

Budget 2013 statement

20 Mar 2013

Budget statement to the House of Commons delivered by the Rt Hon George Osborne MP, Chancellor of the Exchequer, Wednesday 20 March 2013

Mr Deputy Speaker, this is a Budget for people who aspire to work hard and get on.

It's a Budget for people who realise there are no easy answers to problems built up over many years.

Just the painstaking work of putting right what went so badly wrong.

And together with the British people we are, slowly but surely, fixing our country's economic problems.

We've now cut the deficit not by a quarter, but by a third.

We've helped business create not a million new jobs, but one and a quarter million new jobs.

We've kept interest rates at record lows.

But Mr Deputy Speaker, despite the progress we've made, there's much more to do.

Today, I'm going to level with people about the difficult economic circumstances we still face and the hard decisions required to deal with them.

It is taking longer than anyone hoped, but we must hold to the right track.

And by setting free the aspirations of the nation, we will get there.

Our economic plan combines monetary activism with fiscal responsibility and supply side reform.

And today we go further on all three components of that plan: monetary, fiscal, and supply side reform.

But we also understand something else more fundamental.

Our nation is in a global race - competing alongside new centres of enterprise around the world for investment and jobs that can move anywhere.

Building a modern reformed state we can afford.

Bringing businesses to our shores with competitive taxes.

Fixing the banks.

Improving our schools, our skills, our infrastructure, and our industry.

For years people have felt that the whole system was tilted against those who did the right thing: who worked, who saved, who aspired.

These are the very people we must support if Britain is to have a prosperous future.

This is a Budget for those who aspire to own their own home; who aspire to get their first job; or start their own business;

A Budget for those who want to save for their retirement and provide for their children.

It is a Budget for our Aspiration Nation.

ECONOMY FORECAST

Mr Deputy Speaker, the forecast from the independent Office for Budget Responsibility today reminds us of the economic challenge at home and abroad.

But it also reminds us that job creation and employment remain brighter spots.

Since the Autumn Statement, the OBR has revised down again its forecast for global economic growth and sharply revised down its forecast for world trade.

Growth in the US and Japan was flat in the last quarter, while the eurozone shrank by 0.6 per cent - the largest fall since the height of the financial crisis.

The problems in Cyprus this week are further evidence that the crisis is not over, and the situation remains very worrying.

I can confirm that people sent to Cyprus to serve our country, in our military or government, will be protected in full from any tax on their deposits.

The OBR have today sharply revised down their future growth forecast for the eurozone, and expect it will remain in recession throughout this year.

In their words, the "underlying situation remains very fragile".

I will be straight with the country: another bout of economic storms in the eurozone would hit Britain's economic fortunes hard again.

40 per cent of all we export, we export to the eurozone.

There is a huge effort across this government to grow Britain's trade with the fast growing parts of the world - and exports to Brazil, India and China are up almost two thirds.

UK firms now export more goods to non-EU countries than to EU countries: the first time this has happened in over two decades.

But we are still very exposed to what happens on the continent.

Indeed last year, domestic demand was actually stronger than forecast; but it was the weakness of net trade that helps account for much of the weakness in GDP.

As the OBR make clear, "the unexpectedly poor performance of exports is more than sufficient on its own to explain the shortfall".

GDP for last year has turned out to be a little higher than the OBR forecast in December, but this year, their output forecast is reduced to 0.6 per cent growth.

Despite the recession in the eurozone, the OBR's central forecast today is that we avoid a second quarter of negative growth here in the UK.

While less than we would like, our growth this year and next year is forecast by the IMF to be higher than France and Germany.

It is a reminder that all western nations live in very challenging economic times.

The OBR then expect the recovery to pick up to 1.8 per cent in 2014, 2.3 per cent in 2015, 2.7 per cent in 2016 and 2.8 per cent in 2017.

Crucially jobs are being created.

Indeed, in the words of the OBR, the picture on employment "continues to surprise on the upside" in this forecast.

Mr Deputy Speaker, when we started the unavoidable task of reducing the size of the public sector workforce, some in this House expressed doubts that the private sector would be able to make up the difference.

I'm glad to report to the House, that their lack of confidence in British businesses has proved misplaced.

It is a tribute to the energy and enterprise of British companies that for every one job lost in the public sector in the last year, six jobs have been created in the private sector.

