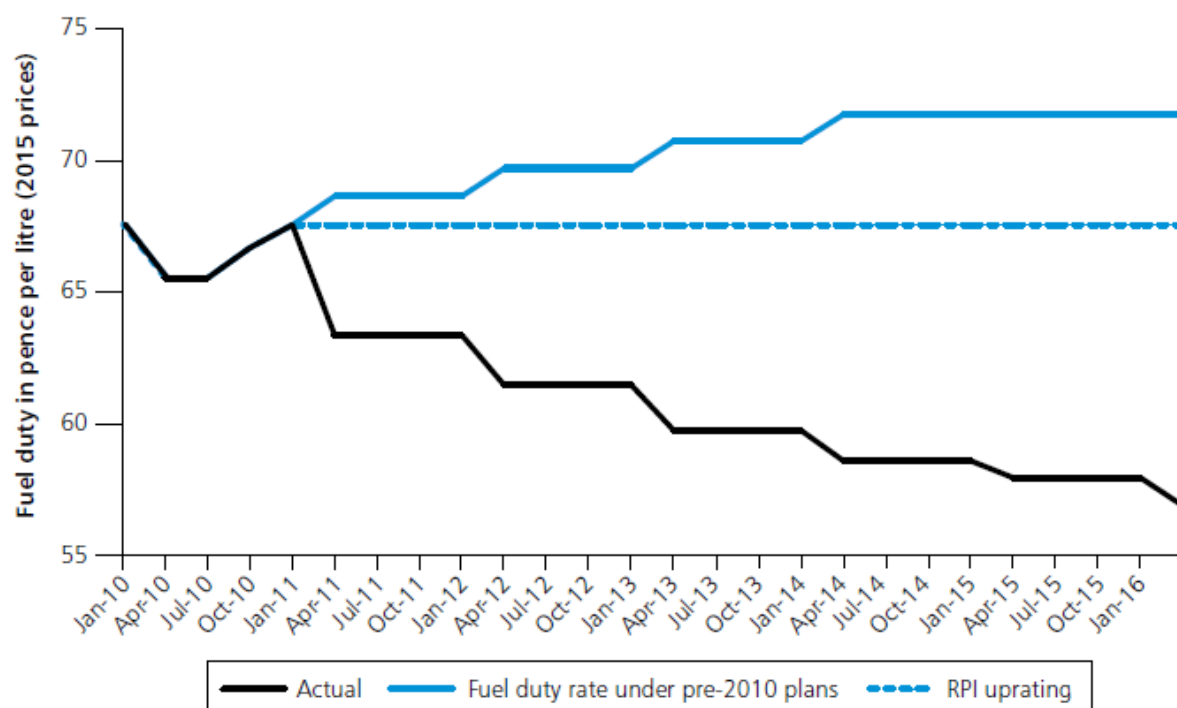


Freezing fuel duty

1.86 Budget 2016 announces that, for the 6th successive year, the government will freeze the main rate of fuel duty at 57.95 pence per litre for 2016-17. This marks the longest fuel duty freeze in over 40 years.⁷⁰ Since Budget 2011, fuel duty has been kept at this level, delivering year-on-year real cuts for motorists. The average driver will save around £75 every year in duty compared to pre-2010 fuel duty escalator plans.⁷¹ Pump prices are now 18 pence per litre lower than they would have been if the government had maintained pre-2010 fuel duty escalator plans,⁷² and the typical motorist now spends £450 a year less on motor fuel than they did in 2011 when the freeze began.⁷³

Chart 1.9: Fuel duty rates in 2015 prices



Source: HM Treasury
Rates uprated to April 2015 prices using RPI.

2.159 Fuel duty – The main rate of fuel duty for petrol and diesel will remain frozen at 57.95 pence per litre in 2016-2017. (54)

VED classic vehicle exemption and VED rates

2.163 VED: classic vehicle exemption – The government will legislate to place the classic vehicle VED exemption on a permanent basis from 1 April 2017, so that from 1 April each year vehicles constructed more than 40 years before the 1 January of that year will automatically be exempt from paying VED. (Finance Bill 2016)

2.164 Vehicle Excise Duty (VED) rates and bands – From 1 April 2016, VED rates for cars, vans, motorcycles and motorcycle trade licences will increase by RPI. (Finance Bill 2016)

Insurance premium tax

Funding further investment in flood defence

1.205 In order to fund increased investment in flood defence and resilience, **the standard rate of Insurance Premium Tax (IPT) will be increased from 9.5% to 10%**. This ensures that the impact of the rate increase is spread broadly across the entire general insurance industry. IPT is a tax on insurers. However, if they do pass the cost of this rate increase on to their business and household customers, the average combined home and contents insurance would only increase by £1, and the average motor insurance premium by £2 per year.¹⁴³ All the revenue raised from this increase in IPT will be invested in flood defence and resilience measures.

Insurance Premium Tax

2.154 Insurance Premium Tax (IPT) – The standard rate of IPT will be increased from 9.5% to 10% with effect from 1st October 2016. (Finance Bill 2016) (61)

Alcohol duties

Freezing alcohol duties

1.87 Pubs play an important role in their local communities. The British Beer and Pub Association report that beer duty rate changes since Budget 2013 have helped support both pubs and over 19,000 jobs.⁷⁴ **To continue this support, the duty rates on beer will be frozen in cash terms this year.**

1.88 The Scotch whisky industry is a great British success story. Exports are worth around £4 billion a year making up around a fifth of UK food and drink exports.⁷⁵ **To continue to support the Scotch whisky industry, the duty rate on spirits will be frozen this year. The duty rates on most ciders will also be frozen this year** in recognition of the important role cider makers play in rural communities. Other alcohol duty rates will rise by inflation. Beer and wine duties will continue to be broadly similar.

