

Post-budget comment


The Chancellor of the Exchequer George Osborne delivered his budget this week to a mixed response. Some have seen his apparent raid on pensioners as a Granny Tax and others have criticised his proposal to decrease the 50p rate of tax to 45p from next year.

So what do our local politicians think of it?

First of all the Edinburgh Liberal Democrats simply published the party message on their site:-“Over 20 million working people will be better off next year after Liberal Democrats in the Coalition Government delivered the biggest ever increase in the income tax personal allowance in the Budget.

The massive £3.5bn tax cut for working people delivers:

- The biggest ever single uplift in the tax threshold
- A personal allowance of £9,205 in April 2013
- 21 million working people getting an extra £220 tax cut
- Brings the total tax cut for basic rate tax payers to £550
- Brings the total number of people lifted out of tax to 2 million.

 The Liberal Democrats have ensured this is a budget for the millions not for the millionaires. That’s why the biggest move in this Budget is a tax cut for ordinary workers, going further and faster towards the Liberal Democrat goal of making the first ten thousand pounds you earn tax-free. From a pledge on the front page of our 2010 manifesto directly to the pockets of working people.”

Edinburgh East MP Sheila Gilmore has slammed the Tory-led Government’s budget and the way it has one rule for the rich, another for the poor.

Sheila Gilmore was speaking after a budget debate in the House

of Commons. She compared the decision to cut the 50p rate of tax for those earning over £150,000 to the cuts in Working Tax Credits that take effect from the end of the month.

Sheila Gilmore said:

On the one hand the Chancellor has justified scrapping the 50p tax by claiming it wasn't bringing in money due to high earners fiddling their finances. While this claim is doubtful – HMRC estimate the tax would bring in £3 billion next year – this shows the Government are willing to pander to the rich.

On the other hand the Chancellor's cuts to working tax credits mean that couples who at present have to work at least 16 hours per week to qualify will now have to work 24. If families can't get the extra hours, they stand to lose up to £3,000 a year. Faced with this change some may judge that they would be better off not working at all. The Government would then no doubt call them scroungers and workshy.

So on the one hand the Government carefully adapt policy to discourage the rich from tax avoidance – and are very polite in the process – but are happy to plough on regardless when their decisions will encourage people to give up work – vilifying anyone who does.

This follows a speech in the House of Commons on 22 March 2012. Sheila Gilmore said:

Clearly, the Government see tax planning as a perfectly rational and sensible reaction to tax changes. However, if a working couple who are about to lose £3,000 in tax credits make a sensible and rational decision to stop work because that will make them better off, will they be seen as merely making a sensible and rational decision, or will they be seen as lazy, as scroungers, and as people who prefer to watch daytime television than hold down a job? If they make that decision, which is rational for them, the outcome will be wholly irrational for the Government, because it will cost the Government more if that family stop work.

Mark Lazarowicz, MP for Edinburgh North and Leith, was not entirely happy with the budget proposals and has called for a temporary cut in VAT from 20 to 17.5% to boost small businesses struggling in the current economic climate. Speaking in the debate on the Budget at Westminster he coupled that with a call for a further targeted cut in VAT to 5% on home improvements, repairs and maintenance.

Mark said:-“This was anything but a Budget for small business. I see local businesses facing a really tough time at the moment but this Budget offered them little. Cuts in corporation tax benefit big business not small traders. An immediate cut in VAT would help people on lower incomes and boost small businesses as well through increased spending on the high street. Targeted cuts in VAT in areas like home improvements could also create jobs either for skilled workmen or young unemployed people looking for their first job.

“Instead the Chancellor’s priority was to cut tax for those who need it least at the top of the scale. If only he had shown the same concern for the real economy.”

In his speech Mark referred to letters that he had received from a local architect, David Blaikie, in Stockbridge calling for a cut in VAT on building repairs and renovation to 5% and from Andrew MacInnes, the owner of the Porto and Fi restaurants in Newhaven and the Mound, who was concerned about the effect of VAT on the restaurant and leisure sector.