The employment rate has been growing faster than in the US and three times as fast as in Germany.

And so despite the weaker GDP, at this Budget the OBR have now revised up further their forecasts for employment.

Compared to this time last year, the OBR now expect 600,000 more jobs in 2013 - and there will be 60,000 fewer people claiming unemployment benefit.

We've seen more people in work than ever before - including a record number of women.

A quarter of a million fewer workless households than two years ago.

And the unemployment rate is lower than when we came to office.

FISCAL FORECASTS

Mr Deputy Speaker, the deficit continues to come down.

We have taken many tough decisions to bring that deficit down - and we will continue to do so.

The deficit has fallen from 11.2 per cent of GDP in 2009-10, to a forecast of 7.4 per cent this year.

That is a fall of a third.

It then falls further to 6.8 per cent next year, 5.9 per cent in 2014-15.

5 per cent in 2015-16.

Then 3.4 per cent the following year - reaching 2.2 per cent by 2017-18.

These numbers all exclude the transfer of the Royal Mail pension fund to the government which reduces the deficit still further for this year alone.

Borrowing then falls from £108 billion next year and falls again to £97 billion in 2014-15.

Then £87 billion in the last year of this Parliament.

Before falling again to £61 billion and £42 billion in the following two years.

And to ensure complete transparency, the OBR publish the numbers without the APF cash transfers.

They show, that on that measure too, borrowing is just forecast to fall.

We committed at the start of this Parliament to a fiscal mandate that said we would aim to balance the cyclically adjusted current budget over the following rolling five years.

I can confirm that the OBR says we are on course to meet our fiscal mandate - and meet it one year early.

However, the likelihood of meeting the supplementary debt target has deteriorated.

Public sector net debt is forecast to be 75.9 per cent of GDP this year.

79.2 per cent next year, and 82.6 per cent the year after.

85.1 per cent in 2015-16.

85.6 per cent in the year after.

Before falling to 84.8 per cent in 2017-18.

In response, there are those who would want to cut much more than we are planning to - and chase the debt target.

I said in December that I thought that with the current weak economic conditions across Europe that would be a mistake.

We've got a plan to cut our structural deficit.

And our country's credibility comes from delivering that plan, not altering it with every forecast.

And that's why interest rates remain so low.

Our judgement has since been supported by the IMF, the OECD and the Governor of the Bank of England.

I don't propose to change that judgement three months later. Mr Deputy Speaker, I've also had representations at this Budget for measures that would add £33 billion a year extra to borrowing on top of the figures I've announced.

It's from people who seem to think that the way to borrow less is to borrow more.

That would pose a huge risk to the stability of the British economy, threaten a sharp rise in interest rates and leave the burden of debts to our children and grandchildren.

I will not take that gamble with the future of this country.

Mr Deputy Speaker, the spending reductions we promised have been more than delivered.

Welfare reforms have been legislated for and are taking place.

And here's a clear sign of progress: the proportion of national income spent by the state has fallen from 47.4 per cent three years ago to 43.6 per cent today, and it's on course to reach 40.5 per cent at the end of the period.

We've set out the deficit plan - and we're delivering that plan.

Taken together, the measures I will announce today are fiscally neutral overall.

Ask the British people and they'll tell you: our problem as a country is not that we're taxed too little but that the government spends too much. I agree with them.

So the tax cuts in this Budget aren't borrowed; they are paid for.

That's our way - and it's the only responsible way to lower taxes.

Mr Deputy Speaker, it is the central plank of our economic plan that a tough and credible fiscal policy creates the space for an active monetary policy.

Recovering from the financial crisis has exposed the shortcomings of conventional monetary tools.

We in Britain have had to innovate and develop new tools.

So have other countries.

I confirm today that the Asset Purchase Facility will remain in place for the coming year.

We are now actively considering with the Bank of England whether there are potential extensions to the successful Funding for Lending Scheme that will boost lending still further.

And we are also setting out our plans for lending from our new Business Bank.

But I want to make sure that an active monetary policy plays a full role in supporting the economy.

So I am today setting out an updated remit for the Monetary Policy Committee.

Alongside it, we're publishing a review of the monetary policy framework.

This Budget confirms the primacy of price stability and the inflation target in Britain's monetary policy framework.

