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## **BUDGET CALL 2011**

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**DUGGLEBY:** Good afternoon and welcome to Budget Call - your chance to find out how you'll be affected by the various measures Chancellor George Osborne outlined yesterday. Most of you are probably resigned to being worse off this year and Mr Osborne tried to soften the blows of the past with hope for the future: the £630 increase in the personal allowance, for example, for next year without penalising higher rate taxpayers. But against that a decision that direct taxes will for the most part rise in line with consumer prices and not the Retail Prices Index - hence the word 'claw back' that appears in many of the newspapers. In pointing the way to reform of the tax system, the Chancellor confirms he aims to combine tax and national insurance, he's considering a single tier state pension of £140, and he will keep the retirement age under constant review, with the implication that it will have to rise from age 66. If you're running a small business, you may want to find out more about excessive regulation and business rates, research and development credits, as well as the new enterprise zones. And if you're a potential investor, does the rise in tax relief on the Enterprise Investment Scheme from 20% to 30% make it more attractive than venture capital trusts? For those of you minded to include charities in your will, does the possibility of modest saving and inheritance tax tempt you to give 10% of your estate to charity, or could you leave it to your heirs to decide retrospectively? No doubt you'll want to know our views on the first-buy loans from the government for those unable to raise a big enough deposit to buy a new home. How much will they cost and what are the risks if house prices fall? And guess what, Index-Linked National Savings Certificates will be making a comeback later this year. We don't

know exactly when, but the good news is that the return will be linked to the RPI. The number for your questions to Budget Call is 03700 100 444. And with me to answer them: Mike Warburton from the accountants Grant Thornton; Michelle Cracknell from Bluerock Consulting; and Will Hadwen from the charity Working Families. And of course my colleague, Paul Lewis, who's been studying the emails. Paul?

**LEWIS:** Yes quite a few coming in, Vincent. Inheritance tax, that announcement has confused people, and I'm sure we'll come to an explanation of that later - how people who make gifts to charity can actually reduce the rate of inheritance tax paid by their heirs. A few concerns about the combination of income tax and national insurance, which the Chancellor said he was working towards, he was going to consult on it. How will that affect people who don't pay national insurance like people over pension age? Quite a lot in fact from people over pension age about how their allowances will be. And a few people just confused. They're low paid, they're on relatively limited means. What does the Budget do for me?, they want to know.

**DUGGLEBY:** What about small businesses? Are they contacting us?

**LEWIS:** Not at the moment, no. So if anybody wants to email us from a small business because there are quite a lot of things on small businesses in there ...

**DUGGLEBY:** *(over)* Yeah, we've got quite a lot to tell you about regulations and things.

**LEWIS:** Yes, regulations being postponed for people who employ less than 10.

**DUGGLEBY:** Yeah, 10 is the magic number.

**LEWIS:** 10 or fewer employees, yes.

**DUGGLEBY:** Right then, let's move onto our calls. And Andrew in Shrewsbury, you've got the first one.

**ANDREW:** Hello. It's nice to speak to you.

**DUGGLEBY:** Indeed.

**ANDREW:** My question is the one that was raised already by Paul, and that is the age-related allowances for people over 65. They trumpeted the hope that the personal allowance for people *under* 65 would be £8,100 in April 12. There was a deadly silence about personal allowances for people *over* 65.

**DUGGLEBY:** Yes, now there's two parts to this question. First of all, there's the commitment or the semi-commitment by the coalition government to get the basic allowance to around £10,000. And I think really, Mike, to start the discussion rolling, it was Chancellor Osborne's intention to kind of flag up that he's going in this direction.

**WARBURTON:** Well it's a commitment under the coalition agreement. So under the coalition agreement, the personal allowances go up to £10,000. Actually it will probably be just the last Budget before the next election on my calculations because what he's doing is he's increasing ... For most people the allowance will go up by £1,000 from April 5<sup>th</sup>.

**DUGGLEBY:** Yes.

**WARBURTON:** And then for next year - that's for 12/13 - they're going to go up for most people by £630, and that's exactly the number he needs to reach his target of £10,000 by the end of a 5 year parliament. But, as you quite rightly say Andrew, what about people, pensioners who currently get the age-related allowance, which is typically one and a half times the normal personal allowance? Now he wasn't entirely silent upon that because what he actually said is other allowances would go up with the Retail Prices Index, which is a bit better than ...

**DUGGLEBY:** (*over*) I'll just stop you there. That's very important because it is the

Retail Prices Index that govern the age allowances. That's very important because the CPI, the Consumer Prices allowance is going to apply to the basic rate of allowances.

**WARBURTON:** Yes what the Chancellor's done - and he obviously is collecting more money as a result of this - his chosen measure of inflation, so CPI, tends to run about 1% less than the Retail Price Index, which I guess a lot of people would regard as what it's actually costing them in the shops. But the point I think Andrew you're making is all very well for most allowances to head towards £10,000, but where does that leave pensioners and this differential that pensioners have been used to? You, I believe, are just qualifying now for the age-related allowance.

**ANDREW:** That's right.

**WARBURTON:** And ...

**DUGGLEBY:** *(over)* I'm going to stop you there, Mike, because I want to bring in Paul to explain the way that allowances are normally increased, which is actually not in the Budget. It's in the Autumn statement, so you wouldn't have expected it to come now.

**LEWIS:** Well it'll be in the Autumn statement later in the year. Certainly the current allowances weren't announced till very late in the year, so we wouldn't really expect them in the Budget itself. I mean there were different practices in the past. I've been looking at the figures - as I'm sure Mike has - and if you apply the government's view of what the Retail Prices Index is going to be to these allowances, by the time the personal allowance for under-65s reaches £10,000 - and I agree with Mike, it'll be in 2015/16 because that's the last possible moment it can happen - by then the allowances for people over 65 and over 75 will be just over £11,500. So the differential between the £10,000 and the £11,500 is a lot less than it is now ...

**DUGGLEBY:** *(over)* It's being squeezed, yeah.

**LEWIS:** ... but it is being squeezed.

**WARBURTON:** (*over*) But we do have some good news for Andrew at the moment. Andrew, they have already announced that your allowance will rise from what is currently £9490 to £9940, so you've got a £450 increase. It's not as much ...

**ANDREW:** (*over*) Oh I'm very grateful. It's a shame though that those under 65 got a £1,000 increase.

**WARBURTON:** I do understand and appreciate your comment.

**DUGGLEBY:** I think to summarise it, pensioners and older people are not going to be less well off than they otherwise would have been. It's just they're not going to be advantaged to a greater extent over the normal working person.

**LEWIS:** That's right. And I think the temptation for future governments might well be to sort of merge them together, but we'll have to wait and see. That's a long way off. The other point to make, of course - and I'm sure people sitting at home will be thinking this - I don't get the age allowance, I'm over 65. The answer could be your income's too high. And of course this is a means tested tax allowance and in the coming year it will be phased out if your income is more than £24,000 gradually.

