



Damian Hinds
MP for East Hampshire

News release

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For immediate release

Damian Hinds responds to the Emergency Budget

Today the Chancellor delivered a decisive Emergency Budget that gets to grips with the record deficit built up by the outgoing government. This emergency Budget is tough but fair. It has to pay the bills of the past, but also plans for the future.

Damian Hinds said:

“This is undeniably a tough Budget – it had to be. As a nation we simply have to cut public spending and bring more in in taxes. It would be wrong to suggest this can be achieved without pain. We are all in this together, and everyone will be asked to contribute. The rise in VAT will impact us all and the required cuts in departmental budgets will be difficult.

“But in cleaning up the financial mess, the Government are striving to protect the most vulnerable, including low income families and pensioners. I am particularly pleased to see almost a million people taken out of income tax. The restoration of the earnings link on the state pension won’t make a huge difference overnight, but it will stop pensions falling further behind.

“We have to recognise that the real recovery will not be driven by Government but by private industry and individual enterprise. Reducing the corporation tax rate, and stopping the planned Jobs Tax, will help make Britain a more attractive place to invest. Small businesses in particular are vital to our local economy in East Hampshire, so reducing the small firms’ rate of corporation tax is especially welcome here.

“The state had been borrowing £1 for every £4 it spent, so tough action was inevitable. The Conservative / Liberal Democrat coalition are now taking the decisions that the Bank of England called for. I wish we didn’t have to do these things, but it is right that the government is taking the responsible approach.”

ENDS

Notes to editors:

Compared to the previous Government’s plans there is £40 billion of additional tightening by 2014-15. £17 billion of this comes from reductions in departmental spending; £11 billion from reductions in welfare spending; £3 billion from lower debt interest payments and £8 billion from net tax increases. The majority of deficit reduction is done through spending restraint rather than tax rises. This country is not under-taxed - it has over-spent. By 2015-16 77% of the total consolidation comes from spending restraint rather than tax rises.

Labour's spending plans implied a reduction in departmental budgets of 20 per cent. Given the Government's commitments to real increases in NHS spending and protecting international aid, this budget implies that other departments will face an average real cut of 25 per cent.

However final departmental settlements, alongside the split between departmental spending and welfare spending, will be set out in the spending review in the autumn. To help provide the infrastructure our economy needs there are no further cuts in capital spending totals beyond those announced as part of the £6.2 billion of savings in 2010-11.

The Government will ensure that every part of society makes a contribution to deficit reduction while protecting the most vulnerable, including children and pensioners. Overall the richest will contribute most to deficit reduction.

Support for low and middle-income earners with an increase in the personal allowance of £1,000. This will take 880,000 of the lowest income tax payers out of the tax and benefit 23 million taxpayers by up to £170 per year. An increase the child element of the Child Tax Credit by £150 in 2010-11 and £60 in 2012-13 above indexation.

Together with the triple-lock on pensions these measures represent £3 billion of expenditure to protect the most vulnerable.

An increase in capital gains tax rate from 18 per cent to 28 per cent for higher rate and additional rate. Basic rate taxpayers will continue to pay an 18 per cent rate on their gain.

The 10 per cent rate for entrepreneurial activities will be extended from the first £2 million to the first £5 million of qualifying lifetime gains. The majority of the almost £1 billion in extra receipts will come from additional income tax.

A two-year public sector pay freeze for those earning more than £21,000. This will generate savings of £3.3 billion by 2014 - 15. The 1.7 million public servants earning less than £21,000 will be protected with a cash increase of £250.

The operational allowance for those serving in the military has also been doubled. The Government will work in partnership with local authorities in England to implement a council tax freeze in 2011 – 12.

Full text of the Budget can be found at http://www.hm-treasury.gov.uk/junebudget_easyread.htm

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