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MONEY BOX LIVE

Presenter: PAUL LEWIS

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LEWIS: Hello. In case you missed it, there was an emergency Budget yesterday, and today's Money Box Live is devoted to answering your questions about the changes in that Budget. The Chancellor said it was "tough, but fair", but how tough was it and how fair? Unlike many budgets, there was more about welfare benefits than tax - though there were plenty of tax changes to keep accountants busy. Those tax changes will bring in another £8.2 billion, but cuts in welfare benefits will save much more: £11 billion. How tough and how fair is that balance? All these changes are on top of those announced by the previous Government in March. It's been described in the press as 'pain now and more pain later'. That was The Guardian. 'Everyone worse off in the toughest Budget for a century'. That was The Telegraph. And 'The Axe-and-Tax Pact' in The Times. Well after most budgets, people want to know will I be worse off? This year, I think everyone will be and the question is how much? And those questions are already pouring in to our phones and emails. And to answer your many questions, we've got a whole hour today. It's a bit complicated. We have half an hour on Radio Four FM as usual; an hour on the web as a webcast - there's a link on the front page: bbc.co.uk/moneybox. And there you'll also *see* us on our webcam. And you can also hear the whole hour on Radio Four long wave. We really are the test match special of personal finance. And if you miss it, you can listen again on our website to the whole hour. Anyway there's a danger I'll spend the whole programme telling you how to listen, so let's get on with it. You can call Money Box Live now - 03700 100 444. Email through our website. With me to answer your questions today, Rachel Hadwen. She's a Rights Advisor with Working Families. Graham Hooper is

from financial Advisers Best Invest. Leonie Kerswill is a tax partner at accountants PricewaterhouseCoopers. And Anne Redston is Visiting Professor of Tax at King's College. And the first question and straight onto tax is from Susan in Cheriton Fitzpaine. Susan, your question?

SUSAN: How is capital gains tax going to work following the Budget?

LEWIS: Well that's a very big question. Let's take another one because Amanda has a very specific question in Brixton about capital gains.

AMANDA: Yes, I'm in the unusual and fortunate position of having made a capital gain on 1st June. I was wondering whether this was going to be taxed under the old rules at the 18% because I believe the Budget date is effective from 23rd June.

LEWIS: Okay, well I'm sure we'll come onto that and how that works. So two questions on capital gains. So let's start with one of our accountants. Leonie Kerswill?

KERSWILL: Okay. In overview, the rate change will take effect from midnight last night, so capital gains tax rates move up from 18% to 28%. So, Amanda, the gain you made at the beginning of June will be taxed at 18%, not the new tax rate. It's slightly complicated now we've got a rate change part way during the tax year, but what's very clear is that you can structure your affairs - so set off losses or your annual exemption - so you get the best possible answer.

LEWIS: So you can set your losses off against a gain you make ...

KERSWILL: *(over)* Your 28%.

LEWIS: ... either at the new rate or at the old rate?

KERSWILL: Yes.

LEWIS: But in Amanda's case, she made the gain on 1st June, so that will be taxed at 18%?

KERSWILL: Yes.

LEWIS: All of it that rate?

KERSWILL: Absolutely, yes.

LEWIS: And we've also had an email about this, which we'll bring in at the same time. Somebody says ... John says, 'Could your experts clarify what happens when a taxpayer who is just within the basic rate band sells say a second home, crystallising a gain - say £50,000?' I suspect that *is* your gain, John. 'Will the 18% apply to the whole gain or just to part of it?' Let's hear from our other accountant, Anne Redston?

REDSTON: What happens in the new regime will be that you can use up what's left of your basic rate band. So if you've got say £25,000 of gain, you top up the bit that's remaining in your basic rate band and anything over that is then taxed at the 28%.

LEWIS: Right, so it's not that if you pay basic rate tax, the *whole* gain is taxed at the basic rate?

REDSTON: No, no.

LEWIS: It's sort of added onto your income in effect?

REDSTON: It's like having an extra slice of income; just the rate is different.

LEWIS: But worth saying that the amount of gain you can have before you pay any tax is still £10,100.

REDSTON: It is.

LEWIS: That's not going to change.

REDSTON: It is, and that's a very important relief because most people would be lucky to make a gain greater than that.

LEWIS: Sure. And, Susan, you asked us a very general question. Does that answer all your points, or is there anything else you'd like to know?

SUSAN: Well it doesn't wholly deal with them.

LEWIS: Tell us what the others are.

SUSAN: Is there any change in the starting point of the calculation and is there ... Yes, that is the principal question.

LEWIS: Okay.

SUSAN: How is the starting point calculated?

LEWIS: As I understand it, you start with what you paid and then you go to what you sold and you subtract one from the other and there's no indexation ...

KERSWILL: You start with your proceeds and deduct your costs.

LEWIS: There's no indexation been brought in, no tapering or anything like that.

KERSWILL: There's no indexation, no taper. That's why the rate is relatively low - because the Chancellor decided not to make it more complicated by having indexation or taper.

LEWIS: And I suppose some people, Graham Hooper, would think that's pretty tough if you've got a second home, as some people do. And it really is house price

inflation that's the gain. It's not ...

HOOPER: It is, yes. And houses of course, they're pretty lumpy assets. You know you can't sort of sell off half a house to sort of be capital gains tax efficient, so you're probably going to sell one - as I think the person on email said, £50,000 - you're going to sell it in one lump, and you know you could well go from sort of a low basic rate taxpayer to a higher rate taxpayer and end up paying more tax in that instance.

LEWIS: Okay. Right, well thanks very much.

SUSAN: There was ...

LEWIS: Sorry, Susan, yes you've got a final question, I think.

SUSAN: Yes. There was a couple of years ago something called entrepreneur's relief. It depended on whether it was a simple owned asset or something which you used in trading. How is that going to affect this?

LEWIS: Yes, because we were talking then about a gain personally made, but of course entrepreneur's relief has been extended a lot, Ann, hasn't it?

REDSTON: It has been increased from £2 million to £5 million. But that is a lifetime limit. So over the course of your lifetime, you can use up to £5 million of gain, which will be taxed at 10%, not at 18 or 28.

LEWIS: And if you've made another gain as well, that's just counted completely separately from the entrepreneur's relief?

REDSTON: Yes, it's a completely different box.

LEWIS: Right, okay. Susan, does that answer all your questions now?

SUSAN: Yes, that does. Thank you very much.

LEWIS: A satisfied listener. Thank you very much indeed for that. And we may get more on capital gains tax, but let's move on. Thanks to Susan and to Amanda for her question. Ann is calling us now from Devon. Ann, your question?

ANN: Oh hello. Well I'm bed-bound and I'm on disability living allowance and incapacity benefit, and I just wondered if you could tell me what the difference is between the Retail Price Index and the Consumer Price Index because the Chancellor said you know that benefits are going to be increased now using the Consumer Price Index instead of the Retail Price Index? You know does that mean that we're going to be worse off year on year and that benefits are going to fall behind inflation?