**DUGGLEBY:** Let me bring in Will here because of course the interplay between the benefit system, the tax credits and everything else, I mean I can't see it's going to get any easier as the years ...

**HADWEN:** (*over*) Well no, absolutely not. I mean the other thing to remember is that for many means tested benefits, the more take home pay you have, the less benefit you have, and that would particularly apply to say housing benefit. So you could be somebody who's working. You have more take home pay, you therefore have less housing benefit.

**DUGGLEBY:** So if you think ahead to a £10,000 allowance, then this is going to have a premature effect, is it?

**HADWEN:** Well by then we'll have the universal credit ...

**DUGGLEBY:** Ah!

**HADWEN:** ... which supposedly is going to simplify everything. (*laughs*) But we do think that that's also going to be based on their income. That's certainly what it said in the white paper.

**DUGGLEBY:** Okay, right. Well we'll probably come back to this whole question of allowances and indexation and one thing and another later in the programme, but in the meantime a question on inheritance tax from Nicky in Belfast.

**NICKY:** Hello, thank you for taking my question. It's actually regarding my father and I'm just wondering what is the best way to minimise inheritance tax. The solicitor has told him to seek advice from a tax specialist and I saw a tax specialist yesterday, and he was talking about two different types of trust that could give my father an income at the same time. And last night I was on the internet and it all looks very complex, the whole thing, so could you just give a quick bit of - it'll be difficult - but a quick bit of advice as to which way you see it?

**DUGGLEBY:** What size is the estate?

**NICKY:** Well he would have probably over half a million.

**DUGGLEBY:** Okay. Right now is your mother, is she deceased?

**NICKY:** She died last year. That's what's brought everything to a head.

**DUGGLEBY:** Right, now the reason I ask this is of course because the rules are that

you can carry forward the unused portion of the £325,000 exempt...

**NICKY:** *(over)* Yes, that's all been done.

**DUGGLEBY:** So you are talking about a taxable estate?

**NICKY:** Yes.

**DUGGLEBY:** Okay, well with the proviso that you know I hear what you say, Michelle Cracknell?

**CRACKNELL:** Well the way ... I mean there are trusts that you can set up in order for your father to carry on receiving benefits from it, but they are incredibly complicated and I don't think it's possible to go into any particular detail on that in the programme without knowing the full detail. What came out yesterday was that the government are trying to encourage charitable donations, so what your father can do as part of sorting out his will and his estate is the solicitor can now write clauses into his will that would mean that if he passed 10% or more to charity, then the remainder of his estate will be taxed at a lower rate. That doesn't mean that the amount that's paid to charity is completely free and the beneficiaries will effectively get slightly less, but it is heavily subsidised.

**DUGGLEBY:** Before we actually come onto the Budget measures specifically - Mike, the Chancellor, I don't think he did anything in this Budget but he has come down quite heavily, the Chancellor has been coming quite heavily on trusts that are set up. They've restricted ... They've increased the tax on them, haven't they?

**WARBURTON:** Yeah, trusts these days are not the attractive tax planning vehicles that they used to be.

**DUGGLEBY:** There's 50% on some trusts.

**WARBURTON:** Yes, I mean what happens is trusts effectively pay an income tax at the top rate. And this has become quite a problem for people. Particularly accumulation trusts effectively have become a problem.

**DUGGLEBY:** So it's a disincentive to set them up?

**WARBURTON:** It can be a disincentive. And I've often thought that the trusts actually aren't there for just tax planning. They're really there for family planning. It's a way of making your family arrangements the way you want, so that money, for example, doesn't go to your children when they're not fit and able to look after it. But unfortunately it is seen by successive chancellors as a tax dodge and unfortunately the tax rules on trusts have progressively tightened up, which is a shame because I think they actually fulfil a very useful function.

**DUGGLEBY:** It's worth mentioning that inheritance tax is one of those things that's been fixed and frozen for quite a long time - up to 2015.

**WARBURTON:** Up to 2015. And this is entirely political. This is, if you remember, 2007 I think it was that George Osborne promised that a Conservative government would have a million pound threshold and then Alistair Darling brought in his own proposals which you've just mentioned. But as part of the coalition agreement, it was important to the Lib-Dem part of that that we should have inheritance tax frozen at £325,000, and that will go for the rest of the parliament.

**DUGGLEBY:** I'm just thinking that people probably will become aware sooner or later that if you're going to have 5% inflation going on and a frozen level for a tax as big as that, that's going to direct quite a lot more revenue, isn't it?

**WARBURTON:** It is. I mean inheritance tax at the moment doesn't create a great deal of money. Around 3 billion a year. It sounds a lot, but it's not a very large amount altogether. And only about 15,000 estates actually pay inheritance tax at the moment. That halved under the provisions, which Alistair Darling brought in. But, nevertheless, whilst it may not be top of people's concerns at the moment, there will



come a time at which it starts to rise up the agenda.

**DUGGLEBY:** Okay, that broadly answers your question, Nicky. But while we're on the subject of inheritance tax, Paul, this question of the 10%. As somebody has pointed out already, you know 10% of what? It is actually 4% from 40 to 36.

**LEWIS:** Yes it's 10% of 40%. So it's reduced by 4%, so it comes down from 40 to 36. Yes, we've had an email making that point from Eddy. He also makes another point, which I think is very interesting following on from what Michelle was saying. He's concerned about the will specifying a percentage. He says the estate has to be accurately, professionally valued. Nothing can be distributed. And it's all going to be very costly and all the parties may not agree, and there's going to be legal and other expenses. And he says this may well take up all the tax you might have saved by this 30% rate.

**DUGGLEBY:** We've been scratching our heads though before coming on air to try to explain to you what it means if you go one way or the other, Paul. I mean we set up a spreadsheet to try to make it comprehensible.

**LEWIS:** We did, Vincent. And if you look at it, it's not bad, but spreadsheets on the radio are not really that great.

**DUGGLEBY:** Not very good, yeah.

**LEWIS:** But I mean on an estate of £525,000 ...

**DUGGLEBY:** Which is roughly what Nicky's estate was.

**LEWIS:** Yeah, under the new system the heirs might ... the person gives £100,000, sorry 10% of the net estate, £20,000 to charity - then that's going to cost the heirs £4,800. So less than 1% of the total estate, and there'll also be some tax to pay.

**DUGGLEBY:** So, Mike, is that right? In the example we've worked out, if you had an estate of round about half a million and you took advantage of this, the heirs will forego of the £20,000 gift in our example about ... It will cost them about £4,800 of the money that they would you know otherwise get?

