

2010 Emergency Budget Statement

The Chancellor today made his emergency budget statement fulfilling a Conservative Party campaign pledge to hold a budget within its first 50 days in office.

The previous administration aimed to halve the public deficit within four years, including plans to reduce the structural deficit (that not affected by the variations of the economic cycle) by over two thirds to 2.5% of GDP during the life of the new Parliament. The Chancellor today announced new plans to accelerate this ambition and the new Government now aims to eliminate the structural deficit entirely by 2015/16.

The newly created Office for Budget Responsibility has suggested that, following the measures announced today, the UK's economic growth is anticipated to be 1.2% in 2010 and 1.3% in 2011. Growth is then expected to rise in future years but remain well below the previous estimates that trend growth would be 3-3.5% per annum.

Non-protected departments will face expenditure cuts of 25% over the next four years. The decisions of how these will be implemented will be assessed in the Autumn Spending Review. The Chancellor also indicated that there would be no reduction in planned capital expenditure.

Some other measures include:

- Corporation tax will fall by 1% per annum for the next four years from its current rate of 28% down to 24%.
- Rates for capital allowances will be reduced from 20% to 18% for plant and machinery and from 10% to 8% for longer lived assets. The introduction of these reductions will be delayed until April 2012.
- Plans for a Green Investment Bank will be brought forward with detailed proposals to be published after the autumn spending review.
- A Regional Growth Fund to finance regional capital projects is to be established for the next two years.
- Infrastructure UK will work with the Government as planned and a detailed infrastructure plan is to be published in the autumn.

Waste management sector interest

The Government did not make any new announcements on landfill tax which will continue to rise by £8 per tonne per annum for the next four years to the medium term target of £80 per tonne. Landfill tax will subsequently remain at a level of at least £80 per tonne until 2020. The new criteria for qualification for the lower rate of tax will be published later in the year as previously announced in the March Budget. These new criteria are expected to be broadly in line with existing arrangements.

The Aggregates Levy will rise to £2.10 as announced by the previous Government.

In addition, the Government will consult on proposals to reform the climate change levy in the autumn to provide more support and certainty to the carbon price.