The updated remit reaffirms the inflation target as two per cent as measured by the twelve month increase in the Consumer Prices Index.

The target will apply at all times.

But as we've seen over the last five years, low and stable inflation is a necessary but not sufficient condition for prosperity.

The new remit explicitly tasks the MPC with setting out clearly the tradeoffs it has made in deciding how long it will be before inflation returns to target.

To ensure a fuller communication between the Bank and the Treasury, I am changing the timing of the open letter system so that when inflation is above target, the Governor will write to me on the day the minutes of the next MPC meeting are published to allow for a more substantive exchange of views.

The new remit also recognises that the Monetary Policy Committee may need to use unconventional monetary instruments to support the economy while keeping inflation stable.

And it makes clear that the Committee may wish to issue explicit forward guidance, including using intermediate thresholds in order to influence expectations on the future path of interest rates.

For example, that is what the US Federal Reserve has now done - making a commitment to keep interest rates low while unemployment is high, provided inflation is not expected to rise too much.

This can help the economy because it gives families planning their futures, and businesses wondering whether to invest, more confidence that interest rates will stay lower for

longer.

So I am asking the MPC to provide an assessment of how intermediate thresholds might work in Britain, and to give that assessment in its August 2013 Inflation Report.

That Report will be the first issued under the Governorship of Mark Carney.

Whether intermediate thresholds are used will be an operational matter for the independent MPC.

I can confirm Mervyn King and Mark Carney have both seen the new remit and they have both agreed it.

FISCAL

Mr Deputy Speaker, active monetary policy can only operate freely when securely anchored by credible fiscal policy.

That is the next component of our economic plan.

We have instituted new public spending controls in government.

When money is short, we make no excuses for the rigorous financial management we have run across Whitehall.

Let me be clear with the House: that is one of the reasons why we have got forecast borrowing falling in this year and next.

The traditional splurge of cash by departments at the end of the financial year, just to get the money spent, has been curtailed.

And thanks to the tough financial control of my RHF the Chief Secretary, government departments are forecast to underspend their budgets by more than £11 billion this year.

If you want to bring borrowing down, then you have to control spending - and that is what we have done.

Now we want to ensure departments have budgets that are more closely aligned to what they actually spend.

So both next year and the year after, we will reduce resource departmental expenditure limits by the equivalent to a 1 per cent reduction for most departments.

The schools and health budgets will remain protected - because our promise to our NHS is a promise we will keep.

Local government and police allocations for 2013-14 have already been set out and will not be affected.

We also deliver in this coming year on this nation's long-standing commitment to the world's poorest to spend 0.7 per cent of our national income on international development.

We should all take pride, as I do, in this historic achievement for our country.

As previously, the DfID budget will be adjusted to ensure we don't spend more than 0.7 per cent.

Mr Deputy Speaker, departmental budgets have yet to be set for the year 2015-16, which starts before the end of this Parliament.

This will be done in the Spending Round that will be set out on 26th June.

I said last Autumn that we would require around £10 billion of savings for that Spending Round.

I confirm today that we will instead be seeking £11.5 billion of current savings.

We've got to go on making difficult decisions so Britain can live within its means.

And because we make those decisions - we can get our deficit down and focus on our nation's economic priorities.

Total Managed Expenditure for 2015-16 will be set at £745 billion.

How the savings will be achieved will be a matter for the Spending Round, but existing protections apply.

We're also taking steps to help all departments achieve the savings required.

Together, my RHFs the Chief Secretary and the Minister for the Cabinet Office have identified that a further £5 billion of savings in efficiency and cutting the cost of administration can be made.

This will go a huge way towards delivering the Spending Round in a way that saves money but protects services.

So too will action on pay.

The Government will extend the restraint on public sector pay for a further year by limiting increases to an average of up to 1 per cent in 2015-16.

This will apply to the civil service and workforces with Pay Review Bodies.

Local government and devolved administration budgets will be adjusted accordingly in the Spending Round.

We will also seek substantial savings from what is called progression pay.

These are the annual increases in the pay of some parts of the public sector.

I think they are difficult to justify when others in the public sector, and millions more in the private sector, have seen pay frozen or even cut.

I know that is tough but it is fair.