**WARBURTON:** Yes, I mean we get to the same answer, but the way I looked at this ...

**LEWIS:** It's a different spreadsheet.

**WARBURTON:** Different spreadsheet. The way I approach it is to say if someone dies and leaves shall we say £10,000 to charity, then effectively the taxman pays £4,000 of that at the moment. Under the new system, as long as you leave 10% of your estate after the annual exemption to charity, the taxman will actually pay 76.

**DUGGLEBY:** So three quarters of the gift.

**WARBURTON:** Three quarters of it will be paid by the taxman. Only one quarter effectively - 24% - actually will be picked up by the beneficiaries. So it's a much more tax efficient way of doing it.

**DUGGLEBY:** So the message to beneficiaries should one of your nearest and dearest die in the next 6 months or so is to say you know would you like to sacrifice a quarter of whatever it is if the Revenue is paying three quarters?

**WARBURTON:** Yes. And I think the difficulty we're going to have here is it applies on death - it's not lifetime gifts - it applies on death, so I think solicitors are going to be quite busy writing wills in the way which achieves the 10% target. I'm sure they can do it because bright people, solicitors will work out pretty quickly how to do this, but of course at death you don't necessarily know what the values are.

**LEWIS:** No and this is exactly the point Eddy was making in his email. It's going to

be expensive, it's going to be more complicated. If it's worth doing, then do it, but it's not just going to be a free ride to a bit more money to charity.

**WARBURTON:** Well it's not going to be done, I suspect, from a will writing service. It's going to probably be go to your solicitor and get proper advice.

**DUGGLEBY:** And I suspect a deed of variation, which is one of my favourite things, might sort it out if you don't quite know what to do now.

**WARBURTON:** Yes, solicitors can always do that.

**DUGGLEBY:** Right we must move on, we've spent enough time on that, and talk to Derek in Brecon.

**DEREK:** Hi. I'm interested in the bank and building society interest which is taxed at 20% at source. I believe an element of this is liable to 10% tax depending on your income.

**DUGGLEBY:** Well this is the low rate. This is the initial starting rate for those people who have no other form of income. Michelle?

**CRACKNELL:** That's right. If you've got other forms of income, then the 10% doesn't apply. If you're only receiving - in fact for the next year it will be less than £2,560 in the form of interest rate from a bank or building society - then it would go down to the 10% rate. But if it's actually other income that takes you above that figure, then the 10% won't apply.

**LEWIS:** And it's worth saying that the 20% will automatically be deducted and you have to claim back the 10% extra that's been deducted.

**CRACKNELL:** That's right.

**LEWIS:** You can't have the 10% deducted automatically. So lots of people don't do that.

**CRACKNELL:** Miss out on it.

**LEWIS:** That's why the Revenue's got probably 200 million sitting in its coffers it shouldn't have.

**DUGGLEBY:** Right. Now a small business question. William in Manchester, I gather you're planning to set up a small business very shortly?

**WILLIAM:** That's correct. I've just qualified under the government's FIT ...

**DUGGLEBY:** FIT standing for?

**WILLIAM:** Feed In Tariff.

**DUGGLEBY:** Right. That's the solar energy thing, yeah.

**WILLIAM:** Yeah. I'm specialising in photovoltaic installations.

**DUGGLEBY:** Okay, well let's leave that out for starters because that's a completely different subject. (*William laughs*) It's the business angle we're interested in.

**WILLIAM:** My question is if I can get people to invest in this business. Because my initial installation I'll pay for, but obviously any further installations - and I've got another three coming up - I need money to back me up.

**DUGGLEBY:** Yeah venture capital you want then.

**WILLIAM:** I did hear the Chancellor say something about from April if you invest in a small business and/or environmental thing ... I was in the car at the time, so I didn't

pick it all up. Are there any tax concessions?

**DUGGLEBY:** Right, there are about three considerations here. First of all setting up the business in the first place. Secondly whether you're going to employ anybody to do it. And thirdly whether you need some business angels or what part of a business angel to invest in it.

**WILLIAM:** I'm looking at appertaining to the business angels initially.

**DUGGLEBY:** Yeah, sure. What sort of capital do you need?

**WILLIAM:** Probably £30,000.

**DUGGLEBY:** Okay, well you're not in the Dragons' Den. Mike?

**WARBURTON:** The Chancellor has said that he's very keen to encourage people like you, William. He wants people to take the risks of leaving a job and setting up in business and there are a number of things he's trying to do.

**WILLIAM:** *(over)* Two things. Excuse me. I'm 65 next birthday and I'm certified for the next 5 years.

**WARBURTON:** Right, but you're still happy to set up a business?

**WILLIAM:** Oh yeah. I've only got one more qualification, which is health and safety on 1<sup>st</sup> April.

**WARBURTON:** Well first of all I'm delighted at the age of 65 you're really going in for a new business. This is excellent and the Chancellor would be proud of you. He has reduced a lot of the burdens on setting up in business, but one of the things which I think might be helpful is to encourage business angels into your business, the so-called Enterprise Investment Scheme. Which has been around for a long time. It's

actually been in different forms since 1983, believe it or not. But this encourages people to invest in a business and get tax relief for doing so. And that tax relief is going up, income tax relief from 20% to 30%. So subject to a number of conditions, someone investing in your business set up as a company - it has to be a company - will be able to get extra tax relief for doing so. And of course it's easy to say get the tax relief. You've got to find someone who's prepared to invest. And in your circumstances, do you have friends or people that you know that might invest?

**WILLIAM:** Well I've got a couple of friends, particularly my son's friends. I mean I've got three sons but two of them live in America, but all the friends are over here. And yeah they've all got ... A couple of them have got businesses and they may have capital that they may want to invest.

**WARBURTON:** Well they're the ones to talk to and explain that they can get extra tax benefits as a result of the Budget.

**DUGGLEBY:** If the business was hugely successful, Mike, the Chancellor's doubled ... Has he doubled the amount of relief you get on selling a business?

**WARBURTON:** Well yes. I mean there's two things. First of all the business angel will actually be exempt from capital gains tax. That's already there.

**DUGGLEBY:** *(over)* Right. But the business owner?

**WARBURTON:** But the business owner, if you make a great success, the 10% tax rate which currently applies to the first 5 million will actually apply to the first 10 million. Now I don't know if you're going to get to that, William, but certainly that's helpful.

**DUGGLEBY:** Paul?

**LEWIS:** Yeah can I mention something else that will help small and start-up

businesses. This is the exemption from all new domestic regulation for 3 years from 1<sup>st</sup> April. Now I talked to the Treasury about that this morning. A couple of things it *won't* cover. The new additional paternity leave, which we mentioned on Money Box Live not long ago - that is not going to be taken away from people who work for small businesses. And nor is the default retirement age. That is also being scrapped and that won't be part of this moratorium. But any other regulation that comes into effect on 1<sup>st</sup> April or later potentially will now not apply to a small business, which is 10 or fewer employees, or to a start-up business. And the other thing, which I think is very interesting, is that the Treasury said it was going to "warmly welcome" - and I quote from the man I talked to this morning - any business that contacts it to say this regulation is stupid, why do we have it? And they will look at it and if they agree it's stupid, they will scrap it. And they're waiting for businesses to get in touch with them - presumably through the website - to say get rid of these stupid regulations.