LEWIS: Yes, there are different ways of measuring inflation, but he is going to choose one that generally shows inflation to be lower. And are you going to be worse off? Yes, because the Government's going to save nearly £6 billion over 5 years and that's coming from, I'm sorry to say, people like you, Ann. Rachel Hadwen?

HADWEN: Yes, there are two differences really between the two indexes. One is that the Consumer Price Index doesn't count some of the things that the Retail Price Index does, and they're also calculated differently. But what you need to know is that your benefit will go up much more slowly using the new index. It doesn't apply to state pensions where we've got a triple guarantee, but it'll be the highest of the Retail Price Index - earnings prices or 2.5%, whichever's higher. But for other benefits, it will now be that lower rate that applies.

ANN: So really in effect that's a cut, isn't it? Each year it's going to be cut slightly?

HADWEN: Exactly, yes.

LEWIS: Certainly cut from what it would have been. I mean it will still go up. It will go up more slowly.

HADWEN: There'll still be a rise. So you might say that you won't notice, but of course you will notice because other things go up.

LEWIS: I did do some calculations, Ann, which might be interesting - based on the CPI and the RPI figures in the red book. And these are not completely, exactly right, but they're roughly right. And it showed that the cut over the 5 years of this policy would be ... the first 5 years would be £6 ... sorry 6.5%; and over the next year after that, it would rise to you know 8.4%. So that really means that in 5 years time, you'll be getting 8.4% less than you would have been if they hadn't made this change on the predictions of what those indexes will be. So it's a big cut. I mean you know it's going to be a few pounds a week, several pounds a week for people in your position.

ANN: Yes, it's going to make a lot of difference to me.

LEWIS: I'm afraid it is. I'm very sorry about that. Sorry, do you want another one?

ANN: Could I just ask one more question?

LEWIS: Yes, of course.

ANN: He also said that there are going to be changes in the method of assessment for new claimants of disability living allowance from 2013. Does anybody know if there are going to be any changes for existing DLA claimants too, you know for the way they're assessed?

LEWIS: Rachel?

HADWEN: Yes. I'm afraid, Ann, as far as I can remember from what he said, he is planning to extend that to existing claimants as well. But he has said that it will be working age claimants only, so I don't know how that will affect you by the time it comes in.

LEWIS: And that will be starting from 2013?

HADWEN: Yes.

LEWIS: And this is going to save quite a lot of money. I think from memory it's about a billion pounds. Is that right? You're frowning that.

HADWEN: No, no.

LEWIS: You don't think it *is* that much?

HADWEN: I don't think it is as much as that.

LEWIS: Okay.

HADWEN: But it is several *million* pounds.

LEWIS: It's certainly a lot over the time.

HADWEN: And what we're expecting is that the application for DLA, the way that you claim it will be different. So rather than relying on self-reporting your care needs, your mobility problems, you will go to an assessment. Whereas at the moment some people get assessed, but only if there's not enough information to make the decision.

LEWIS: Actually I've just got the table here in front of me and it does say that when the change starts in 2013, it will save £360 million. But the *next* year, the saving will be £1 billion. So by 2014, it will be a billion pounds. And all of that of course from people currently getting disability living allowance. So that is a considerable amount.

ANN: So they're expecting you to have to go to *them* to be assessed by one of their doctors? Because at the moment, they come to me ...

LEWIS: We don't know the detail.

HADWEN: That's right.

ANN: ... because I'm bed-bound. So they have to come to me.

HADWEN: I wouldn't expect that to change. I would expect those people who ... it would not be reasonable for you to attend a centre. They'll still come to you. But what's more worrying is they're obviously expecting fewer people to claim.

LEWIS: And Rachel, it's fair to say, isn't it, that a similar change has been made with incapacity benefit - now employment and support allowance; that there's a new medical test and a lot of people have not succeeded in that?

HADWEN: Yes. That's a slightly different thing. There was already a medical test, but the new medical is harsher.

LEWIS: Sure. Yes, but it has had that effect.

HADWEN: Yes.

LEWIS: And this is going to be a similar sort of thing, is it?

HADWEN: Well that's one of the things that will certainly be a worry - is that given we know that the test for ESA doesn't always spot things, doesn't ask questions about people's particular conditions, it's carried out by a private company, how are these medical assessments going to be done, what are the safeguards and will it mean more wrong decisions and more people having to appeal to get their benefits?

LEWIS: I would have thought Ann, in your case, if you're bed-bound as you say, it would be very unlikely that you'd fail the test, but one can never say.

ANN: Hopefully not.

LEWIS: And I think Rachel perhaps the sad thing for people like Ann and the other people on this benefit is the uncertainty for the next 2 or 3 years.

HADWEN: It's the uncertainty and the stress of not knowing whether their benefits will remain and how they're going to have to fight to keep them.

LEWIS: Ann, thank you very much for your call and I suppose I should say good luck for 2013. But don't worry too much about it before then. Ken now has a call in Weston-Supermare. What's your question, Ken?

KEN: Oh hello. Yes, I'm receiving quite a bit of my income from the state on the State Earnings Related Pension Scheme - SERPS. Now it wasn't updated this year. Although the basic rate of pension was updated by 2.5%, this did not include SERPS. Now could you tell me what the position is from now on?

LEWIS: Well I think I'm the one to answer that, Ken, because state pension is one of my specialities, sadly. As you rightly say, the basic pension - which is the one you get paid on your national insurance - was raised by 2.5% this year, but SERPS and all the extras were frozen. In the future, as we understand it, the basic pension will be subject to this triple guarantee that Rachel Hadwen mentioned. It will go up either by the Consumer Prices Index or earnings or 2.5%, but for one year only. That will also go up by the RPI as well if that's higher. But SERPS and all the other bits will go up by the Consumer Prices Index.

KEN: Oh they will.

LEWIS: So in effect you'll have two bits to your pension. You'll have the basic state pension, which will go up one amount, and all the rest of it which will go up another amount.

KEN: So the RPI has now been superseded by the Consumer Prices ...

LEWIS: The CPI - yes, that's right for all these things. All benefits anyway. And there is talk of moving that for tax allowances as well, but that's not happened. So it's going to be complicated and one of my worries is that because it will be very difficult to work out what you should get - a) it'll be hard to check; and b) the Inland Revenue, HM Revenue & Customs, I should say, won't know - you might get the wrong tax deducted from your pension. That is a big problem at the moment.

KEN: I see.

LEWIS: I'm glad to see my accountants are nodding here.

KEN: Will it operate on the September figures?

LEWIS: I'm sorry, say that again.

KEN: Will it operate on the September figures?

LEWIS: It will, it will. And although we have a September figure for RPI, what they predict, we don't have one for CPI. I've been trying to get it from the Treasury all day and I'm told I might get it by the end of the afternoon.

KEN: Oh I see.

LEWIS: It's about 1% different, we think. It might be 1.5%, but it's certainly 1% difference. So it will be a bit of a change.

KEN: Right. But I mean SERPS will be uprated by something?

LEWIS: Well that is the intention at the moment, yes.