In difficult times with the inevitable trade off between paying people more and saving jobs, we should put jobs first.

However, there is one area of pay where we should be more generous.

Today is also the tenth anniversary of the start of the Iraq War.

The awarding of a posthumous Victoria Cross to Lance Corporal James Ashworth this week reminds us of the courage and sacrifice that all who serve in our armed forces are still making to defend our country.

We will exempt our military from changes to progression pay.

We are also accepting in full from 1st May this year the Armed Forces Pay Review Body's recommended increase in the so-called X Factor payment made to military personnel to recognise the particular sacrifices they make.

And I can also announce that further awards from the LIBOR banking fines have gone to good military causes, with money for Combat Stress to help veterans with mental health issues and funds for Christmas boxes for all our troops on operations this year and next.

Those who have paid fines in our financial sector because they demonstrated the very worst values are paying to support those in our armed forces who demonstrate the very best of British values.

AME LIMIT

Mr Deputy Speaker,

Ultimately as a country we will not be able to spend more on the services we all value, from our NHS to our armed forces, or invest in our infrastructure, unless we go on tackling the growth of spending of welfare budgets.

The public spending framework introduced by the previous government divided government spending into two halves: fixed departmental budgets and what is called Annually Managed Expenditure.

Except in practice it was annually unmanaged expenditure - and it includes almost the entire welfare budget as well as items like debt interest and payments to the EU.

I can tell the House that according to the OBR forecast today, the European Budget deal secured by my RHF the Prime Minister has saved Britain a total of £3.5 billion.

We will now introduce a new limit on a significant proportion of Annually Managed Expenditure.

It will be set out in a way that allows the automatic stabilisers to operate - but will bring real control to areas of public spending that had been out of control.

We will set out how more detail on how this new spending limit will work at the Spending Round.

All decisions, on welfare, pay and departments are tough.

And they affect many people.

But if we didn't take them then what is a difficult situation for them and for the whole country would be very much worse.

Mr Deputy Speaker, active monetary policy and a responsible fiscal policy are two components of our economic plan.

We also need supply side reform - to throw the full weight of our efforts behind the entrepreneurial forces in our society.

Our fundamental overhaul of the planning laws are now helping homes to be built and businesses to expand.

Our reform of schools, universities and apprenticeships is probably the single most important long-term economic policy we're pursuing.

Our support for European free trade agreements with India, Japan and the US is a priority of our foreign policy.

And we're building the most competitive tax system in the world.

We now need to do more.

INFRASTRUCTURE

First, we can provide the economy with the infrastructure it needs.

We're already supporting the largest programme of investment in our railways since Victorian times - and spending more on new roads than in a generation.

We're giving Britain the fastest broadband and mobile telephony in Europe.

And the Treasury is now writing guarantees to major projects from supporting the regeneration of the old Battersea Power Station site to building the new Power Stations of tomorrow.

We've switched billions of pounds from current to capital spending since the spending review.

But on existing plans, capital spending is still due to fall back in 2015-16.

I don't think that's sensible.

So by using our extra savings from government departments, we will boost our infrastructure plans by £3 billion a year from 2015-16.

That's £15 billion of extra capital spending over the next decade.

Because by investing in the economic arteries of this country, we will get growth flowing to every part of it.

And public investment will now be higher on average as a percentage of our national income under our plans than it was in the whole period of the last Government.

In June, we will set out long term spending plans for that long term capital budget.

And we will use the expertise of Paul Deighton, the man who delivered the Olympics and who now serves in the Treasury, to improve the capacity of Whitehall to deliver big projects and make greater use of independent advice.

The second thing we can do to support enterprise is to give our great regional cities and other local areas much greater control over their economic destiny - and back sectors that are global successes.

Private sector employment has been growing more quickly in the North East, North West and Yorkshire than across the country as a whole.

But we can do more.

So I accept Michael Heseltine's excellent idea of a single competitive pot of funding for local enterprise.

I also fully endorse the report of Doug Richard to make the most of our apprenticeships.

We have the second largest aerospace industry in the world.

For the first time in forty years we manufacture for export more cars than we import.

Our agritech business is at the global cutting edge.

We're backing international successes like these with £1.6 billion of long-term funding for the industrial strategy the Business Secretary launched this week.