**DUGGLEBY:** You'd better put the website on our website, who to send it to.

**LEWIS:** Well it's the Treasury website link. So that's an interesting thing. But the default retirement age and the additional paternity life are safe even for very, very small businesses. Everything else up for grabs.

**DUGGLEBY:** Will, from the Working Families point of view, I suppose you've got to take a slightly different angle on this in as much as there's got to be protection, particularly for very low paid people, so there won't be exploitation?

**HADWEN:** Yes, we do take a slightly different angle. Apart from anything else, new regulations are not always going to lead to further complication. One of the things that we've just lost, they were going to extend the right to request flexible working to everybody with children under 18. I notice that they're not going to do that now. They're going to repeat all the regulations that they'd already laid, so that won't be happening. That actually leaves you with a situation which is slightly more complicated because you can request it for a child under 17 or under 18 if they're on DLA. So it's something that is actually, I would say, a little bit more difficult for businesses to get their heads round.

**LEWIS:** And we've actually had quite a few emails from people who are you know really quite hard up and who want to know what's in the business for them. Shaman tweeted me actually to say 'I'm a single 26 year old man on £26,000 a year. Did the Budget do any good for me?'

**HADWEN:** Well arguably yes and no. Well yes because the personal allowance is higher, so you won't pay so much tax. On the other hand no because an increase in national insurance, which we already knew about, means that he'll pay more in national insurance.

**LEWIS:** Right. And we've also had one, here it is, from Mandy. She tweeted me. 'I'm a single parent. I have a 10 year old and a 17 year old who's doing A levels'. And Mandy works 23 hours a week on minimum wage, so that's a pretty low income. How does the Budget - and I imagine she also means the things that are happening in April - affect her?

**HADWEN:** Yes. Well I had a quick look at Mandy's situation and I don't think you would pay any tax. Nor would you pay any national insurance because her weekly earnings come in below what we call the primary threshold, which is where you actually start paying something. She will be getting tax credits for her children, probably getting some working tax credit as well as child tax credit. What she *won't* be getting is the Education Maintenance Allowance for her 17 year old who's doing A levels unless he's been lucky and already applied before the end of December.

**LEWIS:** And that's being scrapped for those people.

**HADWEN:** Yes.

**DUGGLEBY:** Susan's calling us at the moment, Paul, from Burnham. She wants to know about the winter fuel allowance. Susan?

**SUSAN:** Hello there. Yes, I'm just in receipt of my state pension and was hoping to



claim the winter fuel allowance in September. And I hear there are to be some changes and I wondered whether or not they were going to affect me.

**LEWIS:** Well there are two changes, Susan. This wasn't in the Budget statement, which was what aroused our suspicions, so I rang the Treasury again this morning. The winter fuel payment this year, this current winter, is £250 if you're aged 60 or more and £400 in a household where someone's aged 80 or more. Now that was a bit higher than the sort of underlying payment. There were extra bits added by the Chancellor - the previous Chancellor I should say - at the last Budget. The Treasury is not adding those again, so this coming winter, the winter fuel allowance will be £200 at the younger age and £300 for over-80s. That's a change that the government has decided on for this coming winter. Now the other change, which is to do with rising state pension age, is that you'll have to be round about 61 to claim it in the coming winter. I think you've got to be born on 5<sup>th</sup> January 1951 or earlier to get it. But you've got your state pension, so you'll be alright.

**SUSAN:** Well I've had to wait 6 months for it, so I've ...

**LEWIS:** (*over*) You've had to wait. I know, lots of people are complaining about that.

**SUSAN:** I thought I would get the winter fuel allowance when I was 60 and found I didn't.

**LEWIS:** No, but you will get it next year because by then you'll be 61. But it will be £200 for you rather than the £250, which it was this year.

**DUGGLEBY:** One of the big issues of course is fuel poverty, Will. I mean this is a big issue, especially after the hard winter, and people must be looking ahead and saying you know what on earth is going to happen if we have another really harsh winter?

**HADWEN:** Absolutely. And if we do, then the fact that winter fuel allowance will *seem* to have gone down, even though what's actually happened is some temporary increases have been taken away, it'll be a real struggle for some people.

**DUGGLEBY:** But there's also the complications of you know what is cold weather and how long does it last and the seven days below zero ...

**HADWEN:** Well that's a separate payment.

**DUGGLEBY:** But that's not going to affect it, is it?

**HADWEN:** The winter fuel payment is not dependent on temperature.

**DUGGLEBY:** (*over*) Yeah, but not the one ...

**HADWEN:** The one that you're talking about is called the cold weather payment.

**DUGGLEBY:** Cold weather payment, that's right.

**HADWEN:** And the cold weather payment's made to various groups of people on benefits if the temperature was below freezing for at least seven days. And they have recently been increased. I hope that increase will continue, but we haven't heard anything about it actually.

**LEWIS:** Well I think the government did say it was permanent when they introduced it, so it was £25 a week for any week where the weather is less than that. Can I raise another ... We've just had an email from Elspeth. She says she wants to know about the impact on the rural economy where nothing is being done to support disabled people in rural areas who need their vehicles and petrol price increases.

**DUGGLEBY:** Well we'll come back to that in just a moment ...

**LEWIS:** Sorry, Vincent.

**DUGGLEBY:** ... because I need to remind you you're listening to Budget Call on Radio Four with me, Vincent Duggleby, and Paul Lewis. It's coming up to half-past twelve and now here's Martha Kearney to tell us what's coming up in the World At One in thirty minutes.

**KEARNEY:** Thanks very much indeed, Vincent. Well we're also looking at the impact of the Budget and in particular the government's plans to get the economy growing again. It's announced 21 new enterprise zones. Do they work or do companies just move from one place to another? We hear from Sheffield, which is about to get one, and from the Business Secretary Vince Cable. We'll have the latest from Syria where one report suggests that a hundred people have been killed during protests in the southern city of Deraa. And what happened to the 5,000 men of the 9<sup>th</sup> Roman Legion? As a new film tells the story of their disappearance, the historical adviser to the drama gives me her version - and apparently it could have been an ancient version of cost cutting. That's all coming up in the World At One in half an hour.

**DUGGLEBY:** We're looking forward to it. Thanks Martha. And I'm reminding you that you're listening to Budget Call for the time being. Ring us if you have a question about how the Budget affects you. The number is 03700 100 444. We've got another 25 minutes on air. Paul, I interrupted you in mid-flow.