KEN: Okay, thank you very much.

LEWIS: Okay, thanks very much indeed.

KEN: Bye.

LEWIS: We've also had questions about public sector pensions. Is that going to be the same on public sector pensions, Rachel?

HADWEN: Well I think the problem with public sector pensions is more how they are funded and what they're going to do about the fact that there's a huge gap in funding.

LEWIS: And they're having a big review of that of course with John Hutton.

HADWEN: And they're having a big review of that, so we don't as yet know how they're going to deal with that. It's a huge problem.

LEWIS: But at the moment I think the intention is to uprate the pensions by CPI rather than RPI, so that will be a slightly smaller rise for those as well. As I said, everyone loses at the moment. Any callers who think they're going to benefit from the Budget, perhaps they'd like to ring in. Simon is calling us from Dingwall. What's your question, Simon?

SIMON: Good afternoon. I wish to ask about the proposed change for the purchase of annuity, at present compulsory at age 75. Can you clarify the position, please?

LEWIS: Right. Yes at 75 you either have to buy an annuity or take what's called an alternatively secured pension, don't you? Anne?

REDSTON: Yes, the Government announced when it came in that it was going to scrap the rule where you had to buy a pension, an annuity at 75. Because they haven't

actually worked out how to do it yet, what they've done in this Budget is say that for 2 years, the next 2 years, you don't have to do anything. You can just leave your pot as it is, and within the 2 years they will look at it, at the problem, and decide how to deal with it. But they have said that they don't agree with the old rule, which is an enforced annuity at 75.

LEWIS: But we don't quite know what they're going to ...

SIMON: *(over)* We have to wait and see.

LEWIS: Does that help, Simon?

SIMON: Well it does help. Thank you. It wasn't clear to me exactly what was happening. But the answer is we have to wait and see what's going to happen, probably for 2 years.

LEWIS: You have to wait and see. But meanwhile, if you are 75, you don't have to do anything because that's been extended to 77.

SIMON: That's very good news for anyone in that position, I would have thought.

LEWIS: Yuh. Sorry Graham?

HOOPER: Just picking up on Paul's point about you know these are people that could be better off for two reasons really. One is you'll be older and theoretically be able to get a better annuity and pension from that. And, secondly, as you get older people tend to get iller, and if you shop around you can get better annuities ...

(laughter)

REDSTON: *(over)* The silver lining of annuities.

LEWIS: *(over)* You're as cheerful as George Osborne.

HOOPER: The point I want to explain, it is worthwhile shopping around depending on your health because the difference can be significant in terms of the annuity that you receive.

LEWIS: Okay, well thanks for your call, Simon.

SIMON: Thank you very much.

LEWIS: A lot of people have been asking similar things. Mike has a question now in Aberystwyth. Mike, your question?

MIKE: Yes.

LEWIS: Your question?

MIKE: My specific problem is that I'm on jobseeker's allowance and that enables me, entitles me to a housing benefit. However, I understand - I don't know the details - that the Tories are cutting housing benefit, and in fact they've even promised to abolish it before the election. I'd like to know at the moment how much have they cut it in their last ... in yesterday's Budget? It's very critical for me for staying in my home. How much are they cutting housing benefit?

LEWIS: Okay. Well this is a very complicated set of changes that are being made and I'm going to pass it over to Rachel Hadwen who's looking confident at the moment.

HADWEN: Well I think there's nothing to worry about in the *immediate* future, so the changes will start happening from April next year. That's one thing.

MIKE: April?

HADWEN: Yuh, April next year. One thing that is crucial to know, Mike, is whether

you rent privately or council or social housing?

MIKE: Private.

HADWEN: Private. Right, okay. So the changes are worse for those people who rent privately because that's where the limits are coming in. That's where they're trying to save money on the housing benefit bill. So what they're saying is that from April 2011, the local housing allowance - which in effect caps housing benefit if you rent privately - will be £250 for a one bed flat; £290 for two; £340 for three, etcetera.

MIKE: Sorry, could you repeat that?

HADWEN: I could indeed. £250 for a one bed; £290 for a two bed; £340 for three and £400 for four. And that will be it. It won't go up any higher than that.

LEWIS: There's going to be no housing benefit for houses with more than four bedrooms?

HADWEN: That's right, yes - it wouldn't be taken into account. In addition to that, in October of the same year, October of next year, they've said the local housing allowance will be based on the 30th percentile of local rents.

LEWIS: You're going to have to explain to us what that means, Rachel.

HADWEN: Yes. Well local housing allowance is currently based on the median. So if you've got a range of figures, the median's in the middle. It's not an average.

MIKE: Yes, 30th percentile is lower.

HADWEN: Yuh, 30th percentile is lower.

LEWIS: It's about 60% of the median, isn't it?

HADWEN: *(over)* Yeah, exactly. So that is really bad news. And I mean you can imagine the effects on that would be that ...

MIKE: *(over)* Well I can, yes. I know exactly how much I pay for rent.

HADWEN: Yeah. And so you would be forced to try and find somewhere cheaper, which might not be in such a good area.

MIKE: It's not possible here.

HADWEN: Yes. So we already know that a lot of people have to make up their rents. Their housing benefit's not enough and they have to top it up from their benefit, and that can only increase with these changes. I'm afraid it's bad news. The other thing, just very quickly to tell you since you're on jobseeker's allowance, is the other thing that they're proposing is that from April 2013, after 12 months on jobseeker's allowance your housing benefit will be cut to 90%.

MIKE: Sorry, your housing benefit will ...?

HADWEN: Your housing benefit will be cut to 90%.

MIKE: That's after 12 months?

HADWEN: After 12 months on JSA. How that will apply to existing claimants isn't clear as yet.

MIKE: That's even worse, yeah.

HADWEN: Yes, very, very bad news.

LEWIS: So Rachel - and maybe I can ask you as well, Mike - what are people going to do who've rented somewhere in the expectation that housing benefit would carry

on meeting that rent or a proportion of it, suddenly are going to find the amount they get reduced by a very big fraction?

MIKE: This is not a joke. I'm going to beg in the street.

LEWIS: Well yes ...

HADWEN: Absolutely, absolutely.

MIKE: I'm going to beg in the street for my rent. The Tories are bashing unemployed people because we're unpopular. And you know I hate being like that, okay?

LEWIS: Right.

HADWEN: You're right, Mike. It's going to increase homelessness, it's going to increase poverty. And the only thing that I can say is that at the moment we don't know if there's going to be any transitional measures to protect people who are already on the benefits. I can't comment on that, but there may be.

LEWIS: I mean Mike's view of course is his own, though you can see he's very upset about it quite clearly. I have to say we have had some emails, or at least one email, saying they're very glad that people aren't going to get their housing benefit. Rachel, we do see headlines in the newspapers, don't we - some of the newspapers on the front page ...

HADWEN: Absolutely.

LEWIS: ... about benefit scroungers claiming huge houses on the state. I think George Osborne said there were many people getting more than £100,000 a year housing benefit. Is that really possible?

