

## [Better than expected budget](#) [1]

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George Osborne's first budget was not a bad effort, given the appalling circumstances. The former Prime Minister, the man who made the emergency budget necessary wasn't even there. The bad news was of tax increases, the good news was of tax decreases and spending cuts.

VAT up to 20 percent is not good for anyone because it puts up costs of transactions and therefore reduces their number and their wealth-creating effects. Capital Gains Tax increase to 28 percent was also not good, but at least he took the lesson and did not go for the originally planned Lib-Dem increase to 40 and even 50 percent. Nor did he lower the threshold. There is still a differential between income tax rates and capital gains, but research has suggested this doesn't matter.

The really good news was Corporation Tax down by one point every year from 28 to 24 percent, lowest among the big European economies. And the raising of the tax threshold for income tax by £1,000 now, and to £10,000 during this Parliament goes a long way towards the ASI's long-advocated £12,500.

It was quite a good budget for private sector jobs growth, with the National Insurance 1 percent and the corporation tax 1 percent increase for small firms both cancelled. The less well off will be helped by the linking of state pensions to wages (with a minimum of 2.5 percent annually), and by the lack on increased duties on alcohol, tobacco and fuel, as well as by the tax threshold change.

On the other side, the spending cuts will help drag the nation gradually from the quagmire of debt the new coalition government inherited. Basically the coalition's first budget was a reality check, and an indication that Britain is on the way back from the madness of the Brown years. It will be a slow haul, but this was a positive start.

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