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<u>BUDGET CALL</u>

Presenters: **VINCENT DUGGLEBY, PAUL LEWIS, LIZ BARCLAY**

TRANSMISSION: **13th MARCH 2008** **12.00-1.00**
RADIO 4

DUGGLEBY: Good afternoon. We're here for the next 50 minutes answering your questions about the Budget. Were you impressed, disappointed, or is there some particular point you'd like to raise? If so, call us on 08700 100 444. Apart from updating the economic forecast, the Budget always contains a raft of measures which affect both households and business. There's continuing emphasis on helping families with children, pensioners struggling with fuel bills, and trying to persuade us to buy more fuel efficient cars. So more money for child tax credits and child benefit up to £20 a year earlier than expected, but not quite as good as it seems. As for the winter fuel payment, the £50 extra is a one-off. Whether it'll continue is another matter. And the stick and carrot approach on car emissions. We've been looking at what you can drive tax free for the first year and there's a quite a wide choice. There's no doubt many of you are under financial pressure from higher food bills, energy costs and council tax, and from 6th April add to that higher national insurance contributions and the end of the reduced rate band of 10%. Ever since it was announced by Gordon Brown *last* year, we have warned that some lower income households will be affected. And, incidentally, we have a list of the main personal allowances which were originally announced in the pre-Budget Report last autumn in case you missed them. On the small business front, there are no further concessions on the new capital gains tax regime, but some capital allowances have been improved.

There's a one year reprieve from income splitting between husband and wife, but do watch out for other anti-avoidance measures. A very welcome relief for charities is that they'll be able to reclaim the extra 2% tax, which would otherwise have been lost by the cut to the basic rate to 20%. And if you have a stranded pension pot of £2,000 or less, we can explain how you could benefit from a change to trivial commutation. Intrigued? Well call us on that or any other Budget measure: 08700 100 444. Emails are equally welcome to moneybox@bbc.co.uk. Paul Lewis is with me. Paul, what's the main thrust?

LEWIS: Well we've had lots of emails as ever, Vincent. And do you know the most emails we've had, the biggest group, have been on something that ***wasn't*** in the Budget, but that you just mentioned, and that's the effect of scrapping the 10% band, leaving a lot of lower income people worse off. That's by far the biggest group of emails concerning listeners. A number of emails on vehicle excise duty, car tax. People very concerned - who will the winners be, who will the losers be, will I pay more? A few on the social security changes. Disabled benefits of course, which were mentioned. And small businesses, the "savings gateway", non-doms, alcohol tax, everything. Trivial pensions, as you mentioned. They're all coming in. Very excited out there.

DUGGLEBY: Indeed. And joining us from a windy Wakefield in Yorkshire, You and Yours presenter Liz Barclay.

BARCLAY: Well Vincent, it's bright and cold as well as windy here in the marketplace in the centre of town by the beautiful 12th century cathedral in the middle of the Rhubarb Triangle. I'm told the soil's great for rhubarb and apparently if we're very quiet, we can hear it. There's a market here most days. Today is the pottery market. You can buy all sorts of bric-a-brac and souvenirs, but the stalls are a bit sparse because there's a danger of them being blown away. Now a lot of money has been invested in and around Wakefield in recent years in regeneration and encouraging business development. As you said, the Chancellor threw small business owners a few crumbs in the Budget yesterday, so we've got a couple of them waiting to talk to you along with pensioners, low earners and employees from local shops. So unless we get blown away, we'll be back to you later in the programme.

DUGGLEBY: Indeed. And safe and sound in the studio is Mike Warburton, tax partner with Grant Thornton; Angela Beech, partner with Blick Rothenberg; and Eddy Graham from the Child Poverty Action Group. The callers are lining up and Janet, you have the first one in Cambridge.

JANET: People on low incomes. I listened to the Budget yesterday and I heard the Chancellor say that they would be taken completely out of the tax early and I wondered if I'd heard right?

DUGGLEBY: You're I take it over 65, are you?

JANET: Yes.

DUGGLEBY: Right, yes, well this is something to do with the last Budget actually, Mike Warburton. It's not to do with anything Alistair Darling said yesterday. Of course he referred to it.

WARBURTON: Yes because what the Chancellor has said, Janet, is he's going to take away this 10% tax band and a lot of people on low incomes have benefited a lot from the 10% tax band. That doesn't actually take place until the next tax year on 6th April. But the Chancellor I think has been stung by some criticism that people could be worse off, so there is some good news in this. Your position on the income that you've given me, I've worked out the amount of tax that you will pay and it seems to me that although you lose from the 10% band, you will benefit from a big increase in the personal allowances. Your personal allowance - that's the amount you can earn before you pay tax - will go up from £7,550 to £9,030, and I calculate that on that basis you will actually be £87 better off, only because the personal allowance has been so helpful.

DUGGLEBY: I'll just bring in Valerie from Devon because you were concerned also about this higher tax allowance, Valerie?

VALERIE: Yes, that's quite right.

DUGGLEBY: Yes, so you've heard the new one that'll apply. You're 70, so you're still within this band.

VALERIE: Yes.

DUGGLEBY: Mike, the higher rate doesn't come until 75.

WARBURTON: The higher rate doesn't … Yes, there's an additional … The personal allowances over the age of 75 are going up from £7,690 to £9,180. Those are very big increases and the Chancellor has really had to do that to make sure that retired people aren't worse off for his scrapping of the 10% band. It's not surprising that's been such a big feature of the calls that we've had.

VALERIE: I see. Is this the £1,180 that I picked up in Saga magazine, an article by Paul Lewis actually.

DUGGLEBY: He's sitting next to me.

VALERIE: Hello.

LEWIS: Hello.

VALERIE: Is this the £1,180 that you referred to there then?

LEWIS: Yes it is, it is Valerie. But I must say although you and Janet will benefit from that, people *under* 65 - many of whom are retired, many of whom are working on low incomes - won't. For example, Vincent, we've had an email from Emma who says, 'I have a question relating to the abolition of the 10% band. I'm a relatively low earner. I work at home as a proof reader part-time. I earned about £12,000 in the current tax year' and she's going to be badly hit. She wants to know how much she'd have to earn ***not*** to be worse off. Well on my calculations, that's somewhere round about £15,000 if you're paying national insurance. If your earnings are less than £15,000 you will pay more tax and there are 5 million people, according to government figures, low income people who will pay more tax because of these changes.