And today we build on our new tax reliefs coming in this year for the creative industries like high-end television and animation with new support for our world-class visual effects sector.

To help small firms, we'll increase by fivefold the value of government procurement budgets spent through the Small Business Research Initiative.

We will fund the proposal to make growth vouchers available to small firms seeking advice on how to expand.

And we're putting new controls on what regulators can charge, and giving the Pensions Regulator a new requirement to have regard for the growth prospects of employers.

Mr Deputy Speaker, a vital sector for our economy, and a cost of doing business for everyone, is energy.

Creating a low carbon economy should be done in a way that creates jobs rather than costing them.

The granting of planning permission yesterday at Hinkley Point was a major step forward for new nuclear.

Today, with the help of my HF the Energy Minister, we also announce our intention to take two major carbon capture and storage projects to the next stage of development.

We'll support the manufacture of ultra low emission vehicles in Britain with new tax incentives.

The HM for Stoke on Trent Central has argued passionately and in a non-partisan way about the damage energy costs are doing to his city's famous ceramics industry - and he's persuaded me.

So we will exempt from next year the industrial processes for that industry and some others from the Climate Change Levy.

And in the Spending Round we will provide support for energy intensive industries beyond 2015.

For the North Sea we will this year sign contracts for future decommissioning relief, the expectation of which is already increasing investment there.

But I also want Britain to tap into new sources of low cost energy like shale gas.

So I am introducing a generous new tax regime, including a shale gas field allowance, to promote early investment.

And by the summer, new planning guidance will be available alongside specific proposals to allow local communities to benefit.

Shale gas is part of the future.

And we will make it happen.

BUSINESS TAX

Mr Deputy Speaker, we can help companies grow and succeed by building infrastructure, backing local enterprise and supporting successful sectors.

But nothing beats having the most competitive business tax system of any major economy in the world.

That is what this government set out to achieve.

That is what we're delivering.

The accountants KPMG do a survey of investors that ranks the most competitive tax regimes in the world.

Three years ago, we were near the bottom of that table.

Now we're at the top.

But in this global race, we cannot stand still.

So today, we step up the pace.

Our Seed Enterprise Investment Scheme offers generous incentives to investors in start ups.

My HF for Braintree and David Young have done a great job helping promote it around the country.

They have asked me to extend the CGT holiday - and I will.

Employee ownership helps create an enterprise culture.

So we're making our new employee shareholder status more generous, with NICs and income tax relief.

And we're introducing capital gains tax relief for sales of businesses to their employees.

Companies that look after their employees, and help them return to work after periods of sickness, will get new help through the tax system too.

And we're going to double to £10,000 the size of the loans that employers can offer tax free to pay for items such as season tickets for commuters.

This is a great idea from my HF for Witham, and I'm happy to put it into practice.

My HR for Enfield North and others have put forward proposals to help investment in social enterprises.

I have listened and we will introduce a new tax relief to encourage private investment in these social enterprises.

Research and development is absolutely central to Britain's economic future.

So today I'm increasing the rate of the above the line R & D credit to 10 per cent.

Along with our new 10 per cent corporation tax rate on profits from patents coming in next month, this will help make us one of the most internationally attractive places to innovate.

I also want Britain to be the place where people raise money and invest.

Financial services are about much more than banking.

In places like Edinburgh and London, we have a world beating asset management industry.

But they are losing business to other places in Europe.

We act now with a package of measures to reverse this decline - and we will abolish the schedule 19 tax which is only payable by UK domiciled funds.

Many medium sized firms and start-ups use the Alternative Investment Market to raise funds to help them grow.

Many observers of the British tax system complain that it has long biased debt financing over equity investment.

So today I am abolishing altogether stamp duty on shares traded on growth markets such as AIM.

In parts of Europe they're introducing a financial transaction tax.

Here in Britain we're getting rid of one.

From April next year, this will directly benefit hundreds of medium-sized UK firms, lowering their cost of capital and supporting jobs and growth across the UK.

Mr Deputy Speaker, we also out compete the world with our headline rate of corporation tax.

In Germany, the corporate tax rate is 29 per cent.

In France it is 33 per cent.

In the United States it is 40 per cent.

Here in Britain we've cut corporation tax from the 28 per cent we inherited to 21 per cent next year.

But I want to go further.

