the housing market:

- a £600 million funding package of measures to build more homes through unlocking sites currently sitting dormant; and
- an extension of the stamp duty holiday for all houses costing up to £175,000 until 31 December 2009.

I.26 In addition, Budget 2009 announces:

- from April 2010 an additional rate of income tax of 50 per cent will apply to income over £150,000, and the income tax personal allowance will be restricted for those with incomes over £100,000;
- from April 2011 tax relief on pensions contributions will be restricted for those with incomes of £150,000 and over, and tapered down until it is 20 per cent; and
- changes to alcohol and tobacco duties, and a package of measures protecting £3 billion of tax receipts from erosion due to tax evasion and avoidance by 2011-12.

IMPROVING PUBLIC SERVICES

I.27 Since 1997, record levels of investment matched by reform have enabled the Government to deliver real and lasting improvements in Britain's public services.

I.28 The Government's short-term focus is on supporting employment and jobs through the recession. Budget 2009 announces new spending measures, including additional funding for Jobcentre Plus to avoid the problems associated with long-term unemployment that took hold in previous recessions; and that the September guarantee of a place in education and training to every 16 and 17 year old who wants one will be met in full, an extra 54,000 student places in the next academic year.

I.29 At the same time, the Government is determined to do more to prepare Britain for the economic recovery, building the wealth and jobs of the future. Budget 2009 announces:

- a new £750 million Strategic Investment Fund to support advanced industrial projects of strategic importance, £250 million of this will be earmarked for low-carbon investment;
- £500 million of additional spending as part of an overall £1.4 billion package of targeted support to boost Britain's low-carbon sectors; and
- a further £600 million to increase housing supply, including through an extension to the shared equity scheme Homebuy Direct and additional social housing investment.

I.30 The Government will continue to invest in front-line public services alongside a stronger drive on value for money. Budget 2009 announces:

- £5 billion recoverable value for money savings in 2010-11, raising the 2007 Comprehensive Spending Review (CSR) target from £30 billion to £35 billion, while maintaining in full the allocations planned for key front-line services;

- **plans to increase the Government's target on relocating posts out of London to 24,000 by 2010;**
- **in the next Spending Review period, additional efficiencies to help support the economy and front-line services drawn from procurement, back office and IT, and property running costs,** rising to £9 billion of additional efficiency savings by 2013-14; and
- **new incentives and mechanisms with the aim of realising up to £16 billion of property and other asset sales** in the three years from 2011-12 with proceeds used to supplement capital budgets.

I.31 Building on these reforms, **Budget 2009 sets assumptions for spending growth from 2011-12 to 2013-14, which allow continued investment in public services while ensuring sustainable public finances:** with current spending growing by an average 0.7 per cent in real terms; and public sector net investment moving to 1¼ per cent of GDP by 2013-14.

BUILDING A LOW-CARBON RECOVERY

Budget 2009 policy decisions

I.32 The UK has led the world in taking a strategic and long-term approach to the problem of climate change. Existing policies are already enabling £50 billion of low-carbon investment over the three years to 2011, and helping to support 900,000 jobs. Budget 2009 builds on these foundations and provides over £1.4 billion of extra targeted support in the low-carbon sector. Together with announcements made since last autumn, measures announced today will enable an additional £10.4 billion of low-carbon sector and energy investment over three years, securing new jobs and new business, and placing the UK at the forefront of a worldwide low-carbon recovery.

I.33 To strengthen the long-term policy framework and give UK industry the confidence to invest in low-carbon technologies, Budget 2009 **sets the world's first carbon budgets,** as required by the new Climate Change Act. These set a legally binding 34 per cent reduction in emissions by 2020, a new level of ambition for UK climate policy.

I.34 Saving energy is the easiest way to cut carbon emissions, saving households and businesses money on bills. Building on the one million homes insulated last year, Budget 2009 announces an additional **£375 million to support energy and resource efficiency in businesses, public buildings and households over the next two years, and £70 million for decentralised small-scale and community low-carbon energy.** Together, these measures will support employment, and save 380,000 tCO₂ and around £60 million in energy bills each year.