DUGGLEBY: Okay, let's bring in another aspect of this. It's Nick in Bournemouth. This is to do with the savings rate.

NICK: Yes, good afternoon. My question is has the 10% starting band of income, income tax, been ***completely*** abolished from 6th April 08 or does it still apply to savings income other than of course the dividend tax credit regime …

DUGGLEBY: *(over)* The rate … No, the rate actually does … Yes, technically it does still exist, doesn't it Angela?

BEECH: It does indeed. You could be forgiven for thinking there's only two tax rates now - the 20 and 40% - but in fact there is still a 10% band, but it does only apply to those people whose total income doesn't exceed certain levels and that's basically your personal allowance plus £2,320.

DUGGLEBY: Eddy, your general comment about … We've been talking here of course about pensioners, but I mean it applies to all low income families.

GRAHAM: Well yes. Just to pick up on something Paul mentioned earlier about younger people maybe who are low paid on that kind of income between the national minimum wage and up to about £12,000 or £13,000 a year - those people could get some of that money back if they are eligible for working tax credit, if they're aged over 25 and working for more than 30 hours a week. Of course that involves filling in a form, going through the means test and dealing with the Revenue, but they might be able to claw some of that money back that they've lost in tax.

DUGGLEBY: But does it make good the shortfall, or is it just a partial repayment?

GRAHAM: It depends on your circumstances, but a lot of people will actually be worse off. But if you're entitled to the working tax credit, then you should make good any of the loss you've made.

DUGGLEBY: Mike?

WARBURTON: Last year when the Chancellor announced the abolition of the 10% rate, the reason he said he was doing it was for simplicity, right? Now I'm a cynic and I thought it might just be to raise more tax. Well here we've got a 10% rate still continuing, so simplicity it certainly isn't. It was a money raising measure, sadly from the poor, and he's had to recognise that by increasing the personal allowances. I think that should have been apparent in the first place.

LEWIS: I think the problem is, Vincent, many people who may be entitled to this - and there will be some - won't realise it because they won't be able to work out or know the rules that their income is just above their personal allowance. And if you look at the table, as Mike rightly says - far from being simpler, there's a huge footnote which is almost impenetrable when you start reading it. And someone incidentally on the minimum wage would get £11,481 a year in pay and would pay £71.88 more tax this year if they can't claim working tax credit.

DUGGLEBY: Okay, let's pick up another issue which is concerning you and that's the winter fuel payments with Patrick in Sherborne. Hello Patrick?

PATRICK: Oh hello, hello. Yes, I want to find out what my wife and I will receive next winter. She is 72 and I am 80 and we live together in one household, as they like to say, which I think affects the amounts which were quoted on the …

DUGGLEBY: Yes, I take it what likes behind your question, of course, is one of you is under 80 and one of you is over 80. So perhaps we could deal with that, Eddy?

PATRICK: Well my wife is over 65.

DUGGLEBY: Indeed, yes, but the point is there are two different rates here, Eddy.

GRAHAM: Yes, Patrick, there are two rates. There's one rate for the under-80s and one for the over-80s. If you're part of a couple, then as long as one member of the couple if 80 years or older, you will qualify for the higher amount. And that is your age on the third Monday in September before the winter that we're talking about, so for the forthcoming winter fuel payment you would qualify for the £300, which this year is being increased one off to £400, so you will get the higher amount this year.

DUGGLEBY: That's £400 for you next September, Patrick. And anybody else of course only gets the lower amount from £200 up to £250.

GRAHAM: That's correct, Vincent.

DUGGLEBY: And that is a one off. It's not guaranteed for future years. And, Paul, you've actually still got time to claim, I believe, for last year's payment.

LEWIS: Oh well this is a very important point. You can get this simply because you're 60 on that crucial date in September, which last year was 23rd September. If you're 60, the Department of Work and Pensions may not know about you if you don't get a pension, any benefits. You could be a 60 year old in work. You can still get this tax free payment. But to get it for last winter, you have to claim by 30th March, so barely 2 weeks left. Less than 2 … about 2 weeks left. And the other thing to say to Patrick of course and to others who I know have raised this is this a payment per household, so Patrick will get £400 divided between him and his wife. I think they'll get £200 each. It's a per household payment, not a per person payment.

DUGGLEBY: But this doesn't address, Eddy, the general complaint about fuel poverty.

GRAHAM: No, it doesn't. The Government has actually got a legally binding commitment to eradicate fuel poverty and in the Budget Alistair Darling made some announcement about trying to encourage the fuel companies who deal with the issue of pre-payment meters, what are known as social tariffs. But as yet, we haven't actually seen any firm action which is going to enable the Government to meet its target to eradicate fuel poverty in this country.

DUGGLEBY: Okay, we'll take a fresh subject now, which is being raised by Andrew in Market Drayton.

ANDREW: Oh good afternoon, gentlemen. We heard from Yvette Cooper last night about vehicle excise duty on 'Newsnight' with Emily Maitlis, and Yvette was really saying that the changes are going to give people a chance to plan ahead what they're going to do regarding vehicles. Now it seems as though most of the changes are going to apply to post-2001 CO2 bands, but I was wondering if you had any information at all regarding the 1973 to 2001 bands and the pre-1973 historic tax free bands. I was wondering whether the changes in 2009 and 2010, both changes were going to affect any of those other bands, the earlier car bands…

DUGGLEBY: *(over)* I think you'll have lost an awful lot of people. I do understand what you're talking about. It's the old … the sort of old bangers clause that someone brought in some years back where there was no duty payable if the car was deemed almost to be a collector's item. But in general terms, I think we ought to deal with the increasing complexity of this whole banding system, Paul. I think we counted up to M we've now got.

LEWIS: Yes, I mean for the vehicles that were registered from March 2001, there were going to be 13 bands, not 7 as there are now, and a car currently in band D, for example, will go into either G or H. And next year - that's 2009 - they'll be paying up to £30 a year more.