HADWEN: It is possible. I think the headline case was about a house in Harrow. It

was a very large house, a family with several children. And of course these things happen, but you do get families where they don't have any other options because of the place that they live. They're in London. They're in an area where rents are high and they have a large family. I think it's also worth remembering that there actually very, very few of those cases.

LEWIS: Yes, I think the savings from that is going to be quite a small change. It's going to be 65 million to limit them to four bedroom houses. But the total savings from people on housing benefit is about one and three quarter billion pounds after 5 years, so that is a lot of money from people who by definition are too hard up to pay their own rent.

HADWEN: Yes. And it's a problem because you can't just rely on the private rented sector to bring their rents down.

LEWIS: Yes. So I think Mike's been a very clear example of just how hard that's going to be for people and how upset they're going to be, and indeed none of us can really say what can they do? There's not really any answer except trying to find somewhere cheaper, which is not going to be possible. Thanks very much for your call, Mike. I have a lot of sympathy with how you're feeling. Now we're going to move onto ... In fact I think I might take an email. We've had a lot of emails about pension age - people wanting to know what's going to happen to pension age. Now we know women's pension age is going up already. You have to be about $60\frac{1}{4}$ to get the state pension at the moment. It's going up slowly. I think if you're 60 today, then you won't be able to get your pension (if you're a woman) until 6th September. And of course that also applies to other things like winter fuel payment and free bus passes. What's happening on state pension itself, Rachel, because there are some plans to raise that even more quickly, aren't there?

HADWEN: Yes. Well there were already plans to increase state pension age beyond 65 and they were going to start in 2024. So all we really know at the moment is that they're going to look at accelerating that increase in state pension age, so it will happen more quickly.

LEWIS: But we don't know when.

HADWEN: Really that's all we know for the moment.

LEWIS: There's going to be a review.

HADWEN: They're going to look at it.

LEWIS: So that answers a number of emails, all of whom are very concerned about that. But I think the thing to stress is that someone who's already reached pension age won't have money taken away from them. That's at least fairly clear. Let's go to our next call. Martin from Manchester, your question?

MARTIN: Good afternoon to the panel. My question is about child tax credit and family tax credit. The family income is about £40,000 to £45,000 a year and we have been getting letters from the benefit office demanding for paybacks. But yesterday, when the Budget was being pronounced, I heard about £50,000 being mentioned as the amount a family can get before they are no longer entitled to get some of these benefits and then you know something about £45,000 was also mentioned. So what I'm asking is I don't know the right place we could go to get this actually clarified because we have now been bombarded with letters from the office and they're demanding some amount. Actually it's been going on for a long time now because ...

LEWIS: Okay, Martin, can I interrupt you because we've got the point and I think it is very difficult for people. And, again, it's Rachel I have to turn to on this. Tax credits have been very problematic and there are going to be more changes. Just run through them.

HADWEN: Yes. Well just to look at your specific problem, Martin, I think the important thing is that you get someone to have a look at your award notices and the demands for repayment and have someone go through your entitlement for you because this overpayment could go back quite a while. I don't know how long it's

been going on for. It's important that you have it looked at to see whether you really need to repay this money. If so, how much and over what period of time. But just coming to the changes, what's changing is at the moment if you have an income of under £50,000, you're guaranteed to get at least the family element of child tax credit, which is worth 545, £545 a year. What will be happening from April is that what we call the second threshold will be reduced to £40,000, so you won't be guaranteed to get it if you earn over £40,000. So there will be more people who don't get tax credit's at all. There's also going to be an increase to the taper rate, so instead of losing 39p for every £1 that you go over the lower threshold - that's currently £6,420 - it'll be 41p in the £1, so you'll lose your tax credits more quickly. But against that, we know that there are going to be increases in the child element of tax credits. So swings and roundabouts. It's giving us some money, but also taking some away.

LEWIS: Swings and roundabouts. But overall it will save three and a quarter billion pounds - so it's mainly coming off, isn't it, though some people will get it back. Thanks for your call, Martin. I'm going to move on because we're coming up towards the end of the first half of the programme and I'd just like to squeeze in, if I can put it like that, Mr Gerald Allan from Puttingham, Cambridge.

GERALD: Good afternoon.

LEWIS: What's your question?

GERALD: I run a small business and I pay business rates on my premises. The Labour Government announced that there was going to be a 100% discount on business rates starting on 1st October this year for a period of 12 months. Has that been cancelled or is that still going ahead, please?

LEWIS: Well fortunately, for all of us I think, Anne Redston knows the answer. What is it?

REDSTON: Yes, the Government has confirmed that the level in small business rate will be temporarily increased for a year. So if your rateable value is up to £6,000, then

you'll have complete 100% rate relief. Between £6,000 and £12,000, it will be tapered. So it does look as if they have adopted the original proposal, so you should be reassured.

GERALD: Yes, thank you. I heard that they were cancelling these funny little carry forwards of the increases, but I didn't hear any mention of that 100% relief. That's very good to hear. Thank you very much.

LEWIS: So much wasn't mentioned, Gerald. And just before we finish on Radio Four FM, I'll just reassure other people. We've had a lot of emails from people wanting to know about the age related tax allowance. The one for people under 65 is going up by £1,000 from next April. No mention at all of the tax allowances for people aged 65 and above. I'm told by the Treasury that although it wasn't mentioned - the original plans which were to raise it to £10,000 for those over 75 and with inflation to about £9,900 for those aged 65 to 74, are at the moment still in place. So unless there's a further announcement, those allowances will still be going up. So that's some reassurance for the many emailers. We may come back to the details of tax allowances in our second half hour. But that's all we have time for on Radio Four FM. And my thanks so far for their contribution to Rachel Hadwen from Working Families; Graham Hooper from Best Invest; Professor Anne Redston of King's College; and Leonie Kerswill of PricewaterhouseCoopers. Thanks for all your calls and emails. Now you can carry on listening on Radio Four long wave. You can get that on older radios and on Sky Channel 0143. And you can listen and watch on our webcast, bbc.co.uk/moneybox. In a couple of days, you can read a transcript there of the whole show. I'm back at noon on Saturday with Money Box and I'm here to take more of your calls on Money Box Live next Wednesday afternoon when the subject will be probate. And now this is Money Box Live on Radio Four long wave and our webcast, bbc.co.uk/moneybox, where you can also see us if you really want to.
(laughter) Let's press on with your calls and emails. Guests laugh nervously at that point. My guests are Rachel Hadwen from Working Families; Graham Hooper from Best Invest; Leonie Kerswill of PricewaterhouseCoopers; and Professor Anne Redston of King's College. And our next question on long wave and the web is from Ian in Dulton Turn. Ian, your question?

IAN: Hello. My question is I'm getting remarried next year.

LEWIS: Congratulations.

IAN: Thank you very much. And my fiancee and I both own our own houses with quite a reasonable amount of equity in them. If we get married and then sell one of the houses, would we have to pay capital gains tax on it?

LEWIS: Now you've raised a very interesting question. I'm going to pass it over to Leonie Kerswill.

