

The Autumn Statement 2014 speech in full.

Published 3 December 2014

From:

[HM Treasury](#) and [The Rt Hon George Osborne](#)

This was published under the 2010 to 2015 Conservative and Liberal Democrat coalition government

Delivered on: 2 December 2014



Mr Speaker,

Four years ago, in the first Autumn Statement of this Parliament, I presented the accounts of an economy in crisis.

Today, in the last Autumn Statement of this Parliament, I present a forecast that shows the UK is the fastest growing of any major advanced economy in the world.

Back then, Britain was on the brink.

Today, against a difficult global backdrop, I can report:

- higher growth

- lower unemployment
- falling inflation
- and a deficit that is falling too

Today a deficit that is half what we inherited.

Mr Speaker, our long term economic plan is working.

Now Britain faces a choice.

Do we squander the economic security we have gained, go back to the disastrous decisions on spending and borrowing and welfare that got us into this mess?

Or do we finish the job – and go on building the secure economy that works for everyone.

I say: we stay the course.

We stay on course to prosperity.

Today we do not shy away from the problems that remain unresolved in the British economy.

While the deficit is falling, it remains too high.

So the measures I announce today are not a net giveaway but actually tighten the public finances a little.

I could have eased up on our determination to deal with our debts. I do not.

And while business investment is rising strongly, we know there is still much more to do on productivity.

So today we boost our skills, our exports, our science and our infrastructure.

While employment is at a record high, we must never give up on the task of finding work for all young people.

So today we move further towards full employment by supporting the businesses that create jobs and apprenticeships.

For decades our economy has been too unbalanced, so we do more now to build the Northern Powerhouse.

And today we back aspiration – the aspiration to save, to work and to own your own home.

It is in stark contrast to those who would hit people's pensions and jobs and homes with higher taxes.

That is an approach we entirely reject.

Instead we support people who want to work hard and get on.

And it is for their sakes that we resolve to stay on course to prosperity.

Economy forecast

Mr Speaker,

I now turn to the report from the Office for Budget Responsibility.

Let me again thank Robert Chote and his team for their hard work and for restoring integrity and independence to our country's economic forecasts.

Since the Budget, new international statistical standards have changed the assessment of the British economy in recent years.

We now know that:

- contrary to claims at the time, there was no recession in this Parliament. No double dip.
- we also know that the economy has grown faster than previously reported, up more than 8% over this Parliament – that's the third fastest of any major advanced economy since 2010;
- and we know too that growth has been more balanced. We were told business investment had risen by 4% over this Parliament. In fact, it has risen by 27%.

That's what we know about the recent past – let's turn to the future.

The warning lights are flashing over the global economy.

Japan is in recession, the Eurozone is stagnating, and the geopolitical risks are rising.

So the OBR have revised down their forecast for global growth this year and in every year.

And they note that the slowdown is particularly acute in our main export markets, such as Europe, where growth is a full 1% lower this year than previously forecast.

It makes it even more imperative that we connect British firms to the faster growing emerging economies of Asia, Africa and South America – and today I am

providing a £45m package to do that and provide new support to first time exporters.

As one of the most open, trading economies in the world, with a large financial sector, Britain cannot be immune to the risks in the global economy.

But nor are we powerless. Provided we go on working through our plan to put our own house in order.

That brings me to today's forecast.

In the Budget, I reported that the OBR had revised up their forecasts for growth this year.

A year ago, we expected GDP to grow by 2.4%. In March we expected 2.7%.

Today, the British economy is forecast to grow by 3%.

Over the last year we have grown 2 1/2 times faster than Germany; over 3 times faster than the Eurozone; and over 7 times faster than France.

Growth in the UK next year is forecast a little higher at 2.4%, with quarterly growth moderating as it returns to trend. Then 2.2% in 2016, 2.4% the year after, then 2.3% in 2018 and 2019.

And the growth we are now seeing is more balanced.

Manufacturing is growing faster than any other sector; and investment is set to be up 11% this year – growing faster in the UK than any other major advanced economy.

Employment

This balanced growth is creating jobs too – with a record number in work.

At the Budget, the OBR expected that over the last year employment would rise by 265,000.

Today, I can tell the House they double that number. Over the last year half a million new jobs have been created.

In March, they forecast that in the first three quarters of the year the number claiming unemployment benefit would fall by 7%.

Today, they say it actually fell by 23%.

And the number of young people on long term unemployment benefit has almost halved in the last year alone.

Unemployment is revised down in every year of the OBR forecast, falling from the 8% we inherited to 5.4% next year, before settling at 5.3%.

Mr Speaker,

On average, for every day the government has been in office, 1,000 new jobs have been created.

1,000 new opportunities for people. New economic security for 1,000 families every single day.

Britain's long term economic plan is working.

And in response to the caricature that some like to draw, that these jobs are being created only in London, that they are part time with women losing out, I say look at the facts:

How many of the jobs being created are full time? 85%.

Where are the jobs being created fastest right now? In Scotland and the North.

And what's happening to the gender pay gap? It's just fallen to its lowest level in the entire history of this country.

That's progressive politics in action.

Earnings

Mr Speaker, regular earnings growth is now faster than inflation.

For those in full time work for over a year, earnings grew 4% over the last year.

The compositional effect of many more people finding work, particularly young people, is weighing down on overall average earnings.

But the OBR today predict that "meaningful real wage growth" will pick up through next year and grow above inflation for the next 5 years.

Indeed, GDP per capita has grown faster on average in this Parliament than over the last 2 Parliaments combined.

Living standards are also supported by our robust monetary policy arrangements with the Bank of England.

