



Pre Budget Report Briefing Note

Pre Budget Report

Securing the recovery: growth and opportunity

Wednesday 9th December 2009

Context

Over the past few years, the Pre Budget Report has had a heavy impact on the polls and the political narrative in the UK.

In 2007 the Chancellor, Alistair Darling, announced policies taken from the Conservatives successful conference a few weeks earlier on inheritance tax and non-domiciles. This came after the Prime Minister had backed away from a general election. Last Year, the Chancellor had to set out the full scale of the financial crisis.

Both these Pre Budget Reports led to a drop in Labour Opinion poll rating and helped shape the media narrative against the Government for months afterwards.

However, the 2009 Pre Budget Report is likely to have a different effect. With the economy and Labour's opinion poll rating improving, this report is set against the backdrop of who is best to manage the growth and reduce the deficit. As with the Queen's speech, this was overtly political as the Government focused on drawing dividing lines between themselves and the Conservatives.

Pre Budget Report Highlights

The Economy

- UK Economy to shrink by a total of 4.75% in 2009
- Growth expected to return in the 4th Quarter of 2009
- Government Borrowing to reach £178bn
- Net debt will rise to 65% next year and 78% by 2014-15
- VAT to be raised to 17.5% as previously agreed

New Measures

- No windfall tax on bank profit
- 50% special tax on bank bonuses over £25,000
- 10% Corporation tax on profits that stem from UK patents
- Basic state pensions to rise 2.5% in April rather than with inflation
- National insurance to rise by a further 0.5%
- Free school meals for a further 50,000 pupils

Extending existing proposals

- Guaranteed work or training for under 24s if unemployed for 6 months



- Scrap proposal to increase inheritance tax thresholds
- 1p rise in corporation tax for small firms scrapped
- Tax rebates for electric cars and wind turbines
- Further £12bn of efficiency savings in Government identified

Opposition reaction

The opposition Conservatives reacted to the report speech by focusing on the new taxes proposed for National Insurance, bankers and others. They also sought to highlight the discrepancies between the budget projections and the actual outcome for the economy.

Their main argument, which will form part of their narrative over the next few weeks, is that the Government is raising tax on jobs and wealth creation and have effectively run out of money.

Points raised by the opposition

- Government will need £789bn more borrowing over the next 6 years
- National Debt is set to double to £1.4bn
- Government hid the fact that the UK is the worst recession of G7
- Government failed to produce a Comprehensive Spending Review

The full Pre Budget Report can be found at:

http://www.hm-treasury.gov.uk/prebud_pbr09_repindex.htm