KERSWILL: Well, Ian, I think what I'm going to tell you will be good news. Provided that you sell the house within 3 years of getting married, it should be totally exempt from capital gains tax provided until you got married you lived in it as your own home and your main home.

IAN: Yeah, we do live both separately at the moment. They're in our own names, ae the houses.

KERSWILL: Right. In that case, once you get married you've got 3 years to sell.

IAN: Right, excellent.

LEWIS: And of course there is, Anne, a big difference, isn't there, between a married couple and a civil partnership and two people who are not in a legal relationship if they own two properties?

REDSTON: Yes, this is one area of the tax system where they actually discriminate against married couples and civil partners in that if you're just "living together" but you each have a house, you don't have capital gains tax on either house.

LEWIS: So you can nominate each ...

REDSTON: You can.

LEWIS: ... you can nominate one of those homes to be your main residence?

REDSTON: Absolutely, yes. So in other respects exactly the same relationship except that you're not married or in a civil partnership, but you can have two tax free houses. As soon as you get married or move into a civil partnership, you can only have one. And that is a really big difference.

LEWIS: Right, so good news Ian. But sell up within 3 years if you want to avoid tax. And Rachel Hadwen, could I just bring you in here because there's a big difference, isn't there, between tax and benefits because in benefit terms just living together is exactly the same as being married as far as your benefit calculation is concerned?

HADWEN: Absolutely, yes. If you live together as man and wife or as with a civil partner, then you're cohabiting and your income is assessed as a whole. You get benefits as a couple. So I don't know whether that would affect Ian, but it's certainly something he might want to think about for the future.

LEWIS: Yes. And of course the coalition government has said, or at least the Conservative half of it has said they wanted to end what they call the 'couple penalty', which is you get more benefits if you live separately than if you live together. Not said anything about that at the moment.

HADWEN: *(over)* Yes, well interestingly both that and the tax relief for being married seems to have dropped out of view - for the moment, anyway. It may return. But arguably you can never get rid of couple penalties because it does cost more to live in two separate houses than it does to live in one.

LEWIS: Yes. Anyway maybe when Iain Duncan Smith has his review, we'll hear more of that. But at the moment, that's not changed. Anyway, Ian thank you very much for your call. It's an interesting point. And we'll move on now to Nora from

Faversham. Nora, your question?

NORA: Oh hello. I'm just interested to know whether the new allowances will make any difference to my widow's civil service pension tax, plus my state pension - which the tax is taken from the civil service pension of course. I'm 76 and I get a state pension, which I've just done a calculation which is £648 a month, and my civil service pension is £442 a month.

LEWIS: Right, Nora, may I ask if you're over 65?

NORA: I'm 76.

LEWIS: You're 76, so you are over 65.

NORA: Yes. (*laughs*)

LEWIS: So you won't benefit from the extra £1,000 tax allowance. But let's just talk about that because we haven't so far.

NORA: Okay.

LEWIS: Anne Redston, the extra £1,000 tax allowance. Who's going to get that?

REDS顿: You will only benefit from the extra £1,000 if you're not a higher rate or additional rate taxpayer. So if you're a basic rate taxpayer or a non-taxpayer, then you will get this extra allowance. But, unfortunately, if you're over 65, you already get a higher allowance and they haven't particularly increased that. But we do think, don't we Paul, that they're going to index it.

LEWIS: Well that's what the Treasury told me: they're going to index it. And so for someone of 76, your tax allowance will go up to £10,000 next year. That actually might be slightly less than indexation, but that was promised by the previous

Chancellor. In fact I think it was promised by Gordon Brown in the distant past and that's what the Treasury seems to be sticking with. But we won't know those rates until either the pre-Budget Report in the autumn or possibly the Budget next spring. But certainly there's no plan to freeze them, Nora, so they will be going up - though not by the full amount.

NORA: Well obviously the civil service pension was frozen this year. There was no increase on it. And of course the ...

LEWIS: The state pension, yes.

NORA: ... SERPS affected me with my husband's earning's related.

LEWIS: Indeed. And from next April you'll have you know a lower rise in that part of it and in your civil service pension because of the change to the Consumer Prices Index. So not great news.

NORA: Not really.

LEWIS: You won't actually be worse off, but ...

NORA: I won't starve.

LEWIS: ... you won't get that much more. Thanks very much for your call.

NORA: Okay, thanks very much.

LEWIS: Now we've had a message from my colleague, Vincent Duggleby, who isn't able to be with us today. And he says we're missing the point on draw down and annuities. Graham, I'm going to pass this one over to you. He says you can always get an annuity past 75 - which is true - but it's when you die, when you're drawing down, that the tax consequences are much more favourable. The advantage lies with draw

down, he says.

HOOPER: There are flexibilities. There are ways of taking annuities through draw down where you can draw down cash actually over a period of time at a higher rate and you get an annuity, and only at the very end you have to sort of take the annuity. So in terms of the planning perspective, there are things you can do with certain pension types that will give you more income than you'd ordinarily get from an annuity. So Vincent, as ever, is right.

LEWIS: As ever, yes. Thank you, Vincent. He was kind enough not to say I thought you should have known that, which I said when I emailed into the programme on something that I thought hadn't been quite fully explained. Anyway thank you for that, Vincent. I'm going to take an email, another email now from Beth who says, 'You asked if anyone who's going to be better off would contact you, so I'm doing that. The lowering of the tax threshold will benefit me, as will the increase in the state pension. I live in France. I already pay 19.5% VAT, so that won't affect me. And I get rent assistance here through CAF. So I'm not going to expect anyone to know what the benefit and tax system is like in France.' But she says she is slightly better off, but she does say it's very complicated. Well, yes it is. And it's worth pointing out, I suppose, isn't it, this rise in VAT, which we haven't touched on yet to 20%. That really brings us up more in line with European norms, Leonie?

KERSWILL: Yes. Well from 4th January next, the rate will go up to 20%, so there is time if you like to plan for it.

LEWIS: To buy things in advance?

KERSWILL: At the sales, yes. (*laughs*)

LEWIS: If you want to buy a new sofa.

KERSWILL: Make the most of Christmas and January sales.

LEWIS: Though it is a funny time, isn't it, because it will hit those January sales, won't it?

KERSWILL: Well they seem to get earlier and earlier every year, don't they?

LEWIS: Well that's true. Be out on Boxing Day is the answer obviously. But the rise in VAT. And also there's a rise in insurance premium tax. Graham, is that ...

HOOPER: Yes, that's for general insurance hire, travel insurance, things like that, which is rising marginally again. It's spread over and it's quite small, so it can be lost in the mist and fog. But they do take quite a lot of money over that and I think the main benefit to the Government and the Treasury comes, I think, from travel insurance and things like that.

LEWIS: Yes, it's those kind of protection insurances, as they like to call them, which I think are going up from 5% to 6% ...

HOOPER: 6%, that's right.

LEWIS: ... which will bring in some extra money for the Government. I'll try and find that figure in a moment. But that's another thing that you should buy before 4th January. If it runs out on 5th, it's worth doing your renewal a couple of days early and save yourselves a few pence.

