

What's changed in the June 2010 Budget?

Entitlements

- Health in Pregnancy Grant (£190) will be abolished from January 2011. Women reaching their 25th week of pregnancy before that date will still get it.
- From April 2011 Sure Start Maternity Grant (£500) will be restricted to one payment for the first child only. It is intended to help with the cost of buying equipment for a new baby and expected that families should keep buggy, cot etc for use with subsequent children.
- Saving Gateway is scrapped and will no longer go ahead from July 2010.
- From October 2011 single parents will be eligible for Income Support only while their child is under age 5. From that age, the parent moves onto Jobseeker's Allowance and will be expected to find work (and will have any Housing Benefit cut by 10% after 12 months).
- There is no mention in the Budget of 'in-work credit' (£60 a week London, £40 a week elsewhere) but the Coalition Agreement said that Labour's various back-to-work measures would be replaced by a single integrated scheme.
- Child Benefit is frozen at current levels (£20.30 a week for first child and £13.40 for each subsequent) for three years from April 2011.
- Any benefits that are increased each year in line with inflation will, from April 2011, be increased in line with the Consumer price Index (CPI) rather than the Retail Prices Index (RPI). The CPI excludes housing costs and tends to increase at a lower rate than the RPI.
- Housing Benefit will be subject to a variety of restrictions so may fall short of the amount needed to cover rent in full
- From April 2013, eligibility for Disability Living Allowance will involve passing a medical assessment.
- Under the Support for Mortgage Interest scheme, the standard interest rate had been frozen at 6.08% but is now to be reduced from 1 October 2010 to the average mortgage rate published by the Bank of England.

Tax credits

- Eligibility for tax credits is being scaled back. It will no longer be the case that nine out of ten families qualify.
- From April 2011 the threshold at which family element of Child Tax Credit starts to be tapered away will be reduced to £40,000 (currently £50,000). From April 2012, the threshold will be abolished and this element will start to be tapered away immediately after the child element.
- From April 2011 both rates at which tax credits are withdrawn will be increased to 41% (currently 39% and, in the case of the family element, 6.67%).
- From April 2011 the new baby addition to the family element will be abolished. From April 2012 the 50+ element will be abolished. The extra £4 a week for children aged 1 and 2 will no longer go ahead.
- Those elements that are increased each year in line with inflation will, from April 2011, be increased in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). The CPI excludes housing costs and tends to increase at a lower rate than the RPI.

- However, the child element of tax credits will be increased by £150 more than inflation in April 2011 and by £60 more in April 2012.
- From April 2012 new claims can be backdated only one month (currently three).
- Tax credit claims are initially based on last year's income and revised once this year's actual income is known. Currently any increase in income compared with last year up to £25,000 is ignored. This amount is to be reduced to £10,000 from April 2011 and £5,000 from April 2012.
- If this year's actual income is lower than last year's, currently tax credits are adjusted upwards to make good the underpayment. From April 2012, any fall in income up to £2,500 will be disregarded and not trigger an increase.

Child Trust Funds

- From August 2010 the contribution at birth will be cut to £50 (from £250) or £100 (from £500) for a child in a low-income family, and contributions for children reaching age seven from August 2010 onwards stop.
- No new Child Trust Fund vouchers will be issued from January 2011 and no new accounts can be opened once existing vouchers have been honoured.
- Existing Child Trust Funds will carry on building up largely tax-free to age 18 as normal, and friends and family will continue to be able to pay in up to £1,200 a year.
- In 2010-11 only the government will pay the extra £100 to the Child Trust Funds of disabled children (or £200 if severely disabled). From April 2011 the payment ceases.
- The Welsh Assembly has yet to announce whether it will stop its own contributions to Child Trust Funds.

Pensions

- The government will review the increase in State Pension age to 66 with the aim of bringing forward its implementation.
- The National Employment Savings Trust (NEST) will be a registered pension scheme, so, for example, contributions will qualify for tax relief.
- The government intends to cancel the complicated restriction on pension contribution tax relief due to come in from 2011-12 and is looking at whether it can be replaced with a more straightforward restriction that would see the annual allowance reduced to between £30,000 and £45,000, probably with some reduction in the lifetime allowance as well. The government is to consult during summer 2010 before deciding to go ahead with these measures.

General

- The main rate of VAT will increase again to 20% from 4 January 2011. Rates and thresholds for the flat-rate scheme will also increase. However, the zero-rate (basic foods, children's clothes, books, and so on) and the reduced 5% rate on domestic fuel are unchanged.
- For first-time buyers only, the nil-rate threshold for stamp duty increases to £250,000 for a period of two years from 25 March 2010 to 24 March 2012 inclusive. The coalition government has said it will review this stamp duty reduction for first-time buyers.
- There will be a new 5% rate on residential property purchases of £1 million or more from 6 April 2011 onwards.