**LEWIS:** (*over*) Yes, for that important trail for the World At One. But this is an interesting ... It's quite a long email from Elspeth. She lives in the country, she is disabled. She gets Motability, which is how you get a car, as Will will explain I'm sure in a moment if you're on mobility allowance. And she makes the point that if you live in rural areas and you've got a motability vehicle, it's quite a big one because you've got to get a wheelchair in it or you've got scooters and things, and she says what about petrol prices in rural areas? How can she help pay for those? Will, explain just how she gets the car in the first place.

**HADWEN:** Well as part of the Disability Living Allowance Scheme, you can if you want to use your mobility component to get a vehicle instead. One of the things that is interesting is you may have heard that they're going to scrap DLA and replace it with something called a Personal Independence Payment. It's far from clear how that will be linked to vehicles, if at all. But one would hope that, as with all these kind of changes, there will be transitional protection so that people like Elspeth will be able to keep her car.

**LEWIS:** But she is complaining about fuel prices and of course there's been a one penny cut in fuel duty, but it's going to go up again over the next 18 months.

**DUGGLEBY:** Now surprisingly we haven't had much in the way of emails or calls about savings. Well I suppose that's understandable, Michelle, because the Chancellor had pretty well nothing to say about savings. But there were just one or two little things. A new level for ISAs, which I think we probably knew already - the new higher level for ISA contributions. And we had this rather odd conclusion of course which we drew when we saw that National Savings are back in the market. We don't know when. So is that basically what the message is for savers - to have a look for those two things?

**CRACKNELL:** Yes, you're right that National Savings are obviously raised as part of government borrowing and there was an announcement in the papers yesterday that National Savings are going back out into the market and will be making more issuances later on this year. We're not sure when. And National Savings ...

**DUGGLEBY:** *(over)* But they will include index-linked.

**CRACKNELL:** Yes National Savings confirm that they will be including index-linked. The expectation in the market is they're going to get snapped up like hot cakes ...

**DUGGLEBY:** Yeah.

**CRACKNELL:** ... and so if anybody's interested in it, you can apply to get alerts from National Savings and Investments. And it's worth registering for those alerts because then you'll be notified as soon as they come away.

**DUGGLEBY:** What mobile phone alerts or ...?

**CRACKNELL:** I think it comes through email.

**DUGGLEBY:** Email. Right, okay.

**LEWIS:** And can I just say they will be linked to the Retail Prices Index, which is a slight surprise. And if you look at the tables produced in the Budget, the Retail Prices Index is still going to be 3.9% by the start of 2016, so they could be a very, very attractive proposition indeed.

**DUGGLEBY:** Indeed, indeed. Well I spoke to National Savings and they said the target is somewhere between 0 and 4 billion. They say they're going to be raising around about 2 billion. I asked them how quickly they can raise 2 billion and they said well it somewhat depends. They wouldn't tell me when they were going to launch them. But I mean 3 months is absolute maximum. As you say, they'll get that money in extremely quickly, I think.

**LEWIS:** I think they stopped selling them when they got 5.4 billion, was it, in 3 months over a very short time?

**DUGGLEBY:** Yes something like that, yeah.

**LEWIS:** So they could be on sale and then off sale by the evening if we're not careful.

**DUGGLEBY:** The other tax incentivised savings are through ISAs, Individual Savings Accounts. The limit's gone up as from 6<sup>th</sup> April, Michelle, and half of it of

course can go into cash and half can go into shares.

**CRACKNELL:** And also worth mentioning that children's ISAs are going to be introduced as well.

**DUGGLEBY:** Yes junior ISAs coming in the autumn.

**CRACKNELL:** Junior ISAs going to be introduced. So the payment from the government has disappeared, so obviously that was bad news. But what we have got now is children's ISAs. It's only a very small amount, but they can put money into that.

**WARBURTON:** They really take over from the Child Trust Fund, don't they?

**CRACKNELL:** Yes.

**LEWIS:** And the interesting thing for me was about junior ISAs, they're available to any person under 18 who doesn't have a Child Trust Fund. So those people who missed it on the way in because they were a bit too old will have access, and those who've now missed it on the way out who are now too young will have access to it. And the limit on cash ISAs is going up to ten thou... Well cash ISAs, £5,340 from 6<sup>th</sup> April. But in future that limit will increase with Consumer Prices Index, not Retail Prices Index, so it will go up a bit more slowly than we might have been hoping for in future years.

**DUGGLEBY:** At the moment there's quite a lot of competition amongst banks and building societies, Michelle. They're offering these new ISAs. The snag is still that they won't allow you to transfer existing money. I keep on coming up against this problem of saying well yeah institution x great rate, but they won't take any money in. I mean I have to say that Barclays have got an extraordinary system. Their new Golden ISA, which is Mark 3 I think, is very good, but they won't even allow you to transfer *existing* money with *Barclays* in Barclays ISA 2, cannot be translated to

Barclays ISA 3. So it's 3.25 for the new money, but - oh no - if you invested last year, you're down to 2.2. Frankly, I think it's crazy.

**CRACKNELL:** Yes, you have to be very careful when you look at the small print of the ISA that you're going into because, as you say, some are fixed. In order to qualify for the interest rate, you get fixed and therefore you won't be able to transfer if the interest rate moves in your favour.

**DUGGLEBY:** Right. But, as I say, not very much on savings. And still the spectre of high inflation and as we were saying earlier this confusion, which is reflected in our emails, as to what is RPI and what is CPI and how are these two related - especially when we start bringing in something which was already decided, and that is the rise in national insurance contributions and how they inter-react with the tax system.

**LEWIS:** Yes, I mean if you look at RPI and CPI - and lots of people say what's the difference - there is an essential mathematical difference that people don't always realise. And this last set of figures - that mathematical difference, the difference in the arithmetic of working it out, led to a one percentage point difference between RPI and CPI and that seems to be going up at the moment. The other thing that affects them is indirect taxes, and if taxes hadn't gone up then the Consumer Prices Index would have been I think 2.7% instead of 4.4%. So the government is creating inflation itself in a way and the maths is also then reducing it from the Retail Prices Index. It is very complicated. But having two rates of inflation is a bit mind-boggling, I have to say.

**CRACKNELL:** There's almost like a third as well because of course each individual has a personal rate of inflation because you know elderly people are more affected by fuel issues, for example.

**DUGGLEBY:** Yes research has shown I mean they're suffering an inflation rate of more like 7%.

**LEWIS:** Yes, but if you spend money on essentials - fuel and food ...

**DUGGLEBY:** (*over*) Yes exactly, and of course the low paid. What's your estimate for that, Will?

**HADWEN:** We don't have an estimate, but I think I agree with Michelle that each individual has a particular rate of inflation that will be linked to their circumstances. So many low income families don't run cars, but they do rely on public transport. And then you get other low income families who have to run a car because of their situation, so that makes the rate of inflation different for those people.