KERSWILL: I think the number's 500 million a year.

LEWIS: Well done, you're quicker than me - as you should be working for PricewaterhouseCoopers. 500 million. Well that is quite a significant amount of money that, isn't it? Insurance premium tax. And I suppose it's worth pointing out that most financial products are not subject to tax or VAT, are they?

HOOPER: They're not, no. And the insurances that aren't are the main sort of life

assurance and personal protection and things like that, so things that you're insuring rather than health and so forth really at the moment.

LEWIS: Because some people have suggested extending VAT to food and indeed to financial products, which would bring in an awful lot of money. Does anybody have those figures to hand? I think it's about 30 billion.

HOOPER: It would be an extraordinary amount of money. This is going from zero rated and bringing them in line with current VAT.

LEWIS: Yes, I think food itself ...

HOOPER: It's about 29 billion. It's a massive hit in one go.

LEWIS: Yes, yes, which the Government has said it's not going to do. I don't want to frighten everybody. They have said they're not going to do that. Right, let's move on now to our caller Duncan who's calling from Hampshire. Duncan, your question?

DUNCAN: My question relates to housing benefit and I'm ringing on behalf of my brother who has a severe learning disability and lives in a privately rented house. He needs a second room for his carer. He receives 24 hour care. Now at the moment through housing benefit, that's not funded. I heard on the Budget yesterday there seemed to be a definite commitment to say that people with a disability who needed that second room would get that on housing benefit. Am I right?

HADWEN: Yes.

LEWIS: Rachel?

HADWEN: Yes, thank you Paul. Yeah, you're absolutely right. This is one of the better things to come out of the housing benefit changes. They're committed to (from April 2011) allowing claimants who've got a disability and have a non-resident carer

will be allowed to have an extra bedroom in the housing benefit assessment. So it doesn't even have to be a carer who's there all the time. You can still be assessed as someone who needs to have a carer there and can get a bedroom in the local housing allowance.

DUNCAN: Right.

HADWEN: So that's good news for someone in your brother's situation.

LEWIS: Yes, I've heard there's going to be a small extra cost for the Government on that.

HADWEN: Yes.

DUNCAN: The only thing that I picked up from earlier on in the programme is that it looks like the actual locally assessed levels will drop.

HADWEN: Yeah that's the bad news, which I mentioned to a previous caller. So assuming that your brother then has a two bed house for him and his carer, the cap of the local housing allowance is going to be £290.

DUNCAN: Right.

HADWEN: And what I then went onto say is that later next year, from October, the other bad news is that the local housing allowance will be set at a 30th percentile of local rates. So it'll be much ... it'll be lower.

LEWIS: Yes, that's about 60% of the average, of the median, which is what you get at the moment. So it is quite a big cut and, as we said earlier, we're not quite sure how that's going to be dealt with - if there's going to be any transitional provisions or anything for people who are going to face a big cut.

HADWEN: *(over)* Exactly, for people who are already renting and claiming - yeah.

DUNCAN: Could I quickly ask you ...

LEWIS: Very quickly, if you wouldn't mind, yes.

DUNCAN: ... does the Government have an obligation to carry out any sort of disability impact assessment on these changes because for many disabled people you know what happens when they drop it to the 30th, there isn't enough money in the pot to pay the rent. A lot of disabled people need quite specialised accommodation that isn't going to be necessarily the cheapest accommodation on the market.

HADWEN: That's a really good question, Duncan. That's something that hadn't occurred to me and I'm going to go away and think about it. Because, as you probably know, there is an equality duty on public bodies.

DUNCAN: That's right.

HADWEN: And local authorities, and it's local authorities that operate housing benefit. So I think that would be one to go away and have a think about.

LEWIS: So a legal challenge to the Budget.

HADWEN: Yes, yes. Thank you.

LEWIS: You heard it first on Money Box Live on long wave and on the web. Well thanks very much for your call, Duncan.

DUNCAN: Thank you.

LEWIS: And I'm just going to read out another email. This is from Rowena and she also will benefit from the Budget. Now she's in the interesting position. She's a

woman who's aged between 60 and 65, and of course she doesn't get the higher age allowance, so she is going to get this extra £1,000 tax allowance. And she's got a state pension, she's got a bit more other income, so she's going to benefit quite ...

KERSWILL: From next April.

LEWIS: ... wholly from that. So she'll be how much better off?

KERSWILL: Marginal rate of tax will be 20% - so £200 better off, yeah.

LEWIS: A couple of hundred pounds, yes. So she is going to benefit.

KERSWILL: And hopefully that's going to be you know the start of a phased increase in the allowance and we might see something the following year as well.

LEWIS: Yes, that will take it up towards the level for the over-65s. And she concludes by saying 'Small income, yet I'm still able to save despite huge council tax bills and all the rest. Amazing.' It is indeed, Rowena. Well done. Thank you very much for emailing us. Let's move onto Hazel now in St. Alban's. What's your question, Hazel?

HAZEL: Oh hello. Well I'm 82 and my income is state pension and quite a small widow's pension from my late husband's salary and some interest from bank and building society. But I'm pretty much I would say less than £10,000, which is my income, and I'd like to know how the banks or the building societies will know not to deduct any tax?

LEWIS: Yes, this is a difficult problem, Leonie, isn't it, because they do deduct it automatically normally?

KERSWILL: They do. What you need to do is ... I can't remember the name of the form, but go and speak to your bank and say to them you need to complete a form that

you don't pay tax and that you need to receive your interest gross.

HAZEL: Right.

LEWIS: Graham?

HOOPER: The form I think is an R85, which you can get through your bank or building society to say that you're eligible to receive income or interest without the reduction of tax at source and it will credit you straightaway indeed you know if you are losing it or you're having to claim it back. But it sounds like you might be losing it unnecessarily.

LEWIS: Worth saying too, you can go back 6 years. So if you've been having tax wrongly deducted on your interest for some years, you can go back 5 or 6 years and get all of it back. And some people have done that.

HAZEL: Oh, I thought it was only 3 now.

KERSWILL: It's been reduced from 6, but it's more than 3. It's potentially 4 years and 10 months.

HAZEL: Right.

KERSWILL: But if you have paid tax unnecessarily, you need to make a repayment claim to the Revenue to get the money back.

LEWIS: Yes and I think is that a different form? That's an R40.

KERSWILL: That's an R40.

LEWIS: And I think I'm right in saying you have to print one off for every year that you go back. So if you've got access to the internet, you can print them off. Or you

can get them ...

HAZEL: *(over)* No, I haven't.

KERSWILL: Phone the Revenue. They'll send you copies.

LEWIS: They'll send you copies and you can fill them in and you'll get your tax back for 4 years and 10 months. Now that's something that I've just learnt today, so thank you very much for that Leonie.

HAZEL: And I have to ask for both forms, do I?

KERSWILL: Well there's two different people. The form 85 tells the bank not to take any tax from your interest for the future.