I.35 Meeting carbon budgets will require a transformation of the way the UK meets its energy needs. The Government's existing framework will enable a ten-fold increase in renewable investment by 2020. To protect investment and jobs in low-carbon energy, and to strengthen the long-term framework for a low-carbon energy future, Budget 2009 announces:

- **£405 million to support low-carbon industries and advanced green manufacturing,** to help make the UK a worldwide leader;
- **that UK renewable and energy projects stand to benefit from up to £4 billion of new capital from the European Investment Bank,** removing blockages in project financing;
- **an uplift in support for offshore wind investments that reach financial close between now and 2011 through the Renewables Obligation.** This is expected to support £9 billion of investment and power up to 2.8 million homes;

- **extending support for combined heat and power through climate change levy exemptions**, helping bring forward £2.5 billion of investment and 3 GW of capacity by 2015, and supporting employment; and
- **a new funding mechanism to support up to four carbon capture and storage demonstration projects, and £90 million to fund detailed preparatory studies.**

I.36 To support the public finances, while also driving the move to a low-carbon and resource-efficient economy, Budget 2009 announces:

- **an increase in fuel duty of 2 pence per litre on 1 September 2009, and of 1 penny per litre in real terms each year from 2010 to 2013.** This will contribute to medium-term fiscal consolidation, and save 2 MtCO₂ per year by 2013-14; and
- **a continued increase in the standard rate of landfill tax by £8 per tonne on 1 April each year from 2011 to 2013,** to reduce landfill in a sustainable way by encouraging further investment into alternative waste management options.

BUDGET MEASURES AND THE IMPACT ON HOUSEHOLDS

I.37 The measures introduced in this and previous Budgets and Pre-Budget Reports support the Government's objectives of promoting work and tackling child and pensioner poverty. The 2008 Pre-Budget Report announced the bringing forward of Child Benefit uprating to January 2009 and future year increases to Child Tax Credit to help families with children. Working-age taxpayers also gain from personal tax measures announced in the Pre-Budget Report. This Budget announces measures to support pensioner households including an additional payment of £50 (£100 if someone is aged 80 or over) paid alongside the Winter Fuel Payment in 2009-10 and an increase to the amount of savings that pensioners are allowed to hold without it affecting their benefit payments.

I.38 This Budget also announces measures on individuals that contribute towards the consolidation of the public finances in the medium term. These measures largely impact on those who can afford to pay – people with the top 2 per cent of taxable incomes.

I.39 As a result of measures announced in this and previous Budgets and Pre-Budget reports in 2009-10, compared with 2008-09:

- households will be better off by £10, on average;
- households in the poorest fifth are better off by £25, on average; and
- families with children are better off by £90, with those in the poorest fifth of the population better off by £175 on average.

I.40 As a result of personal tax and benefit measures introduced since 1997 by April 2011:

- households will be £1,550 per year better off, on average; and
- households with children will be £2,350 per year better off, on average, and those in the poorest fifth of the population £4,750 per year better off, on average.

I.41 Consistent with the requirements of the *Code for fiscal stability*, the updated public finance projections in Budget 2009 take into account the fiscal effects of all firm decisions announced in the Budget. The fiscal impact of Budget policy decisions is set out in Table 1.2. Full details are provided in Chapter A of the FSBR.