Today, I want us to send a message to anyone who wants to invest here, to create jobs here, that Britain is open for business.

So in April 2015 we will reduce the main rate of corporation tax by another 1 per cent.

Britain will have a 20 per cent rate of corporation tax - the lowest business tax of any major economy in the world.

That's a tax cut for jobs and growth.

We will have achieved in one Parliament in these difficult times the largest reduction in the burden of corporation tax in our nation's history.

And with it we will achieve major simplification of our business tax system.

By merging the small company and main rates at 20p, we will abolish the complex marginal relief calculations between them, and give Britain a single rate of corporation tax for the first time since 1973.

As with previous reductions in the corporate tax rate, I do not intend to pass the benefit onto to the banking sector - so I will offset this reduction by increasing the Bank Levy rate next year to 0.142 per cent.

TAX AVOIDANCE

Mr Deputy Speaker,

Britain is moving to low and competitive taxes.

But we should insist people and business pay those taxes, not aggressively avoid them or evade them.

That's the right way to succeed in the global race.

Today, I am unveiling one of the largest ever packages of tax avoidance and evasion measures presented at a Budget.

The details are set out in this Red Book.

They include agreements with the Isle of Man, Guernsey, and Jersey to bring in over a billion pounds of unpaid taxes.

New rules to stop the abuse of partnership rules, corporate tax losses and offshore employment intermediaries.

That's another two billion pounds.

This year we're giving Britain its first ever General Anti-Abuse Rule.

And we will name and shame the promoters of tax avoidance scheme.

My message to those who make a living advising other people how aggressively to avoid their taxes is this:

This Government is not going to let you get away with it.

And this year, we are leading international action on tax avoidance, through our Presidency of the G8, with the OECD and at the G20.

We want the global rules governing the taxation of multinational firms to be updated from the 1920s when they were first written, and made relevant to the global internet economy of the twenty first century.

This is the right and fair thing to do.

ASPIRATION

Mr Deputy Speaker, a tax system where people and businesses pay what is expected of them is part of the glue that holds society together.

So too is the expectation that those who work hard, who play by the rules, who save for their future and try to be independent of the state are not undermined but supported.

CHILDCARE

So to the working parents struggling with the costs of childcare, and the mother wondering whether it makes financial sense to get a job, we offer this:

Tax free childcare.

The plans were set out yesterday.

New tax-free childcare vouchers for working families: 20 per cent off the first £6,000 of your childcare costs for each child.

And increased childcare support for those low income working families on universal credit.

SINGLE TIER/DILNOT

And for those who aspire to put aside money for their retirement: we offer this.

A simple, flat rate pension accessible to everyone and worth £144 a week.

Any one pound you save, will be a pound you can keep.

We're bringing forward the introduction of the new Single Tier Pension to 2016.

It will help the low paid, the self-employed and millions of women most of all.

Of course, if there's no longer the old state second pension, there's no longer anything to contract out of.

For employers that means paying the same employer national insurance as those without defined benefit schemes.

Private sector employers can adjust their pension benefits to accommodate the extra cost;

Public sector employers will have to absorb the burden, as is always the case with tax changes.

Any spending review in the next Parliament will, of course, take the £3.3 billion cost into account.

As we have already made clear, public sector employees, and the relatively small number of private sector employees in defined benefit schemes, will from 2016 pay more national insurance than they do today.

So they will pay the same rate of national insurance as the rest of the working population, and in return, they will get a larger state pension than before.

For example, someone who is 40 years old when the single tier pension is introduced, and who has always been contracted out, will pay an extra £6,000 in national insurance over the rest of their working life - and in return get an extra £24,000 in state pension over the course of their retirement.

That's a fair deal.

And it's a progressive pension reform.

We've also made clear before that the extra £1.6 billion raised in employee national insurance will not be kept by the Treasury.

Mr Deputy Speaker, there's another group of savers I want to talk about today.

I am proud to be part of a government that has helped compensate the policy holders of Equitable Life who had suffered a great injustice.

But we've not extended help to those who bought their With Profits Annuity before 1992.

Now we can.

I'd like to acknowledge the work of my HF for Harrow East on behalf of these people.

We will make ex-gratia payments of £5,000 to those elderly policyholders; and we'll make an extra £5,000 available to those on the lowest incomes who are on pension credit.