**DUGGLEBY:** Bits and bobs, Mike. We always get asked these questions. VAT registration level?

**WARBURTON:** I'm just looking for it at the moment. It's gone up in line with inflation, but I haven't actually got the figure for you yet.

**DUGGLEBY:** Okay, right. Another one is business mileage, which we've mentioned. That's gone up.

**WARBURTON:** It's gone up, yes. For the first 10,000 miles you do, 40 pence a mile goes up to 45 pence a mile. And I have to say about time too.

**LEWIS:** That's what you can claim tax free, is it?

**WARBURTON:** Well it's essentially two ways. If your employer pays you a rate more than ... up until now pays you more than 40 pence a mile, you've had a benefit on the difference. If on the other hand ...

**LEWIS:** And that's taxable?

**WARBURTON:** It's taxable benefit on the difference. If on the other hand he pays you less than that, you can claim the difference as an allowance, which a lot of people forget to do. But going up to 45 pence is helpful, but it doesn't really take us far



considering how much extra we're paying on fuel.

**DUGGLEBY:** A friend of mine rang me and said "Now this 45 pence a mile, this surely depends on the business year?" Is it a tax year related thing? He said, "Look, my tax year actually ends in October. Does that mean all my mileage from October last to October next is now ... Do I claim 45p?"

**WARBURTON:** I think it runs from this April, so ...

**DUGGLEBY:** But that means half his mileage will be under the old rule and half the mileage under the new one?

**WARBURTON:** Well that's what often happens, Vincent.

**DUGGLEBY:** I'm just asking the question basically.

**WARBURTON:** I think that's the way. I believe that's the way it's going to work.

**DUGGLEBY:** So if you've had 5 or 6 months of your business year, you pro rata it, do you, at 45 and 40?

**WARBURTON:** That's what I think happens.

**LEWIS:** That's why we employ accountants like Mike. Can I mention one another thing - one little point, Vincent. I've had a tweet from Phil who wants to know about blind person's allowance because that used to be fixed and went up occasionally. In fact it does go up every year now. It's gone up by £90 for the coming year to £1,980. And then it will carry on going on up with the Retail Prices Index, so I reckon it'll go up by £90 or £100 each year over the next few years, as far as I can see.

**DUGGLEBY:** And capital gains tax - that's gone up £500, I think, to ...

**LEWIS:** Capital gains tax limit's gone up to £10,600 ...

**WARBURTON:** Yes, from £10,100.

**DUGGLEBY:** And that I think is CPI related.

**LEWIS:** In future that's going to go up with the Consumer Prices Index, so it'll go up a bit less next year than we might have expected.

**WARBURTON:** Isn't it lucky we've got simplification?

**DUGGLEBY:** It's worth reminding people of course, Michelle, that there's still, what is it, 10 days before the end of the tax year, so better get your capital gains (if you've got any) sorted out on £10,100 for this year.

**CRACKNELL:** That's right. So if you're lucky enough to have some gains on some shares, you might wish to use up your allowance this year and then reinvest the money on the new level.

**DUGGLEBY:** Right. Now then we've got a call from Colin in Welwyn Garden City who's been very patiently waiting for us. Colin?

**COLIN:** Hello, good afternoon. I understand the Chancellor's amalgamating the income tax and the national insurance. Now as a pensioner who doesn't pay national insurance obviously, I'm worried that income tax - which I do pay - will go up in order to make up for the loss. I just wondered what your comments would be.

**DUGGLEBY:** Well in theory you're right, of course. But this is why it is such a complicated issue and George Osborne has said he's going to appoint a committee to look at it. Mike, I think you've already looked at it and I think a lot of people have looked at it and it's a very difficult problem.

**WARBURTON:** Yeah, I did a report about 3 years ago on the whole issue and it is complicated. But first of all, can I say there's been a red herring floating around here by some of the papers that pensioners, as you say Colin, would be hit. That is not going to happen. The Chancellor is wise to this. He is not planning ... First of all, we don't know whether it'll happen. It's a suggestion that these taxes should be, effectively two taxes should be merged, and personally I think it makes an awful lot of sense to try and get towards that objective. But specifically pensioners who don't pay national insurance will not have a higher income tax levy on a combined tax. And also savings. Savings and rent and things like that wouldn't. Otherwise I mean quite frankly it would be totally unfair.

**LEWIS:** We've had a lot of emails about this from people over pension age saying will I have to pay it. And we've had another one, which is related, from Pamela. She wants to know if she has to pay national insurance up to the rising state pension age, and the answer is of course she does. So when state pension age reaches 66, she'll have to pay national insurance up to 66 ...

**WARBURTON:** (*over*) Sadly yes.

**LEWIS:** ... even if you've paid plenty to get your pension. So I think that people are very worried about that combination. The other point I will make, which is an interesting one because it's sort of slightly nerdy and I like that kind of thing, is that as the personal tax allowance has risen from 2012 to £8,105, the level at which national insurance starts is *not* going up. It's going up with the Consumer Prices Index, so there'll be a few hundred pounds gap between where you start paying national insurance and then a bit higher you'll start paying tax. And that seems to me to work *against* the idea of combining tax and national insurance.

**WARBURTON:** Ah but at the top end, when you start to pay higher rate income tax, they have aligned the national insurance upper threshold and that is intended to stay aligned. So actually we are better off for that because although they are freezing the threshold at which you start to become a higher rate taxpayer, in fact that works in your favour for national insurance because you're going to pay at 2% rather than

12%.

**LEWIS:** If you're that wealthy, Mike. But of course there are some people who will be paying national insurance who are below the income tax threshold - particularly part-time women.

**HADWEN:** Yes.

**DUGGLEBY:** Are we getting towards solving this problem of the huge marginal rates that apply when people swap from the tax system into the benefit system and vice versa? Are we getting any further forward, Will?

**WARBURTON:** We've actually gone backwards, haven't we?

**HADWEN:** I think you could argue that we've gone backwards and you could also say that there'll be more complication before there's simplification. So there are some people who will pay national insurance but they won't pay tax because they'll hit that threshold before they hit the tax threshold. I suppose they're good and a bad thing because whilst the contributory principle remains, then at least they are contributing towards their retirement pension.

**WARBURTON:** The point I think it's worth making is that from 5<sup>th</sup> April the so-called marginal tax rate, the tax you pay for getting up early and working that extra hour, that rate's actually increasing. It's going up from what has been 70%. If you take income tax at 20% and national insurance and the tax credit claw back takes the total to 70% at the moment - that will go up to 73% in April because national insurance goes up by 1% and the claw back on tax credits goes up by 2%. Which is quite a surprising result. That's a 10% drop in what you take home.