DUGGLEBY: And this is all based on this carbon emission, this number of carbon emissions?

LEWIS: This is the number of grams of carbon dioxide the car emits per kilometre, which is roughly relevant to its fuel efficiency. If it's an efficient vehicle, it emits fewer grams per kilometre and that's how they're going to be judged. Now at the moment 120 grams per kilometre A and B, there's going to be no change for them. This is in 2008-9. B is going to be split into two. There are a few vehicles - for example Volkswagen Polos, Mini Cooper Hatchbacks, Polo Blue Motion Diesels - that are below the 110, and they are the ones that will do best in 08/09. Then in 09/010 that will be split into 13 bands.

DUGGLEBY: Okay, now when we get to the specific question of pre-2001, do the two bands still remain for those?

LEWIS: There are still two bands for those. This is vehicles registered before 1st March 2001. It depends on the engine size. Is it below 1550cc or 15cc or above? And what's going to happen to those in 2008/9 - they're both going up a fiver.

DUGGLEBY: Well they're getting pretty old by then.

LEWIS: *(laughs)* They're both going up by £5. And from 2009/10, the below 1550 is frozen but the 1550cc or above is going up £15 to £200. So a slight incentive …

DUGGLEBY: To get a new car.

LEWIS: … to flog off that old vehicle. And of course that raises the question of how much CO2 is emitted by making a car as well as by running it.

DUGGLEBY: And of course this doesn't affect any of what I might call the collector's market, which is the pre-73 market, which remains unchanged.

LEWIS: It remains unchanged at zero.

DUGGLEBY: Okay, in terms of business cars - are you noticing, Mike, any particular change in businesses' habits in buying fuel efficient cars?

WARBURTON: Yeah, I mean people … It's not just the tax reasons. I know we tend to think as accountants that people do things for tax reasons, but most of my clients are genuinely concerned about the environment and they are trying to buy more fuel efficient cars. And many of them are actually not buying plastic bags either because they actually do care about the planet. So, yes, business practice has moved and I think we've seen evidence of that I mean in the figures coming through. By and large, cars are more fuel efficient that are being bought.

DUGGLEY: Right, Andrea you're ringing us from Shropshire.

ANDREA: Yes. I've got a question about capital gains tax, whether we know any more about what qualifies as an entrepreneur? Because my husband and his brother have been tenant farmers all their lives, and their father before them, and last year they took out a million pound mortgage to buy their farm and also make improvements to the premises because basically their landlords had done nothing for them. And they didn't do it early enough to get taper relief at the highest level before this Budget …

DUGGLEBY: Okay, well I'll interrupt you there to get the two accountants in the studio. Angela Beech first of all?

BEECH: Yes, I mean certainly sole traders and partnerships do qualify for the entrepreneurs relief, so that will be able on the sale of the business. Are they thinking of selling soon?

ANDREA: Not if you're only selling a part of it. You see this is the thing.

BEECH: Well that is the problem, is that we are looking at selling the whole of the business. So what are they actually trying to sell?

ANDREA: Well they'd want to sell some of their fields and possibly a tied cottage on the farm just to pay off this million pound mortgage they've got.

BEECH: I mean I have to say I think this one is quite complex because we'd need to have a look to see whether or not the tied cottage would actually qualify. So I think what we can do is perhaps contact you after the show.

WARBURTON: Yeah, I mean it's an interesting point here. Individual assets - when you sell off a field, that doesn't count; but if you sell off a part of a business, it *does* count. And a farm - although for tax rules it's treated as one business, we all know that there can be different bits on the farm, so it may be possible to structure it in a way where the fields they're selling off, they're actually selling off a part of the business and not just the fields. But bear in mind of course as part of the overall measure the Chancellor's brought in, he is reducing the rate of capital gains tax - so although I understand that you're concerned about missing taper relief, he's also reducing the main rate to 18%, which is relatively speaking quite an attractive rate relative to income really.

ANDREA: Yes. Still for a small farming business that's in a lot of financial problems. It's been clobbered with you know tens of thousands pounds of tax.

DUGGLEBY: Indeed. And of course all sorts of other costs, which we're well aware of - the increase in the cost of feedstuffs and that. It's a hard world.

WARBURTON: Yes it is. I mean farming is, even with higher grain prices and things, it's a hard business to run at a profit, I know.

DUGGLEBY: Okay, well thanks for that call. Now we're going to go back to Wakefield in Yorkshire and join Liz Barclay.

BARCLAY: Yes, Vincent, we're here in the marketplace. We've been listening to what you've had to say. I don't think there's much optimism been added to the feelings that we had before we went on air. But I'm joined by Iris Bettany who's a 62 year old pensioner from Dewsbury and she runs the Dewsbury and District Pensioners Association, which takes in a lot of pensioners. Iris, I know you get a basic state pension of £96 a week, but how are pensioners like you in and around Wakefield managing?

IRIS: Well we're not managing very well and some pensioners I met this morning told me that first of all they said they may as well stop driving, stop eating, stop living and start dying. Those are the feelings of the pensioners around us this morning after the Budget.

BARCLAY: So you're feeling as if you're under siege because of all the increasing prices, the increasing food prices and everything else. What's your response to what Paul was talking to Vincent and Patrick about fuel payments, winter fuel payments. You will get an extra £50 on your winter fuel payment. Does that mean anything to you?

IRIS: Well the £50 a year only works out at 96 pence a week.

BARCLAY: So with rising fuel costs?

IRIS: Well won't we get any bills next year? I mean it's only for one year.

BARCLAY: So nothing really has been done as far as rising fuel costs are concerned.

IRIS: No.

BARCLAY: Was there anything in the Budget you welcomed?

IRIS: Well it's not really anything for pensioners really. I mean there's nothing there.

BARCLAY: So pensioners feel as if they've been neglected. Rebecca Gail is with me. She's a student and a part-time worker working two jobs to help pay your way through college, Rebecca, and doing you're A levels. How will you be affected? Presumably your social life is …

REBECCA: Every part of it really. I do smoke. I'm a social smoker, so the tax on smoking will affect me. Drink. I think that will probably affect me most. I do go out once or twice a week and the amount of tax that's been put on alcohol will probably make me go out once, even less - maybe once every two weeks.