Table I.2: Budget 2009 policy decisions

	(+ve is an Exchequer yield)			£ million
	2009-10 indexed	2010-11 indexed	2011-12 indexed	2009-10 non-indexed
Supporting Business				
1 Business rates: deferral of payments	-700	+335	+320	600
2 First-year capital allowances: one year increase to 40%	-1,640	-190	+380	-1,640
3 Loss carry back: further temporary extension	-55	-195	-45	-55
4 Car scrappage	-300	0	0	-300
5 Strategic Investment Fund	-400	-350	0	-400
6 Lloyd's UK dividend exemption	-10	-10	-10	-10
7 Loan relationships: late paid interest to connected companies	-5	-15	-5	-5
8 North Sea fiscal regime: incentives for investment	0	-5	-10	0
9 Residence and domicile: consequential changes	-5	-5	-5	-5
10 VAT Package: refund scheme	*	-5	-5	*
11 Agricultural property and woodlands relief: extension	-5	-5	-5	-5
12 Building Colleges for the Future	-200	0	0	-200
Helping People Fairly				
13 DWP additional employment funding	-590	-1,080	0	-590
14 Employment: guarantee for young people ¹	-300	-900	-	-300
15 Increase in Statutory Redundancy Pay	-15	-25	-	-15
16 Age related payments to pensioner households	-600	0	0	-600
17 Increase ISA limits	-5	-20	-60	-5
18 Increase Pension Credit capital disregards	-60	-130	-	-60
19 Working Tax Credit run-ons: extension	-5	-10	-	-5
20 Child Trust Fund: extra payments for disabled children	0	-15	-	0
21 Increase Child Element of Child Tax Credit	0	-140	-	0
22 Housing Benefit/Council Tax Benefit overpayments: remove double subsidy provision	0	+10	-	0
23 Housing Benefit/Council Tax Benefit: earnings disregard	0	-5	-	0
24 Housing Benefit: managing gains from Local Housing Allowance	0	+145	-	0
25 Increase Social Fund	-125	-145	0	-125
26 Support for Mortgage Interest	-135	0	0	-135
27 SDLT holiday for residential homes: extension to 31 December 2009	-90	0	0	-90
28 Support for housing supply	-420	-180	0	-420
29 Local Authority guideline rent increases in 2009-10	-10	-10	0	-10
30 Repeal furnished holiday lettings rules	0	-15	+20	0
31 Reduced VAT rate for children's car seat bases	*	-5	-5	*
32 Financial assistance for charities	-20	0	0	-20
33 Armed forces accommodation	-50	+25	-	-50
Preparing for a green recovery				
34 Support for low carbon technologies	-160	-65	0	-160
35 Support for energy and resource efficiency	-220	-55	0	-220
36 Landfill tax reform	+30	+70	+70	+30
37 Landfill tax rates	-5	-25	+80	-5
38 Enhanced capital allowances	+10	+15	+15	+10
39 Company car tax rates	0	0	+85	0
40 Vehicle excise duty	0	-5	-5	0
41 VAT: Revalorisation of fuel scale charges	0	0	0	-10

Table I.2: Budget 2009 policy decisions (continued)

	(+ve is an Exchequer yield)			£ million
	2009-10 indexed	2010-11 indexed	2011-12 indexed	2009-10 non-indexed
Ensuring sustainability of the public finances				
42 Fuel duty: increases	+600	+1,250	+1,750	+1,575
43 Income Tax: full withdrawal of personal allowance from £100,000 ²	0	+100	+180	0
44 Income Tax: increase additional rate to 50% from £150,000 and increase trust rate to 50% from 2010-11 ³	0	+1,130	+1,810	0
45 Pensions Tax: restrict tax relief to 20% above £150,000 ⁴	0	0	+200	0
46 Tobacco: 2% increase in specific duty	+60	+60	+60	+60
47 Gambling participation fees: removal of VAT	-50	-55	-60	-50
48 Gaming duty on casino card rooms	+5	+5	+5	+5
49 Bingo duty: increase rate to 22%	+35	+35	+35	+35
50 Amusement machine licence duty: increase rates	+20	+15	+15	+20
Protecting Revenue				
51 Foreign exchange: targeted anti-avoidance rule	+20	+20	+20	+20
52 Corporate intangible assets regime: countering abuse	+70	+130	+110	+70
53 Review of Alcohol Fraud Strategy	+20	+10	+10	+70
54 Manufactured overseas dividends: avoidance	0	0	+50	0
55 Double tax relief: avoidance	+100	+100	+200	+100
56 Living accommodation benefit charge: avoidance	+45	+45	+55	+45
57 Publishing names of serious tax defaulters	0	+20	+60	0
58 Accountability of senior accounting officers	0	+40	+50	0
59 Review of powers: debt management	+5	+5	-135	+5
TOTAL POLICY DECISIONS:	-5,160	-100	+5,230	-2,845
ADDITIONAL ITEMS				
60 Reserve: support for military operations	-1,900	0	0	-1,900
61 Reprofile addition to 2008-09 DEL reserve	-500	-500	0	-500
Memo: reset AME margin	-1,000	-2,000	-	

- Included within the current spending growth assumption for 2011-12 onwards.

* Negligible

¹ Gross costs are £1.4 billion over 2009-10 and 2010-11. The figures in the table are net of associated savings.

² This modifies the yield published at PBR 2008 for the staged restriction of the personal allowance. The total yield in 2012-13 from the removal of the personal allowance will be £1.5 billion.