“This was not a business budget”, said Mark.

“For example, small traders are faced with people cutting back on spending as household budgets are squeezed with business rates also set to rise in stages by £850 million over the next three years according to the plans set out by the Scottish Government”.

MP Mike Crockart’s support for Edinburgh’s budding young entrepreneurs, has won multi-million pound backing in the 2012 Budget.

Earlier this year Sir Richard Branson had personally written to Mr Crockart on behalf of Virgin Media Pioneers – an online community of thousands of young entrepreneurs founded by Virgin Media – recommending the introduction of loans for

start-up businesses on similar terms to student financing.

The Virgin Media Pioneers community wanted to challenge the convention that a young person could easily get a loan to study business, but not on equal terms to start one.

Mike Crockart MP pledged his support for the initiative.

In the 2012 Budget this week, Chancellor George Osborne announced the creation of a £10 million nationwide Youth Enterprise Loan Scheme pilot which will support entrepreneurship amongst young people through small, low interest, loans.

Commenting on the announcement Mike Crockart said:

“Today’s young entrepreneurs have already shown their ability to create wealth through innovation with companies here in Edinburgh like Superjam and SuperTie. Often the added benefit is that they establish those companies in their local communities, employing local people and generating local economic activity.

“We have long agreed that we should support students to maximise their potential through Higher and Further education and I now welcome this government’s commitment to help young people set up and grow their own businesses. I look forward to meeting those outstanding individuals which this proposal will help.

“The Liberal Democrats in Government have already delivered the Youth Contract which will see £1 billion invested in getting young people into work or training. Yesterday’s announcement on the scheme for enterprise loans is further evidence of our determination to prevent a lost generation.”

Sir Richard Branson, founder of the Virgin Group, added:

“This has the potential to transform the prospects of thousands of young people. The entrepreneurs of today will be

the job creators of tomorrow so I'm delighted that the Government has listened to those at the very start of their careers. The country is full of gifted and enterprising people so this pilot, which crucially has business mentoring and support at its heart, will help prevent a lost generation of talent."

After claiming that the Chancellor's Budget failed to tackle soaring fuel prices this week, the **SNP** has confirmed that it will bring forward an amendment to the Budget Bill to introduce a Fuel Duty Regulator which would protect jobs in the transport industry and help motorists and businesses.

The mechanism – which was supported by the Tories when in opposition – would freeze fuel duty increases as oil prices rise with a parallel reduction in duty to match the extra revenue from VAT from higher pump prices. The proposal has been backed by the Road Haulage Association.

In the Budget, George Osborne said there would be no change to his plans to increase fuel duty from August. Petrol now averages 139.67p a litre, with diesel at 146.39p a litre.

SNP Treasury spokesperson Stewart Hosie MP said:

"While the Tories have priorities a tax cut for the rich, there was nothing in the Budget to help hard pressed motorists with the soaring cost of fuel.

"We now urgently need, not just a cut in duty, but the introduction of a fuel duty regulator to permanently bring prices under control. With the bulk of the pump price made up of tax, the Treasury must stop this highway robbery because soaring fuel prices are hindering economic recovery.

The SNP has also issued a challenge to the Scottish Tories over the Chancellor's tax grab on pensioners urging the party

to speak out for pensioners in Scotland who have been hit by the raid to fund a tax-cut for millionaires.

SNP Work and Pensions spokesperson Dr Eilidh Whiteford MP questioned whether the Prime Minister's Scottish adviser, Andrew Dunlop, who helped usher in the poll tax, had been involved in the development of this tax policy.

Dr Whiteford said:

“Just as Labour was forced to apologise over the 10p tax fiasco, the Tories must now say sorry and abandon their plans for this unfair tax hit on older people.

“There are more pensioners in Scotland affected by this pensioners poll tax than voters who supported the Tories at the last election.