BARCLAY: And what about … I know you run a car.

REBECCA: Yes.

BARCLAY: Is your road tax going to go up, your car tax?

REBECCA: Well I don't know how much by, but I do know it will go up. And for example my mum's has gone up by £90, or it will do next year. So I'm affected by car tax and the petrol.

BARCLAY: And trying to go to university. Is it scary?

REBECCA: Scary? Yes. I don't think the Budget is helping people like me who want to go to university because you see how much you've got to pay for your car, how much mortgage inflation, how much everything is going to go up and you think well hang on, if I go to uni, at the end of it how much am I going to be in debt and am I ever going to pay it off?

BARCLAY: And are you ever going to get to buy a house?

REBECCA: I don't even want to start thinking about that.

BARCLAY: So, Vincent, we're worried about the long-term future here in Wakefield.

DUGGLEBY: Indeed. Not much optimism … not much optimism there, Liz. We'll come back to you a bit later. But in the meantime, Eddy, that wasn't a very cheerful picture, was it?

GRAHAM: No, it wasn't. I mean there wasn't generally much in the Budget by way of just general increases in benefits and entitlements for people. But I would just say for example the pensioner who said their state retirement pension was £96 per week, if that is the only income that that pensioner has then they would certainly qualify for pension credit for both the guarantee element and the savings credit. Anybody whose state pension … whose only income is below around £120,

£130 a week and is a pensioner would be entitled to pension credit and possibly help with the rent or council tax and they should make an enquiry with the Pension Service about making a claim.

DUGGLEBY: And those rates of course have been increased?

GRAHAM: This is the thing because the pension credit system is much more generous, the means tested benefits for pensioners are much more generous than for people of working age. And so people may think they won't be entitled, but they may well be.

DUGGLEBY: Paul, emails?

LEWIS: Well they've been coming in, Vincent, and many of them on the subjects we've already dealt with. But here's a new one from Dorothy who wants to know what the "saving gateway" is, which the Chancellor promised for 2010. Now you may remember, Vincent, this was first mooted in 2001 by the Government. They've done a couple of pilots. The idea is that people on low income, particularly people on benefits - if they save money, they may not benefit from tax relief, as people do in pensions,but they will get a government contribution. And the pilot's found, funnily enough, that the more the Government contributed, the more popular this scheme was.

DUGGLEBY: It's pound for pound, isn't it?

LEWIS: Well one of them was a pound for pound. One of them was less, I think 50 pence per pound. Now from 2010, the Government says it's going to roll it out nationally for people on means tested benefits, but they ***won't*** say what the government contribution will be. It says the Government will match (a contribution for each pound saved). Whether it's 20 pence, 50 pence or a pound, we don't know. But it will be an important scheme if it works for low income people. We've also had an email from John about plastic bags. Remember the Chancellor said he was going to try and clamp down on free plastic bags and threatened new laws next year if this wasn't done voluntarily. John makes the excellent point. He uses … He says, 'I use the flimsy and free supermarket bags as kitchen bin liners ...

DUGGLEBY: And so do I.

LEWIS: *(laughs)* if they're banned I'll have to buy thicker bin liners. How can that save plastic?' We've also had an email about vehicle excise duty - another one. Someone says he has to use his 4x4. And I have to say that if you have a 4x4 that uses the top rate of fuel, more than 255 grams, that come 2009 you'll be paying £440 a year in car tax for it, which is a very big rise for someone who says he ***has*** to use one because of his disability.

DUGGLEBY: We shouldn't forget, incidentally, that there are several other measures coming in in the new tax year. I mean you mentioned savings, the savings gateway, but of course ISA's are having a big shake- up as well and that's something which we're constantly asked about. It's going to be slightly more generous.

LEWIS: Yes, indeed. £7,200 you can save tax free; and half of that - £3,600 - in cash. One thing that's confused people is that PEP's, the old PEP's which were stopped what in 99, Mike, was it?

WARBURTON: Yes.

LEWIS: They are going to be called ISA's and people are wondering how this is going to affect them.

WARBURTON: But none of this really addresses the major problem, which is that savings ratio has fallen to about a third of what it was. We're not saving enough. We've got an ageing population. It's really tiny.

DUGGLEBY: Okay, we're back to the calls now with Peter in Ludlow.

PETER: Oh hello, good afternoon. My question's about the new tax on family businesses, the so-called "income shifting" legislation. I understand it's been delayed a year, but what's the implication now for small family businesses? Is this still going to happen and is it likely to be retrospective? And, finally, do you have any tips on how I value my wife for tax purposes?

WARBURTON: I'm going to come to the last question at the end. The answer is it won't be retrospective. This is legislation that was brought in after this famous Arctic Systems case when a wonderful couple called Geoff and Diana Jones took on the Government and went right to the House of Lords and won convincingly. Two hours later the Government said well we're going to legislate and hadn't really thought through how to do it. Well they still haven't thought through how to do it. It's an incredibly difficult thing to self-assess and you don't have to worry about it for another year. In terms of how you value your wife's contribution - it is so, so difficult. I have had discussions with people right at the top of the Revenue when they first started the Arctic Systems case and I asked them the same question and they hadn't even thought about it. I mean the fact of the matter is people running family businesses, you're doing it all week long, doing your VAT return on a Sunday morning. How on earth do you value the work that you're making? That's why they're finding it so difficult.

DUGGLEBY: Mike, if your business accounting year runs from say March to March, are you safe in income splitting up until March 2009?

WARBURTON: I think you're okay until March 09. And we don't yet know whether it's going to work on an accounting period basis, but I think you're safe for the next 12 months. That's the important thing. And it's one of those areas that's going to have to be thrashed out in the consultation before we get the legislation.

DUGGLEBY: But definitely coming in in the next tax year?

WARBURTON: Well they say definitely, but they said that 12 months ago so I mean … They are planning to bring it in from 09.

DUGGLEBY: Okay. You're listening to Budget Call on Radio 4. There's still another half an hour of the programme to go and the number to call if you want to ask a question is 08700 100 444 or send us an email.
And now we're back off to Wakefield to join Liz Barclay.