**HADWEN:** Yes. And the universal credit, although it's true to say there will be fewer people with very, very high marginal tax rates - so we won't be seeing the 90 plus percent marginal tax rates that we see at the moment - but there will be more people

in the 60% to 70% marginal tax rate, we think.

**DUGGLEBY:** Have you found that VAT thing?

**WARBURTON:** No, I'm still looking. I have to say in some ways the publication this year is very easy, but it doesn't have an index.

**DUGGLEBY:** No. From memory, I think it's £73,000. I think it's £73,000 to register, £71,000 to deregister. I'm not absolutely certain, but it just sticks in the back of my mind. Can you do the income limit because that's another one that we've been asked about? The income limit for pensioners, which is where you start losing your allowance?

**WARBURTON:** Oh yes ...

**LEWIS:** Oh yes. Yes, that's £24,000 from April.

**DUGGLEBY:** £24,000.

**WARBURTON:** Going up from £22,900.

**LEWIS:** To £24,000.

**DUGGLEBY:** And what's that indexed on?

**LEWIS:** That's going to be indexed on RPI, and that will go up year by year. It'll go up to probably 25,000 odd in 2012, so we do know that one. We know the £24,000 anyway.

**DUGGLEBY:** Right.

**LEWIS:** And on the subject of pensions, Vincent, can I just raise this other question.

The Chancellor said he was now in favour of these plans to pay a flat rate state pension of around £140, which would make things a great deal simpler. But he also made it clear, Will, I think didn't he, that it won't apply to existing pensioners and it will still be a contributory benefit. So if you haven't paid contributions, you won't get it.

**HADWEN:** Yes, it's very difficult to see exactly how this is going to work because he said various things and the statements to me don't all add up. So first of all he's saying that there will be a single tier pension, but it will be based on contributions. He's also said that they will honour contributions to the current system, so you're likely to have different tiers of people depending on their age with a different pension arrangement.

**LEWIS:** The big advantage though if it's a flat rate pension and it's not means tested, you've got a floor to build on.

**HADWEN:** Yes.

**LEWIS:** So if you're paying into a small pension pot, Michelle, you're going to benefit from that small contribution into a pension.

**CRACKNELL:** Yes, the huge simplification in the taking away of at the moment the issue that people have about sometimes it's not worth joining their company pension scheme because of the impact it will have on their state benefits. One thing that is of slight concern about this introduction of the flat rate pension is that there will no longer be contracting out on final salary defined benefit pension schemes, and as a result the employer and employees' national insurance subsidies that they get at the moment for being part of that scheme will disappear. And I suspect that will be the nail that breaks you know the final ... the straw that breaks the camel's back and people will actually close their final salary schemes down when contracting out ends.

**LEWIS:** And put more pressure on public sector who are the ones who have the remaining schemes. Can I just raise ... There's an email here. This is from Jo, a single

parent with three children under 16 whose gross salary is around about £42,000. And with benefit, a widow's allowance, they get just over £42,000. Will Jo lose child benefit in January 2013 because they're just over the higher rate tax limit?

**HADWEN:** It does sound like it. And also it's worth saying that from this April if you have an income of over £40,000, you are much more likely to not get any tax credits at all. So the child tax credit you'd currently get in that situation, you may not get. You'd certainly lose it a lot more quickly.

**LEWIS:** And we know that the higher rate limit, the moment when higher rate tax starts is now going to be fixed at £42,475, so they will lose child benefit in 2013 if your income's above that.

**DUGGLEBY:** Frank in Buckinghamshire, you are in fact the listener who's been asking about the VAT threshold. We have actually found it. Hello Frank, are you there?

**FRANK:** Yes indeed, yes.

**DUGGLEBY:** You're the one who prompted us to try and find the VAT threshold. Now we can confirm ...

**WARBURTON:** We have found it. Yes thanks very much for waiting. The registration threshold will go up from £70,000 to £73,000.

**DUGGLEBY:** So I was right on 73.

**WARBURTON:** So you were right, Vincent. Well done. And the deregistration threshold - that's if you want to cancel your registration - goes from 68,000 to 71,000. So it's basically in line with inflation.

**DUGGLEBY:** Well Frank, you've been waiting very patiently. That's your answer.

But how's your business going?

**FRANK:** Oh very well. I can't complain. I've been a sole trader for 30 years. As I say, you know so far, so good. Sitting in the sunshine waiting for you to answer my call. *(laughter)*

**LEWIS:** But you should be out cleaning. And, Frank, you've got a small business. There is a special scheme for people whose turnover is below, what is it Mike, £225,000.

**WARBURTON:** The cash scheme, yes.

**LEWIS:** Well no, the flat rate scheme where you just pay a flat rate.

**WARBURTON:** The flat rate scheme, yes.

**LEWIS:** I don't know if that applies to you, Frank, but if your business has a turnover of below £225,000, you can pay flat rate VAT, which is actually you don't have to do all the fiddly sums and pay the full amount and it can be advantageous.

**DUGGLEBY:** Do you employ anybody, Frank?

**FRANK:** No, not at all. I've been a sole trader all my life. I've found that makes life a lot simpler.

**DUGGLEBY:** Bearing in mind that the Chancellor is keen, I'm sure he'd be very keen for you to expand your business and employ half a dozen people to carry on more cleaning. Does that appeal to you? Is there anything in the Budget that sort of says to you yeah I'm going to go for it, or not?

**FRANK:** Well I've got sort of rudimentary plans to bring my son-in-law in anyway later in the summer and gradually start taking more of the business away from me,



although I intend to carry on working till I'm 70 because I feel healthy you know mind and body, the whole thing. But there was just a couple of little appendages to what we've just talked about. Does it go up automatically with inflation every year? And what date does it normally start?

**DUGGLEBY:** VAT?

**WARBURTON:** VAT ...

**LEWIS:** (*over*) The threshold.

**WARBURTON:** The VAT threshold will normally go up each year with inflation and that's again what's happening this time.

**FRANK:** Right.

**WARBURTON:** And obviously VAT is worked on an annual basis according to when your accounts date is, and you'll normally account for quarterly between the annual dates.

**LEWIS:** And on the flat rate scheme, I got the figure slightly wrong. It's actually £150,000 turnover to qualify for it. But once you've qualified, you stay qualified until your turnover is I think £225,000. Then you have to de-qualify for it. But you've got to have a turnover under £150,000 initially - including VAT, I think - to qualify for the flat rate scheme. But it is a very useful scheme for you know small businesses.

**DUGGLEBY:** We've suddenly prompted a flurry of calls on business. Now Jacqui in Canonbury, your call?

**JACQUI:** Hi. I'm self-employed, a sole trader, I'm 50 years old. I wondered what the implications were of proposed changes in national insurance for the self-employed because currently, as you'll know, we pay a flat rate.