We're not doing this because we're legally obliged to; we're doing it because quite simply it's the right thing to do.

Helping with aspiration also means helping those who want to keep their homes instead of having to sell it to pay for the costs of social care.

That's what our new cap will deliver - as Andrew Dilnot recommended.

It'll also come in in 2016.

It will be set to protect savings above £72,000, and we'll raise the threshold for the means test on residential care from just over £23,000 to £118,000 that year too.

For decades politicians have talked of doing something for savers and those who have to sell their homes to pay for care; and yet nothing has been done.

Until this week.

And I want to do much more.

For unless we fire up the aspirations of the British people, light the fires of ambition within our nation, we are going to be out-smarted, out-competed and out-performed by others in the world who are prepared to work harder for success than we are.

So this Budget makes a new offer to the aspiration nation.

HOME OWNERSHIP

And what symbolises that more than the desire to own your own home.

Today I can announce Help to Buy.

The deposits demanded for a mortgage these days have put home ownership beyond the great majority who cannot turn to their parents for a contribution.

That's not just a blow to the most human of aspirations - it's set back social mobility and it's been hard for the construction industry.

This Budget proposes to put that right - and put it right in a dramatic way.

Help to Buy has two components.

First, we're going to commit £3.5 billion of capital spending over the next three years to shared equity loans.

From the beginning of next month, we will offer an equity loan worth up to 20 per cent of the value of a new build home - to anyone looking to move up the housing ladder.

You put down a five per cent deposit from your savings, and the government will loan you a further 20 per cent.

The loan is interest free for the first five years.

It is repaid when the home is sold.

Previous help was only available to those who were first time buyers, and who had family incomes below £60,000.

Now help is available to all buyers of newly built homes on all incomes.

Available to anyone looking to get on or move up the housing ladder.

The only constraint will be that the home can't be worth more than £600,000 - but this covers well over 90 per cent of all homes.

It's a great deal for homebuyers.

It's a great support for home builders.

And because it's a financial transaction, with the taxpayer making an investment and getting a return, it won't hit our deficit.

The second part of Help to Buy is even bolder - and has not been seen before in this country.

We're going to help families who want a mortgage for any home they're buying, old or new, but who cannot begin to afford the kind of deposits being demanded today.

We will offer a new Mortgage Guarantee.

This will be available to lenders to help them provide more mortgages to people who can't afford a big deposit.

These guaranteed mortgages will be available to all homeowners, subject to the usual checks on responsible lending.

Using the government's balance sheet to back these higher loan to value mortgages will dramatically increase their availability.

We've worked with some of the biggest mortgage lenders to get this right.

And we're offering guarantees sufficient to support £130 billion of mortgages.

It will be available from start of 2014 - and run for three years.

And a future Government would need the agreement of the Bank of England's Financial Policy Committee if they wanted to extend it.

Help to Buy is a dramatic intervention to get our housing market moving:

For newly built housing, Government will put up a fifth of the cost.

And for anyone who can afford a mortgage but can't afford a big deposit, our Mortgage Guarantee will help you buy your own home.

That is a good use of this Government's fiscal credibility.

In the Budget Book, we also set out more plans for housing:

- Plans to build 15,000 more affordable homes

- Plans to increase fivefold the funds available for building for Rent

- And plans to extend the Right to Buy so more tenants can buy their own home.

Mr Deputy Speaker,

People also have the aspiration to keep more of what they earn.

That's a difficult aspiration for any Chancellor to help with - when economic times are tough and money is short.

But we're doing the hard work to reduce current spending.

We've set out a tough package to raise money from tax avoiders.

And that means that with this Budget we can stick to the path of deficit reduction, increase capital spending, and still find ways to help families.

Let me turn to duties.

We inherited a fuel duty escalator that would have seen above inflation increases in every year of this Parliament.

We abolished the escalator and we've now frozen fuel duty for two years.

This has not been easy.

The government has forgone £6 billion in revenues to date.

But oil prices have risen again.

Families' budgets are squeezed.

And I hear those who want me to do more to help them get by.

My HF for Harlow has again spoken up for his hard working constituents.

He's been joined by many other HFs, like the Member for Argyll and Bute.

We've all listened to the people we represent.

Today, I am cancelling this September's fuel duty increase altogether.