BARCLAY: Well Vincent - yes, as I say, we're in the market square here in Wakefield and we've been listening to what you've had to say about small businesses and about business in general as far as this Budget is concerned. Anita Wiltshire joins me. She runs a small recruitment company and employs two people, I think, Anita. You and your husband run this company together with a joint income of around £45,000, two small children. How do you feel the business is managing in the current climate?

ANITA: I think the current climate certainly from our point of view, we're experiencing challenging times. Obviously there are lots of impacts, certainly in terms of our industry sector with legislation as well as obviously the implications with regard to the Budget. So I think from that point of view, as well as really just being you know a mum and having my own business, etcetera, it all obviously has an impact.

BARCLAY: So if you were pointing to things that challenge you - minimum wage, rules on temporary staff, for instance?

ANITA: Yeah, I mean the actual … certainly to do with the regulations for temporary staff that they're talking about in terms of some that have come in, some that are due to come in. Also the minimum wage, etcetera, is something which certainly for companies, for businesses that do employ a large volume of that lower sector of income.

BARCLAY: But the Chancellor said yesterday he wanted more help for small businesses to get work from the public sector, the loan guarantee scheme increased by £60 million next year, corporation tax at 20%. The Chancellor says this is one of the best countries in the world to do business in. Don't you agree?

ANITA: Well, I think that certainly it is one of the best countries in the world. I think obviously you have to view it from a certain perspective in terms of for doing business in. But the loan guarantee scheme is all very, very positive in terms of there are certain criteria that businesses need to meet to benefit from that.

BARCLAY: John Donner runs the Double Two shirt company, a limited company here in Wakefield. A family business, John, that's been going for about three generations, employing 130 people. Would *you* say this is one of the best countries to do business in?

JOHN: No, I wouldn't say it's quite as easy as all that. We seem to have an enormous amount of irrelevant legislation. We seem to have a government that wants to charge high taxes on certain issues. Fuel, for example, is getting more and more expensive. And every item that I deliver and every one of my competitors delivers to a shop has to be put on the roads or on the rail and it uses fuel. The Chancellor wants to put the price of fuel up again and again

BARCLAY: So do you find that you're spending money just sitting in traffic jams?

JOHN: I'm spending an enormous amount of money delivering products, not getting it to market. The price of deliveries is going up and up.

BARCLAY: So, Vincent, we want to know, you know, how do we cut these costs, how do we get business in the UK running again, and is the Chancellor doing enough to do that?

DUGGLEBY: Okay, Mike and Angela. Angela, would you like to start this one off?

BEECH: Well I was just wondering about Anita. You say it's a company. Is it actually a partnership or is it incorporated?

DUGGLEBY: I think it's an incorporated business.

BEECH: It's an incorporated business. Well you're going to say your corporation tax rates *increase* as well. There was a lot of heralding yesterday about the corporation tax rate coming down, but that's only for large companies. So your tax burden is actually going to increase as well on your profits.

WARBURTON: Yes, it's absolutely right. But I suppose for relatively small businesses, you tend to take the money out of the business anyway because you need it to live on. I suppose to that extent there's going to be a saving because the income tax that you pay on the income you've taken out will benefit from the reduction in the basic rate of tax down to 20%. But of course you then … you've got the national insurance costs anyway and it's employer and employee national insurance costs. It's quite an expensive way to live if you've got a small company like that and you're taking it all out. Better to take it as dividends. And if they're both involved in the business, as I say you can actually split the dividends out between the two of them.

DUGGLEBY: You see it's the cost pressures that are rising. I mean it is the cost of fuel on the vans that are doing the deliveries.

WARBURTON: Or the cost of wages.

DUGGLEBY: The market is so tough because after all you can't put your prices up because people's incomes are falling. This is where the pinch is coming from.

WARBURTON: And the pinch is coming because the marketplace will only take so much of a price rise. Everybody's trying to hold inflation down, but you've still got your wage pressures, you've got, as we've just heard, sitting around in long traffic jams, paying for expensive vehicles and expensive staff. Very difficult to pass those costs on and that's why we've got the squeeze coming that we have.

DUGGLEBY: Right, Frederick you're ringing us from Hatfield with a fresh subject.

FREDERICK: Yes, I'm very concerned that the Chancellor didn't mention anything about inheritance tax. In the autumn Cameron said that they would increase the limit to a million and the Chancellor came back then and said that they couldn't match that but it would be increased to I think was it three quarters of a million?

DUGGLEBY: No, £600,000 between a husband and wife. That's a slightly different issue. But you're right that he didn't mention any new measures, but this is an automatic adjustment which is going to take place over several years, Mike, and it is going up.

WARBURTON: Yes. What's happened is the inheritance tax threshold is pre-announced and it has gone up or will go up from April from £300,000 to £312,000, and the following year up to £325,000.

DUGGLEBY: *(over)* And you double that for the unused bit if the wife dies..

WARBURTON: And what happens and quite an interesting measure that he announced in October - some say he was provoked into it by the Conservatives, who knows? - but the point is that he has said that on the second death, to the extent that the tax band or the proportion of it wasn't used on the first death, you can effectively double up. So if you passed on the first death all your assets to your spouse, on the spouse's death you've effectively got two nil rate bands. And that I think is actually quite a generous measure because it's retrospective.

DUGGLEBY: So this figure will appear as £624,000 now?

WARBURTON: Well no, It'll be £312,000 but in effect for a married couple, on the second death it's twice that if you didn't use it the first time round.

LEWIS: Yes, we had an email from Neil, Vincent, very briefly, who's saying, 'When was the £3,000 annual tax free personal gift allowance last raised? 1980s.' Mike, you probably know?

WARBURTON: I can't remember. I've been doing this for 35 years and I …

LEWIS: It was a long time ago. It was when it began, wasn't it?

WARBURTON: Well it's a couple of times. The tax originally came in in 1975, didn't it?

DUGGLEBY: I think it was 1978 but I'm not sure.

LEWIS: And Neil quite rightly says, 'Talk about fiscal drag.'