2.137 Alcohol duty rates – The duty rates on beer, spirits and most ciders will be frozen this year. The duty rates on most wines and higher strength sparkling cider will increase by RPI from 21 March 2016. (Finance Bill 2016) (55)

Continued on page 3

Personal tax

Income tax and National Insurance contributions

Rates, thresholds and allowances

2.20 Personal allowance increase – The government will increase the income tax personal allowance from £11,000 in 2016-17 to £11,500 in 2017-18. (Finance Bill 2016) (4)

2.21 Higher rate threshold increase – The government will increase the higher rate threshold from £43,000 in 2016-17 to £45,000 in 2017-18. The NICs Upper Earnings Limit will also increase to remain aligned with the higher rate threshold. (Finance Bill 2016) (5)

2.22 Applying 'English Votes for English Laws' to income tax – Following agreement of the fiscal framework with the Scottish Government, the government will legislate to separate the income tax rates that apply to savings (the savings rates), from those that apply to non-savings, non-dividends income (the main rates). The former will apply across the UK and the latter will

Claims management companies

1.206 The government is clamping down on the rogue claims management companies (CMCs) that provide bad service and bombard customers with nuisance calls. Alongside action to cap the amount that CMCs charge, **Budget 2016 announces that the government accepts the recommendations of the independent review into the regulation of CMCs**. The new regime will be tougher and will ensure CMC managers can be held personally accountable for the actions of their businesses. In order to ensure that the new regulatory regime is implemented effectively, the government intends to transfer responsibility for regulating CMCs to the Financial Conduct Authority.

National infrastructure commission proposals

1.232 In the shorter term, the Chancellor asked the commission to report on three high-priority issues by Budget 2016: Northern connectivity, London transport and energy infrastructure. The commission has now published its first three reports and has made innovative proposals to address some of the country's most pressing infrastructure challenges. **This Budget confirms that the government accepts the commission's recommendations, as set out later in this chapter:**

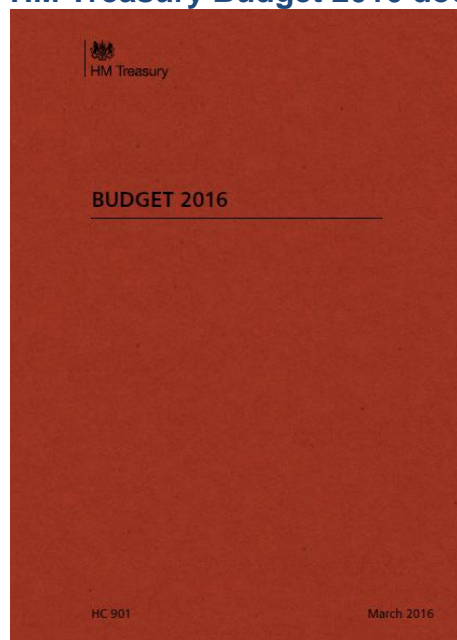
- **the government is providing £300 million of funding to improve northern transport connectivity and is giving the green light to High Speed 3 between Leeds and Manchester to reduce journey times to around 30 minutes**, in response to the commission's report 'High Speed North'
- **the government is giving the green light to Crossrail 2, supported by £80 million to help fund development**, in response to the commission's report 'Transport for a World City'. The government is asking Transport for London to match that contribution, with the aim of depositing a Hybrid Bill within this Parliament
- **the government will lay the foundations for a smart power revolution**, with support for innovation in storage and other smart technologies, and an increased level of ambition on interconnection, which the NIC estimates could unlock benefits to UK consumers of up to £8 billion per year

Transport

1.291 The government supports the vision set out by Transport for the North (TfN) in their Northern Transport Strategy¹⁶⁸ and accepts the recommendations from the National Infrastructure Commission on northern connectivity.¹⁶⁹ **The government will take forward these proposals with a total of £300 million of funding, including:**

- **giving the green light to High Speed 3 between Leeds and Manchester, committing to reduce journey times to around 30 minutes**, in line with the recommendation by the National Infrastructure Commission. £60 million will be provided to develop plans for both the Leeds-Manchester route by 2017 and to improve transport connections between cities of the North
- **accelerating the upgrade of the M62 to a four-lane smart motorway**. The government will provide an extra £161 million on top of the existing road programme to bring forward by 2 years the upgrade between junction 10-12 Warrington to Eccles, and to accelerate work on junction 20-25 Rochdale to Brighouse
- **developing the future transformation of east-west road connections**, including a new Trans-Pennine tunnel under the Peak District between Sheffield and Manchester, as well as options to enhance the A66, A69 and the north-west quadrant of the M60. The government will allocate £75 million, including to develop a business case for these schemes by the end of the year
- **accelerating the development of other critical road projects in the North**, including Lofthouse and Simister Island junctions, capacity enhancements to the M1 at junctions 35a-39 Rotherham to Wakefield, and delivering on the commitment to begin upgrades to the M56 at junctions 6-8 south of Manchester in this Parliament

HM Treasury Budget 2016 document



https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508193/HMT_Budget_2016_Web_Accessible.pdf