HAZEL: Yes.

KERSWILL: And the R40 is the one to the Revenue that gets your tax back from the past.

HAZEL: To claim it back, yes. Yes, I understand. Well thank you very much. That's very helpful.

KERSWILL: Good luck.

LEWIS: Thank you very much for phoning us, Hazel. And we're going to move onto Eloise now who's in that familiar town of Mobile. Eloise, your question?

ELOISE: Hi. I have hopefully a quick query. I am on jobseeker's allowance. I'm single, have no children. I was made redundant a while ago. I've decided to start my own small business and I have no capita, and I need some assistance to sort of get going. Last week I actually looked into this and I was told that I would be eligible for

a small amount of tax credit. And obviously because I was on a low income, I would still be entitled to housing and council tax benefit obviously till the business started to make money. I'm very scared that that is now no longer the case and I'm going to have to stay on benefits and I really don't want that to happen. Am I right or am I wrong?

HADWEN: Well I think for the time being you're wrong in that none of these changes are coming in immediately - for benefits, that is. They're coming in in April. So if you can get things started sooner rather than later, you should be okay. And you probably know about things like the 4 week run-on of housing and council tax benefit when you first start work. You come off jobseeker's allowance and your housing benefit and council tax benefit continue at the same rate for 4 weeks.

ELOISE: Right, I don't think that will apply to me because I'm going to be signing off and going onto tax credits anyway.

HADWEN: Yeah. Well it depends how long you've been on jobseeker's.

ELOISE: About 18 months.

HADWEN: Okay. Well I think it may apply to you then.

ELOISE: Ah right, okay.

HADWEN: I think that's something that you should ask the job centre about - about whether you get that protection for 4 weeks.

ELOISE: Right, okay. And if I have to sort of put off for - you know obviously starting a business is complicated - if I do have to put it off for a little longer, I mean just in general anyway are people going to find it more difficult to start small businesses you know that don't involve needing a lot of capital and they just need a bit of support to start off with? Is that going to be something that people are going to

now not be able to do as from April?

HADWEN: I think that's a question I'd probably have to pass to one of your colleagues because you're not really talking about benefits now, are you? You're talking about start-up costs.

ELOISE: No, I'm not actually. I'm not actually asking for any start-up costs. I'm asking for some living money while I start and build up business.

HADWEN: Okay. Yeah, as you may have heard earlier in the programme, if you rent privately there are going to be various caps on housing benefit. One thing that I didn't mention, which might be of relevance, is that the Government are going to put more money into a pot called 'discretionary housing payments', which local authorities can use for people who get some housing benefit or council tax benefit but it's not enough to meet their rent or council tax. And the thing about discretionary housing payments is it's great there's going to be more money there, but they are discretionary and they are not indefinite, so the local authority can't make an award to you that lasts forever.

ELOISE: Sure.

HADWEN: But I suppose in principle it could be possible that you could get some help. And if your rent was capped, you could get some help until such point as your business was going better.

ELOISE: Sure, sure. All that worries me is you know there's going to be a lot more people on the dole than there already are, which is ridiculous already; and people who want to start small businesses who don't necessarily have any money saved are not going to be able to live.

LEWIS: If you go to the Department for Business, they do have help for people who are starting businesses and it is quite useful. And also your local Chamber of Commerce may be running something. So it may be worth exploring those local

sources of help and advice because there is help available for people wanting to start businesses and if you do a search on the Internet and go to the Department of Business and your local Chamber of Commerce, that might help. Thanks very much for your call, Eloise.

ELOISE: Thank you very much.

LEWIS: I'm going to ask something about savings now, Graham - Graham Hooper. The allowance for ISAs, tax free savings. Now that hasn't actually changed yet, but they are going to change it in future.

HOOPER: Yes, it's £10,200, which hasn't changed at all, and it's been sort of rather arbitrary in terms of the way that it's sort of staggered out over the years. But it is going to be linked now to CPI going forward, so there will be marginal increases and they will probably be unusual amounts as we go into future years.

LEWIS: So it might not be £10,200. It might be £10,412. *(laughs)*

HOOPER: Yes, quite an odd number. But I think with the change to the higher rate taxpayer, particularly 28% capital gains tax, it does become a more valuable tax haven going forward for an awful lot of people.

LEWIS: Yes and certainly people who've saved in that shelter for the whole time it's existed could have a very great deal of money in there now.

HOOPER: Yes, I mean well into hundreds of thousands of pounds for some people. If you saved in you know the right funds at the right time, you've built up a substantial tax free lump sum which you can draw tax free income from. So a good alternative in terms of supplementing pension income going forward.

LEWIS: Yes, okay. Another email - better off following the Budget. This is from Northampton from ... I'm just looking for his name. It's from Louise - *her* name.

‘Small business, low income, don’t spend a lot on VATable products, run one vehicle. Last holiday on a plane was in 2002. Will be better off sufficiently to cover any VAT rises.’ Well done, Louise. And on the subject of VAT, we’ve had a couple of emails. ‘Are new build houses still zero rated for VAT?’ Easy to answer: yes, no change there. And ‘any VAT rise from 5% for gas and electricity?’ And that’s staying the same.

REDSTON: Yes, I think that’s staying the same. I haven’t heard anything.

LEWIS: Anything that’s not been mentioned by the Chancellor specifically ...

REDSTON: We assume is staying the same.

LEWIS: And we’ve also had an email from someone who’s obviously been doing the arithmetic. Leonie, it’s not actually about you. It’s about what the Chancellor said, but you did mention this earlier. ‘If the personal allowance is rising by £1,000, why did the Chancellor say it would make people £170 better off? 20 pence in the £1, it should be £200’ - which was the point you made.

KERSWILL: Which is my maths.

LEWIS: (*laughs*) Well I think it’s everybody’s maths, but not the Chancellor’s apparently. And as I understand it from the Treasury, the reason is that the personal allowance would have gone up anyway next year by inflation, so the £1,000 is on top of this year’s allowance.

KERSWILL: (*over*) It’s the incremental increase.

LEWIS: But then when I checked with the Treasury about what figure they were using, they were a bit vague about it and I’m not even sure that that £170 is quite right. But, anyway, that’s why the arithmetic doesn’t quite work out and that’s a message from a very suspicious Chris Avery. (*laughter*) Thanks for that, Chris. I hope

we've cleared that up. A few minutes left now. Donald is calling us from his mobile. What's your question?

DONALD: Hello. I understand from the Budget that disability living allowance will be or existing DLA claimants will be subject to a new regime of medicals from 2013. What my question is, is will that medical regime apply to all disablement benefits because I also receive what's known as industrial injuries disablement benefit. And I'm just wondering, since I've received it since 1996 for an indefinite period, whether or not I've got that to look forward to for both medicals or whether it will be one medical and both benefits will be assessed at the same time.

LEWIS: I didn't see any mention of that. Rachel?