WARBURTON: Yes.

DUGGLEBY: Right. Now then, we've got a question coming in from Sean in Manchester. Sean?

SEAN: Yeah, since the severely disabled are facing the biggest benefit cuts since World War Two, what is there in this Budget for the paralysed and the bedridden?

DUGGLEBY: Eddy, can you help?

GRAHAM: Well not very much, Sean. What the Chancellor announced yesterday was an extension of the new Employment and Support allowance to existing claimants. In October this year, all new claimants of Incapacity Benefit will instead claim a benefit called the Employment and Support Allowance which has a much tougher test of incapacity. Basically many more people will fail the test and not get the benefit. What the Chancellor said yesterday was that those people, the 2.7 million people who are already on Incapacity Benefit, that from 2010 they will have to undergo this much tougher test of incapacity for work. And it's clear from the evaluations that have been carried out that well over half of the people who take that test will actually fail it, so many people who are on Incapacity Benefit now and have been for many years post-2010 are going to find themselves having to claim Jobseeker's Allowance; and most of those that do stay on the benefit will also have to engage in what's called work-related activity in that they will have to do something to look for work.

SEAN: If you're bedridden and paralysed, what work? There *is* no work. You're completely dependent on benefits and these have been severely cut with the attack on the ILF and it just sneaked in before Christmas.

GRAHAM: Well, Sean, in the new Employment and Support Allowance there is something called the Support Group and that will be for the most severely disabled people who will, the Government have promised, get a higher rate of benefit than they are receiving at the moment is what the Government have said in Parliament. So there will be some protection for the most severely disabled, but the Government has been very clear that all but the acutely and severely disabled will be expected to do something in return for the benefit - that is look for work or consider about moving to work at some point in the future.

DUGGLEBY: Paul, you've got some more emails coming in?

LEWIS: Yes, well on that very subject really of child poverty particularly, 'the Chancellor says he wants to decrease child poverty', writes Kim. 'Why hasn't he targeted lower income families with higher child benefit and reduced it for higher income families?'

GRAHAM: Why indeed? I mean basically the main tool that the Chancellor and New Labour have used is Child Tax Credits, and this April there have been quite substantial increases to the child amounts of Child Tax Credit and the Chancellor also announced that from next year the child amounts would go up by £50 a year above inflation. So child benefit is a non-means tested universal benefit and the Government doesn't see that, unfortunately, as a good way, a good value for money way of eradicating child poverty. Obviously at the Child Poverty Action Group, we disagree and we'd like to see increases in child benefit.

LEWIS: Yes, I mean he did say it would be £20, didn't he, from next April, 09, rather than 2010, but that was only bringing it forward a year and it would have been nearly that anyway because of inflation?

GRAHAM: Yes, he was kind of forced to bring it forward, what he announced last year.

LEWIS: Yes. We've also had an email from someone who says, 'Why line bins? The plastic just goes into the landfill, so you're wasting your money there'. ***(laughter)***

DUGGLEBY: Okay and we've got a question in from Mary on bus passes. Mary?

MARY: Oh hello, good afternoon.

DUGGLEBY: Good afternoon.

MARY: Yes, it's quite an interesting fact that he said about one sentence which didn't really include the bus passes.

DUGGLEBY: Yeah, this is a follow up from last year when he asked the local councils or he actually compelled the local councils to provide free travel in their areas and then said - this was Gordon Brown - and then said he would extend this to the entire country. We had some fun in working out how far across the country you could travel on buses, Paul. But this question of these free bus passes. It's very much a local authority matter for which I think they're complaining they haven't got enough money.

LEWIS: They are. The Government says it's put £250 million into this scheme. And just to explain, people over 60 have had free local bus travel for some years. Now they can use that same pass, as long as they renew it, they can use it anywhere in the country for local bus travel - so you could go to London and have local bus travel, travel to Cumbria, travel to Devon and travel free locally.

MARY: But excuse me …

LEWIS: Yes, Mary?

MARY: You're talking about the country, but when it came in it sounded as though they were going to include Wales and Scotland. Well now when we've got our new bus pass, may I just point out two points? It's only talking on the drawing with the little map of England. And the other thing that is a matter of interest to me is that the present bus pass, which is free, in our local area, excuse me for interrupting … but it has no date on. But the one that we have now received to come into force has 2013 on it, so I'm starting to wonder well it's 5 years which is the (time the) government terminates, as it were

LEWIS: Well it won't end, but you certainly will have to renew your pass. On the question of what I mean by country, I do mean England. There are very similar, in fact slightly better schemes in Scotland and Wales, but there is no agreement between the devolved authorities of England, Scotland, Wales and indeed Northern Ireland to let you cross the borders. That, I'm told, is being discussed.

DUGGLEBY: The real issue for some local authorities, I mean Devon is where I come from, and they're very concerned about the number of people coming in from outside to use the Devon buses because it's of course a very fine holiday area, and they don't think they're going to get enough money to pay for this. And then of course the pressure goes on the council tax, then local people complain about this, that and the other. It's a bit of a poisoned chalice this one, Paul.

LEWIS: It is. I think it's one of those ideas that sounds very good, but working it out in practice and certainly how you get the right amount of money to the right authority for the people who are travelling on their buses. I've even heard some bus operators are saying we have all these people travelling free for which we only get a small amount of money. We'll simply stop the service because we can't run it for that much money.

DUGGLEBY: Right, Sonia, you've got a call for us.

SONIA: Yes, thanks very much. Could I ask about trivial pensions? Is it the case that now if you have less than £2,000 invested, you can take the whole amount of cash, apart from the tax of course, instead of having to buy an annuity?

DUGGLEBY: Yes, we're having a look at this. It is a bit of a confusion and it's not quite as generous as we thought originally, Paul.

LEWIS: No, this is what they're calling "stranded pension pots", which is one of the finer phrases in the Budget Report. And it's also people who have perhaps a series of very small pensions from jobs they may have left many, many years ago. If these are less than £2,000 in value, which really means they're less than £100 a year in terms of a pension, they will be able to take them as a cash lump sum on top of the £16,500 total that you can take already. A quarter will be tax free. The rest will be taxed.