³ This measure is in addition to the yield published at PBR 2008 for the 45% additional rate commencing from 2011-12. The total yield in 2012-13 from the 50% additional rate will be £2.4 billion.

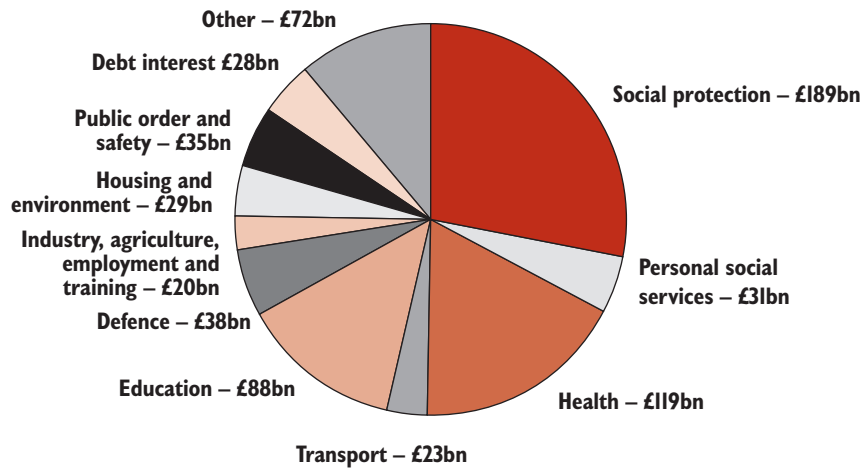
⁴ Yield increases due to lagged effect of self-assessment. For 2012-13, the yield is £3.1 billion.

GOVERNMENT SPENDING AND REVENUE

I.42 Chart 1.1 presents public spending by main function. Total Managed Expenditure (TME) in 2009-10 is expected to be around £671 billion. TME is divided into Departmental Expenditure Limits (DEL), shown in table C11 of the FSBR, and Annually Managed Expenditure (AME), shown in table C9 of the FSBR.

Chart I.1: Government spending by function

Total managed expenditure: £671 billion

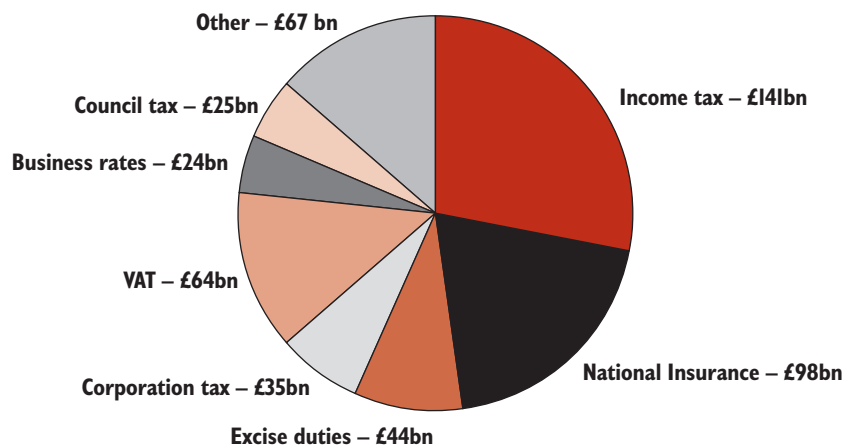


Source: HM Treasury 2009-10 near-cash projections. Spending re-classified to functions compared to previous presentations and is now using methods specified in international standards. Other expenditure includes spending on general public services: recreation, culture, media and sport; international cooperation and development; public service pensions; plus spending yet to be allocated and some accounting adjustments. Social protection includes tax credit payments in excess of an individual's tax liability, which are now counted on AME, in line with OECD guidelines. Figures may not sum to total due to rounding.

I.43 Chart 1.2 shows the different sources of government revenue. Public sector current receipts are expected to be around £496 billion in 2009-10. Table C6 of the FSR provides a more detailed breakdown of receipts consistent with this chart.

Chart I.2: Government receipts

Total receipts: £496 billion



Source: HM Treasury, 2009-10 projections. Other receipts include capital taxes, stamp duties, vehicle excise duties and some other tax and non-tax receipts – for example, interest and dividends. Figures may not sum to total due to rounding.