HADWEN: Donald, I think you can rest assured as far as your industrial injuries disablement benefit is concerned in that there's been absolutely no mention of having a new medical for that. What they're referring to for the new medical assessment is disability living allowance only. They haven't talked about attendance allowance. They've said it's going to be working age claimants. No mention of IIDB - so if there are going to be any changes to that, they would be announced separately.

LEWIS: So it looks as if it's not going to affect Donald, or at least his industrial injuries.

HADWEN: That particular change does not affect your industrial injuries disablement benefit. That's not to say that they won't look at that as well at some point, but it hasn't been mentioned.

LEWIS: Yes. I was a bit concerned this morning when the Chancellor was on Radio Four and he did say that the cuts that were going to have to be made in various departmental budgets were very big, very difficult, and they would be smaller if we could only save more money through welfare benefit cuts over the next few months. So there's going to be more of this, Rachel.

HADWEN: We haven't seen the end of the welfare changes.

DONALD: So it's a case of wait and see basically on the industrial injuries basically?

HADWEN: Yes. Although I haven't looked at the figures, but I don't think it's a headline benefit in the sense that the Government are saying we're spending too much money on this; there are too many claimants; what are we going to do? So it's not in the firing line in the same way as DLA and housing benefit.

DONALD: Okay, right, thank you very much.

LEWIS: Okay, Donald, thanks for your call. And we've had a message from Paul who says, 'If Money Box listeners have a problem with benefits or demands to repay working tax credits' - and we've had a number of those - 'they should contact their local Citizens Advice Bureau who will look at the problem.' Well that's certainly true, though I think you may face a bit of a wait at Citizens Advice, but the advice is very good and free when you finally get it. Thanks for your email, Paul. Let's take another call now from David in Crook in Durham. David?

DAVID: Hello everybody. I'm perhaps a bit unusual in that I'm early retired, but I don't draw any kind of pension. I just live on the interest from my bank and building society savings. And so at the moment I benefit from a special 10% income tax rate on something like the first £2,400 worth of interest over and above my personal allowance, and I'm just wondering whether that 10% rate is still going to carry on in the future or whether it's quietly being dropped to help pay for the increase in the normal threshold?

LEWIS: Anne?

REDSTON: Again, as with some of the other things that he raised, there's been no sign that it's going to disappear, David - so I think you should have it at least for next year. I would add to what Paul said before about this not being the end of the welfare

cuts. It may also not be the end of the tax rises.

DAVID: But so far, so good.

REDSTON: So far, so good.

LEWIS: I was told by the Treasury this morning that if something wasn't mentioned in the Budget, we should assume it wasn't going to be changed. And by the Budget, of course, they mean the very great volume of books and documents that we've all been trying to struggle our way through over the last 24 hours. Anyway, thanks for your call David.

DAVID: Thanks a lot.

LEWIS: It looks as if you're going to be alright. And we've had an email from Pam who says she's part of a childless, low paid couple, and she says she's going to gain - presumably by the extra tax allowance. Are there any other things she should be looking out for, Rachel? Is she right she's going to gain?

HADWEN: Well it very much depends on her situation. In some ways, childless working couples will lose out most because - if they're renting privately - because their take home pay goes up, pay less income tax, and their housing benefit therefore goes down. So it really depends what kind of bracket she's in and also whether she's renting or paying a mortgage.

LEWIS: Okay. Well let's hope you *are* better off, Pam. Thanks for your email. And we've had a slightly complicated email from Christina who says she's a freelance social worker. She has a small limited company - annual turnover less than £60,000. 'How will I be affected in terms of national insurance and PAYE as a director of my company and corporation tax?' Anne?

REDSTON: I think that the important thing here is to wait and see because what the

Government has said is that for small businesses, particularly small businesses like yours which are freelance businesses, they are going to conduct a review and that's going to start some time over the summer. It will look at, I'm sure, the position for national insurance on payments that you take out of your company. So I think it's something you will have to wait and see, but it is on the agenda.

LEWIS: This is one of the most tricky problems, Anne, isn't it?

REDSTON: Indeed it is.

LEWIS: You've got some people who formed companies when they thought they'd be better off and ended up no better off at all. So I think wait and see. Sorry, that is the answer to that question from Christina. And we now have another question from Arun. Arun, what's your question?

ARUN: Hi there. I just want to know if the Budget announcements have affected or increased the cost of buying a house? For example, has the stamp duty been affected at all?

LEWIS: Right. Yes, we've also had an email about this from Paul Nicholls. 'Is stamp duty going to change?' One of the pre-election promises from the Conservatives was to abolish stamp duty on properties worth less than £250,000, and he says that would offset some of the pain caused by the rise in VAT. So two people there with a similar point. Leonie?

KERSWILL: There was nothing announced yesterday. We do know that we've got a 5% SDLT, Stamp Duty Charge, for properties over £1 million coming in from next April, but there was nothing yesterday that would change the cost of buying a property.

LEWIS: No. And the relief for first time buyers is on property under £250,000 ...

KERSWILL: Under 250, yeah.

LEWIS: ... and that's got a 2 year life, I think, so that runs out.

KERSWILL: Yes.

LEWIS: And again no mention that that would be extended or changed.

KERSWILL: No.

LEWIS: But of course they have still got quite a while before they do that.

KERSWILL: *(over)* They've got time to say something, yes.

LEWIS: Okay, Arun, well it looks as if nothing really much has changed. And, Graham, what about interest rates? I mean that will obviously affect homebuyers. What are we expecting on interest rates?

HOOPER: On interest rates, it's sort of steady as you go really. We're still at you know half a percent Bank of England base rate. We are planning with certainty, I think. I think the Budget was well received by the foreign currency market and the gilt market. Indeed the gilt issuance is going to be 20.2 billion less than was forecast, so that's generally deemed to be a good thing.

LEWIS: We're going to be borrowing less money?

HOOPER: Yes. So you know for interest rates, that's you know better than it was, so can't see any real immediate movements up as it were really at all. So in terms of planning for mortgages and that sort of thing, you know get in while you can.

LEWIS: So good news for homebuyers. Well thanks for that Arun. And now just before we finish, we've just got about a minute left, let me just ask you all very

briefly was this the toughest Budget for a century and was it necessary? Leonie?

KERSWILL: Listening to it, it was one of the easier ones to listen to but there were a lot of really tough things in there - particularly I think around the things that Rachel's been talking about.

LEWIS: Rachel?

HADWEN: Well certainly the toughest one that I can remember. There's some things that we haven't covered in the programme, including the fact that the health and pregnancy grant's going. The Sure Start maternity grant will only be for your first child. Whether it's necessary, I'm not an economist, but it's tough.

LEWIS: Anne very briefly?

REDSTON: Yes, I think it was necessary. I think we were living in a fantasy world.

LEWIS: Okay, well let's hope we've dispelled your fantasies. My thanks to Anne Redston, Leonie Kerswill, Graham Hooper and Rachel Hadwen. I'm back at noon on Saturday with Money Box and here to take more of your calls on Money Box Live next Wednesday afternoon at 3. Subject: probate. Meanwhile, you can read a transcript here on our website: bbc.co.uk/moneybox.