DUGGLEBY: But these are largely pensions that are probably caught up in occupational schemes, the sort of pension that you might have built up maybe in your first job after leaving school or university and it's nothing to do with the self-employed pensions. You can't just sort of accumulate any number of £2,000 pots.

LEWIS: It's not completely clear, but certainly the Revenue told me this morning it doesn't apply to personal pensions, but it does apply to something other than occupational pensions, and I was at a bit of a loss to know what that was . But there will be regulations and we'll know more later in the year.

DUGGLEBY: And a general planning point, Mike. As far as pension contributions are concerned, it's worth more now to put money into a pension than it will be in the new year.

WARBURTON: It depends if you're a basic rate taxpayer, Vincent. If you're a basic rate taxpayer, it is a good thing to get your pension in before 6th April because for every £78 you put in, it's going to be worth £100 to you; and you'd have to put in £80 to get the same effect after 5th April. But of course if you're a higher rate taxpayer, you get the same amount of tax relief. It just gets done in a different way through your tax return.

DUGGLEBY: And another interesting issue. The Chancellor announced this concession for charities, which means they'll be able to get the 2% that they would otherwise have lost, Angela. Now the question that arises in my mind is if that's the case, the charities get the 2% extra automatically. Now we did say that higher rate taxpayers should increase their contributions to compensate for this. Now I presume that they don't. But do the higher rate taxpayers as it were also get the extra, so that it's really going to cost the Chancellor some money?

BEECH: Well they're actually going to get exactly the same relief as they always did, so in effect they will get 40% relief on those contributions. But it will be funded by the Government, as far as I can tell. Mike, have you seen anything different?

WARBURTON: Yes, I think that's right. I mean it's interesting because 10 years ago when the Chancellor hit pension funds, of course he hit charities as well but he did give charities a sliding scale over a few years, 7 years or so, and he recognised that charities are a special case and he's helped them. But I think that's right. I think it's as you say, Angela.

LEWIS: Yes, the higher rate taxpayers will continue to be able to claim the extra 20%, as it will be from April. It's 18% at the moment. The 3% gap, 2% or 3% gap will be paid by the Government as an extra grant, so it's good news all round. It's going to cost £300 million according to the report.

DUGGLEBY: But again it's a finite shelf life of 3 years?

WARBURTON: 3 years - yes, it'll fall away. So I mean people who are making donations to charity, there's always a good reason to increase it and in 3 years time they're going to need it.

DUGGLEBY: Al in Yorkshire, a new subject.

AL: Yeah.

DUGGLEBY: Speak.

AL: Yeah, I am concerned about this non-dom, the £30,000 fee that's being levied. I'm a retired United States air force member. I've been retired for, oh, 21 years. In fact we're actually pensioners now. We're both retired. Now my air force pension is paid into my credit union in the States.

DUGGLEBY: Okay, so it's offshore?

AL: It's offshore. Fully tax paid in the United States.

DUGGLEBY: Yeah because US income is taxed worldwide.

AL: Yeah. Okay, so it's fully tax paid in the United States and over the years I've always been told that there was an international treaty between the US and Britain…

DUGGLEBY: That's right - the double tax treaty

AL: Right. Now as far as my savings go here in this country …

DUGGLEBY: Okay, so you've got income arising in this country, you've got income arising in the States, and you appear to fall straight into this £30,000 essentially because you're a long-term resident. This is correct because obviously clearly Al is not a fat cat.

WARBURTON: Al, if I can take this great opportunity to correct a misunderstanding I think a lot of people have. Simply because you originate from the United States does not mean to say you have to pay £30,000. This is not, I'm delighted to say, a levy being put on everybody from overseas. You shouldn't pay this. You have no need to pay it and you wouldn't get any benefit from paying it. This is something that people will pay with large amounts of money invested offshore, or large amounts of offshore earnings. Your income is fully taxed, your savings are fully taxed either in the States or effectively in the UK because your savings are in the UK anyway. So you're one of those people who frankly can ignore the £30,000 levy. I'm sorry that the way it's been introduced has left a lot of people thinking that it's going to be imposed on them, but it's not.

DUGGLEBY: Okay, let's move back to Yorkshire and to Wakefield and to Liz Barclay.

BARCLAY: Well, Vincent, we're still here. We haven't been blown away and the rain's held off, I'm thankful to say. Lesley Caulfield wanted to be here with us. We've been talking to her this morning. Her van's broken down. She and her husband run a sandwich shop. She couldn't get staff cover. She's got two teenagers both starting university in September. She does a lot of deliveries and she's really worried because she says the fuel costs rising the way they are, she's going to have to start charging for those deliveries which she hasn't done so far. But we have got Matthew Hall here with us who is 19 and working in a computer games shop close by the market square. Matthew, how much are you earning?

MATTHEW: Roughly £14,000 per annum.

BARCLAY: So not a lot then?

MATTHEW: Not really, no. I'm hoping to obviously work my way up the employment ladder, but at the moment this is fine just for paying things out on a monthly basis.

BARCLAY: Living at home?

MATTHEW: I am, yes. I'm living with my parents.

BARCLAY: *(laughing)* And your mum's doing your washing for you, I suppose. You're earning an amount … Paul worked it out earlier on, calculated that people earning less than £15,000 were likely to be paying more tax after the tax changes come in in April. Did you realise that?

MATTHEW: Not really, no. To be honest with you, I was in full time education at college, so I wasn't really paying tax until a few months ago. I did notice that it was about £80 a month coming out of my wage for tax. But I mean it doesn't really startle me, the costs. I know that that money does go to good causes. You know if you ever need to go to hospital, for example, that would cover the cost of that.

BARCLAY: So you're happy enough to pay that?

MATTHEW: Yeah.

BARCLAY: Did you think about going to university?

MATTHEW: I did, yes. I dwelled on it for quite a while actually and I was hoping to go. I got into three out of four of my universities, but decided that the skills were the better option for myself rather than the qualifications. I wanted to just get into work and start earning and work my way up that way rather than jumping straight in at the deep end really when I came out of university with the debt as well.