**DUGGLEBY:** Yeah, you pay class 2 and class 4. Profit related class 4.

**JACQUI:** Yes, exactly. And then income related.

**DUGGLEBY:** Yeah. Well all the limits have gone up broadly in line with the ones for employed people.

**WARBURTON:** Yes, the limits have gone up broadly in line. Am I right, Jacqui, that you're thinking about how this would work on an amalgamation of income tax and national insurance, or are you just looking ...

**JACQUI:** *(over)* Yes, absolutely.

**WARBURTON:** On an amalgamation, one of the suggestions is that we have this strange system at the moment where not only do we have two taxes on income - national insurance and income tax - but on national insurance, we have different classes of national insurance. As a self-employed person, you'll pay two classes of national insurance - class 2 at a fixed rate and class 4 dependent upon profits.

**JACQUI:** Absolutely.

**WARBURTON:** And one of the things that I believe the Chancellor has in mind if we can combine these taxes is that we would effectively do away with class 2. Class 2 at the moment, they don't actually enforce. The reason they don't need to enforce it is because for a number of self-employed people it's what counts towards your state pension. But it's such a small amount now, it's not something that the government are keen to continue.

**JACQUI:** It's a nice way of reinforcing your pension.

**WARBURTON:** Yes, yes at the moment, but of course we may be moving towards a flat pension anyway. This is one of the big issues.

**DUGGLEBY:** Yeah, the £140 a week idea.

**WARBURTON:** Yes.

**LEWIS:** And, Mike, the class 4 national insurance though is going to be 9%, isn't it, compared with 12% for an employee? So that will be quite difficult to combine because either you'd have two different rates for self-employed or employed or you'd have to boost one up to the other.

**WARBURTON:** Yes, but the reason you have a lower rate for the self-employed is they don't get the same benefits. You don't get unemployment benefit, for example.

**LEWIS:** Or SERPS.

**WARBURTON:** Or SERPS. So if you were combining basically a flat rate pension effectively, then the differential would cease to be necessary.

**DUGGLEBY:** Don in Nottingham, you want to know about IR35, I think?

**DON:** Yes. I'm 66 and I've had my limited company in dormancy for 8 years. And if I were to be lucky enough to get a revenue through my company of £60,000, say, then I could only get £3,000 allowed against expenses under the 5% rule, whereas an MP on the same salary gets £120,000 expenses paid by the taxpayer.

**DUGGLEBY:** Yeah, the government ...

**DON:** (*continuing*) Now has anything been done on IR35 this time round, this fiscal ...

**DUGGLEBY:** (*over*) Not that I know. The Conservatives originally promised that they would abolish it.

**WARBURTON:** Yeah, we had a consultation in July. David Gauke, the Exchequer's Secretary, put out a consultation in July on this. He has had a lot of feedback and, as you quite rightly say, IR35's a problem. This is actually just the number of the press release from 1999 when it was issued. It's not a legislative figure. But a lot of people worry about IR35. Now the Chancellor has said - and it's in the statements I've got in front of me - that he's not going to abolish it. We hoped he would abolish IR35. He's not doing so because he still believes that if it were abolished, there would be a leakage of tax. And could I ask? Do you have a range of different customers or would your business have just one main customer?

**DON:** Probably it would only have one or two main customers. And I don't really want to have a visit by the taxman early one morning saying "Uh, we think you're caught by IR35. Show us your books."

**WARBURTON:** Yes, well most of the cases that go onto court have actually gone in favour of the taxpayer, which may be helpful to you. But he hasn't abolished it - that's the bad news - and it's still under consultation.

**DUGGLEBY:** We're rapidly running out of time, but I think we've got time to take Barry with a question about state pensions. Barry in Rugby?

**BARRY:** Yes hello, good afternoon. I'm 64 and I'm due to retire in June, and I've been considering whether I should defer my state pension. A few months ago I read in the financial press that the government were considering further incentive schemes to encourage people to defer their pension, but nothing was announced in the Budget speech. I just wondered if there was any announcement in the Red Book?

**DUGGLEBY:** *(over)* Nothing new, I don't think, Paul.

**LEWIS:** No, I think it's a standard thing. Sorry, Will, I think you've got some information.

**HADWEN:** There's a very small change, Barry, which you may not have come across and it may not affect you anyway. But something which is changing this April is that if you defer your pension, you can no longer benefit both by claiming a means tested benefit during a period of deferral and by claiming the lump sum. So for example in the past, you could have deferred your retirement pension, claimed a pension credit because your income was lower, and then get your lump sum. You will not be able to do this from April.

**LEWIS:** Right. But apart from that, the rules are much the same - you get 10% extra a year roughly, 10.4%?

**WARBURTON:** *(over)* Well it's 10.4%, I think. 10.4% extra, yes. *(laughs)*

**LEWIS:** Thank you, Mike. That's why you're here.

**DUGGLEBY:** Yeah, well we've virtually run out of time, but, panel, just a quick run round the table for anything we've missed or anything you think that the listeners should be made aware of. Starting with you, Mike?

**WARBURTON:** Well I think this Budget is broadly neutral. And the bit that I'm particularly keen about is encouraging enterprise because governments don't create wealth; it's businesses and enterprising people who create wealth. So I'm all in favour of a focus on business generation.

**DUGGLEBY:** Michelle?

**CRACKNELL:** I think in the speech, he mentioned about the increase in state pension age. We know that there are increases happening. I think some women need, especially women in their late 50s, need to be really vigilant of the fact that their state pension age may have increased considerably, which was announced ...

**DUGGLEBY:** *(over)* With implications for saving extra.

**CRACKNELL:** That's right. But he's also said and flagged up future increases by saying that he plans to link it to longevity.

**DUGGLEBY:** Will?

**HADWEN:** I think we should remember that there are lots of cuts to benefits and tax credits coming in this April. They weren't announced in the Budget. They were previously announced, but they're still happening. However one positive thing. Support for mortgage interest for people on out of work benefits, which was extended under the previous government, that extension is carrying on until January 2013.

**DUGGLEBY:** I'm amazed we haven't had anything about the loans for first-time buyers, but there we are, Paul.

**LEWIS:** We haven't had that, no. And that could be good news - 250 million to help people buy their first new build home. And there'll be more on that, I imagine, in Money Box on Saturday.

**DUGGLEBY:** Money Box on Saturday indeed. Well thank you very much. My thanks to Mike Warburton, Michelle Cracknell and Will Hadwen. You can find out more about the Budget from our website, [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox), where you can listen to the programme again, download a copy, subscribe to the podcast, and in a couple of days read a transcript. Paul, as he said, will be back at noon on Saturday with Money Box. And next Wednesday Money Box Live will be coming from Plymouth as part of the BBC Money Matters Road Show. From us, goodbye.