Petrol will now be 13 pence per litre cheaper than if we had not acted over these last two years to freeze fuel duty.

For a Vauxhall Astra or a Ford Focus that's £7 less every time you fill up.

Mr Deputy Speaker, there's another duty escalator - the annual two percent above inflation increases in alcohol.

We're looking at plans to stop the biggest discounts of cheap alcohol at retailers.

But responsible drinkers - and our pubs - should not pay the price for the problems caused by others.

The sad fact is that we've lost 10,000 pubs in the UK over the last decade.

Many HMs have raised their concerns with me like my HF for Bristol North West.

My HF for Burton and Uttoxeter in particular has been a committed champion of the famous brewing industry that employs many of his constituents.

I intend to maintain the planned rise for all alcohol duties - with the exception of beer.

We will now scrap the beer duty escalator altogether.

And instead of the 3p rise in beer duty tax planned for this year I am cancelling it altogether.

That's the freeze people have been campaigning for.

But I'm going to go one step further and I am going to cut beer duty by 1p.

We're taking a penny off a pint.

The cut will take effect this Sunday night and I expect it to be passed on in full to customers.

All other duties will remain as previously announced.

Mr Deputy Speaker,

Of course, freezing petrol duty and cutting beer duty will not transform the finances of any family.

But it helps a little to have some bills that aren't going up.

And it helps a lot to be able to keep more of the money you earn before you pay tax on it.

This Government supports people who work hard and want to get on.

When we came to office, the personal income tax allowance stood at under six and a half thousand pounds.

In two weeks time, the allowance will reach £9,440 with the single largest cash increase in its history.

24 million taxpayers will see their income tax bill cut by an extra £200.

Over 2 million of the lowest paid will be taken out of tax altogether.

In this Budget, the Government reconfirms its commitment to raising the personal allowance to £10,000.

In fact, we go one better.

Mr Deputy Speaker, we said we would raise the personal allowance to £10,000 by the end of the Parliament.

Today I can confirm we will get there next year.

From 2014, there will be no income tax at all on the first £10,000 of your salary.

£10,000 of tax free earning.

That's £700 less in tax for working families than when this Government came to office.

Almost three million more of the lowest paid will pay no income tax at all.

It's a historic achievement for this government and for hard working families across the country.

Mr Deputy Speaker, there is one final tax change I want to tell the House about.

And it's about jobs.

For in the end, aspiration is about living in a country where people can get jobs and fulfil their dreams.

The ending of contracting out that I talked about generates extra employee national insurance revenues for the Exchequer.

I want to put those revenues to good use.

I want to support jobs and the small businesses that create them.

And I want to do it with a reforming tax cut - in fact it's the largest tax cut in the Budget.

The cost of employing people is a burden on small firms.

And it is a real barrier to taking an extra person on.

To help create jobs and back small businesses in this country I am today creating the Employment Allowance.

The Employment Allowance will work by taking the first two thousand pounds off the employer National Insurance bill of every company.

It's a tax off jobs.

It's worth up to £2,000 to every business in the country.

And it will mean that 450,000 small businesses - one third of all employers in the country - will pay no jobs tax at all.

For the person who's set up their own business, and is thinking about taking on their first employee - a huge barrier will be removed.

They can hire someone on £22,000, or four people on the minimum wage, and pay no jobs tax.

98 per cent of the benefit of this new Employment Allowance will go to SMEs.

It will become available in April next year once the legislation is passed.

And we'll also make it available to charities and community sports clubs.

Today this Government is taking tax off jobs.

Mr Deputy Speaker, a new Employment Allowance.

A 20 per cent rate of Corporation Tax.

A £10,000 Personal Allowance.

Major achievements delivered by this Government in difficult times.

We understand that the way to restore our economic prosperity is to energise the aspirations of the British people.

If you want to own your own home;

If you want help with your childcare bills;

If you want to start your own business;

Or give someone a job;

If you want to save for your retirement;

And leave your home to your children;

If you want to work hard and get on;

we are on your side.

This is a Budget that doesn't duck our nation's problems.

It confronts them head on.

It is a Budget for an aspiration nation.

It is a Budget for a Britain that wants to be prosperous, solvent and free.

And I commend it to the House.

- ENDS -

20 March 2013