BARCLAY: Well the debt as well is worrying for a lot of people. But as far as you're concerned, you're going to be one step ahead of the jobs market when your friends *do* come back from university?

MATTHEW: That's it, yeah. I mean a lot of employers are looking for skills now more than qualifications, so that is a good point.

BARCLAY: Now I know you run a car. That's probably where you are going to be hit in the pocket from yesterday's Budget. Did you realise that?

MATTHEW: I didn't realise that road tax would be going up actually, but it's not really going to affect … Well it will affect me, but I like my car so I just turn a blind eye to that. ***(laughter)***

BARCLAY: So you're keeping it? You're not going to look for a smaller one that's exempt from road tax, for instance?

MATTHEW: No. I mean it's a small engine size. It is very economic, so it's not really adding a lot to the CO_2 emissions in terms of it's not a big you know 4x4 or anything. So I will be keeping the car, yeah, and it is a vital you know part of my life obviously to get to work and get back home and things.

BARCLAY: Matthew, thank you very much indeed. So we have got one positive there who's not particularly worried about what's happened in the Budget. But Paul, I think I'm right in saying that Matthew is likely to be paying more tax after April?

LEWIS: Well yes. People, as I said, below £16,500 if they're not working, £15,000 if they are, will be paying more tax.

DUGGLEBY: Okay, that's fine from Liz. That's all your contribution for the time being, but I know you'll be back with You and Yours tomorrow. And we'll now have an interesting question about this deposit on shared ownership, which is one of the measures that came in. Moya in Ilkley, also in Yorkshire, this is your call.

MOYA: Hello. I've put a deposit down on a shared ownership property, retirement, and it's £82,500 the half share, 50%. And I'm wondering if I will still have to pay the stamp duty if it's completed after the 5th April?

LEWIS: Well it looks as if you won't because all I can tell you is what the Budget Report says, which is that from today shared ownership buyers will only pay stamp duty on the final 20% of the property unless they choose to pay it upfront.

MOYA: … not even the 5th April?

LEWIS: Well it says from today, which is the day of the Budget which was yesterday, and your stamp duty would be £400. You can choose to pay that or you can pay it later. I suppose the danger of paying it later is the property might be worth a lot more, the stamp duty might be higher if you ever buy the whole of it.

DUGGLEBY: Okay, we've got Adam now in Bristol. Adam?

ADAM: Hello there. I've recently changed from a credit electric meter to a pre-payment electric mater and the difference in cost is extortionate, so I was very interested to hear that there was going to be a reduction in cost in the Budget. However, I looked on the web last night. I could find no information at all, so can you enlighten me?

DUGGLEBY: Eddy?

GRAHAM: I can, Adam, but unfortunately I don't think you're going to like what I'm going to say. All the Chancellor gave was a commitment, was basically an encouragement to electricity companies to try and reduce the cost of pre-payment meters like the one that you're on. And he's given electricity companies until the winter of 2009 to do something about that, and it's only if at that time they haven't taken action themselves that the Chancellor is saying he's prepared to sort of take action and bring in some laws to actually equalise the cost of pre-payment meters with other electricity and energy users.

DUGGLEBY: Okay, well we're coming towards the end of the programme, so Paul can you wrap up some of the outstanding emails we've got?

LEWIS: Yes, bin bags are interesting the listeners, Vincent. Rachel says, 'You can get biodegradable bin bags, so why don't you do that?' Roger asks us, 'Has the 40 pence per mile business mileage allowance been increased?' I think the answer is no.

WARBURTON: Not seen anything.

LEWIS: No, so that's going to stay the same. And I think that's being reviewed generally about those costs. A couple of people … Elaine for example is disabled, on £9,900 a year; Ros has an £8,400 income - both paying more tax, both very cross about it.

DUGGLEBY: Somebody's asking about the blind person's allowance.

LEWIS: Yes, Alfred called to ask about that. 'What's changed on the blind person's allowance?' And one of our tax experts I'm sure can tell us. Mike?

WARBURTON: Oh dear me. The blind person's allowance has gone up by £70 from £1730 to £1800. Not a very big increase actually is it?

DUGGLEBY: And what about the VAT registration?

WARBURTON: The VAT registration's gone up …

BEECH: That's also increased. £3,000. I think it's up to 67,000.

DUGGLEBY: Yes, quite high.

LEWIS: It's gone to 67,000, that's right. And also Andy's emailed to say he's very interested in the winter fuel payment. Can he get it? He doesn't get a retirement pension. Andy, if were 60 on 23rd September last year, you can get last year's. If you're 60 on 21st September this year, you can get the higher one this coming winter.

DUGGLEBY: Overwhelmingly though, I think the message from this Budget is not so much what he did yesterday - whether it is to your advantage or not - but it is this question of how much worse you're going to be off or how much better you're going to be off as a result of the changes that are already in the pipeline. And one thing we've noticed in the Budget is increasingly it's pushing everything forward. The whole economy seems to depend on what's going to happen 2 or 3 years down the line. I suppose that's inevitable.

WARBURTON: Yes and what we've noticed with this Chancellor and his predecessor, now his boss, is that they tend to announce bad news 12 months before it's going to come in - no doubt in the hope you've forgotten about it when it actually does and they don't have to mention the bad news again. So the 10% band going, which I know when we did this last year, Vincent, got the majority of all the calls that came in, a very, very great cause of concern – no, that is going to be. The only good news is that he's pushed up the personal allowances for those people in retirement to make up the difference.

LEWIS: It's interesting it's just reached the political agenda because David Cameron did mention it in the House yesterday but he didn't a year ago.

DUGGLEBY: Okay, well that's it, we've run out of time I'm afraid. But many thanks to the panel. That's Mike Warburton of Grant Thornton; Angela Beech of Blick Rothenberg and Eddy Graham from the Child Poverty Action Group. And of course to Liz Barclay and her guests in Wakefield. You and Yours back again tomorrow at noon with Liz and with John Waite. Money Box will be back at noon on Saturday. Paul will be looking after that programme. And I'll be here on Monday to take your calls on end of tax year planning. Meanwhile do look at the website, bbc.co.uk/moneybox, download a podcast, or read the transcript which should be ready by the end of today. This has been Budget Call.