Today, there is welcome news that the OBR have significantly revised down their forecast for inflation – it is expected to be down to 1.5% this year, 1.2% next year and 1.7% the year after, before it returns to target.

So we have lower inflation, lower unemployment and higher growth.

Public finances

Mr Speaker, that brings me to the forecasts for debt and deficit.

We discover today, the deficit is falling this year and every year.

And not only that, but in the final 4 years of the forecast, borrowing is actually lower than predicted in the Budget.

The Office for National Statistics have made revisions to the way the National Accounts are measured – and one of the advantages of having an independent OBR is that they have ensured the figures they present today are comparable on a like-for-like basis with the forecast they made at the Budget.

On this revised basis, the forecast at the Budget would have shown borrowing falling from the £150 billion we inherited,

to £99.3 billion last year,

£86.4 billion this year,

£68.3 billion next year,

then £41.5 billion, £15.8 billion, and then a small surplus of £3.7 billion in 2018-19.

That's the Budget forecast.

Today's forecast shows borrowing falling from £97.5 billion last year,

to £91.3 billion this year,

then £75.9 billion next year,

then £40.9 billion, £14.5 billion, and then a surplus of £4 billion in 2018-19.

So borrowing falls every year. It falls slightly less than expected in the first 2 years but then falls slightly more than expected in the 4 years after that.

So we end in a marginally stronger position than expected at the Budget.

And I can tell the House that by 2019-20 Britain is now predicted to have a surplus of £23 billion.

Out of the red and into the black for the first time in a generation - a country that inspires confidence around the world because it seeks to live within its means.

As a percentage of GDP, today the deficit is also forecast to fall this year, down by 0.6% of GDP.

Down from what the OBR describe today as “the post-war record deficit of 10.2% of GDP” in 2009-10.

To 5% this year.

The deficit no longer down by a third – but now cut in half.

It's still too high – but with our plan it falls again to 4% next year, then 2.1%, then 0.7% before we move into surpluses of 0.2% and 1% of GDP.

The structural deficit also falls and moves into surplus at the same pace over the next 5 years as forecast at the Budget.

We continue to meet the debt mandate a year late and the fiscal mandate 2 years early.

Again, because of the statistical revisions and the reclassification of Network Rail, the OBR have given us a like-for-like comparison on debt as a share of GDP.

On the new basis it is 80.4% this year.

Next year it peaks at 81.1% - half a percent lower than previously forecast at the Budget.

And it is then lower in every subsequent year, at: 80.7% in 2016-17,

78.8% the year after,

then 76.2%,

before reaching 72.8% in 2019-20.

Again, less than was forecast at the Budget.

So, Mr Speaker,

Borrowing is falling.

The deficit is down this year to half what we inherited.

Debt is falling in the same year predicted – and lower in every year thereafter.

A surplus that is higher and by the end of the period worth £23 billion pounds.

Britain back living within its means. Our long term economic plan on course.

Mr Speaker, the House will want to know why the public finance numbers are much better than some were predicting, even though tax receipts have deteriorated.

And the answer is, you cannot look at taxes alone. You have to look at spending too.

As has been widely reported, tax receipts have not been rising as quickly as the OBR had previously predicted.

By 2017-18 the OBR now forecast revenues will be £23 billion lower.

However that is more than offset by 3 things.

First, we're paying less in welfare and saving money on public service pensions because of lower inflation and more people in work. That saves £4 billion a year.

Second, the revisions to our national accounts have slightly increased the measured rate of spending cuts in this Parliament.

We have a choice – we can ease up, or we can continue with our plans.

Our policy of continuing the spending cuts in the first 2 full years of the next Parliament, at the same pace as we achieved in this Parliament, now produces £4 billion less spending.

Third - and crucially – the interest we pay on our national debt is £16 billion lower in that year. That is, by a large margin, the biggest saving and demonstrates the value of our fiscal credibility around the world.

Some have pointed to lower tax receipts and put forward policies for higher taxes.

I prefer lower tax receipts offset by lower debt interest payments.

That's what we see today.

Spending

Mr Speaker I do not hide from the House that in the coming years there are going to have to be very substantial savings in public spending.

Next week we will publish a new Charter for Budget Responsibility that will reinforce our commitment to finish the job in the next Parliament, and we will ask the House to vote on it in the New Year.

No Charter, valuable as it is, can be a substitute for the hard work of identifying real savings in the cost of government and then delivering them in practice. That is what we've done in this Parliament. That is what we'll have to do in the next.

The work starts with our spending plans for 2015-16, which save £13.6 billion. We have published the detailed and specific departmental proposals that will achieve them.

There will be two further years where decisions on this scale will be required. And as I've said before, we're going to have to go on controlling spending after those years if we want to have a surplus and keep it.

Of course, people are already saying it will be impossible to achieve these levels of savings.

We heard exactly the same thing in 2010 – often from exactly the same people.

In fact, we've come in under budget every year of this Parliament. This year I can confirm that we will be spending £10 billion less than set out in our original plans.

Now there are those who say we should cut even faster, and those who say we should cut more slowly.

But we've got the pace right – as clearly demonstrated by the fact that our economy is growing faster than almost any other.

And because of careful management, we can afford to put part of that underspend money into our National Health Service to cope with the pressures it faces.

£2 billion every year to the frontline of the NHS.

Not money that busts our plans, but extra money available because we have a plan.

And instead of returning the foreign exchange fines paid by the banks back to the City, are using that windfall for a £1.2 billion investment in GP services across the UK.

A down-payment on the NHS's own plan.

Providing definitively, for anyone in any doubt, that you cannot have a strong NHS without a strong economy.

And I can also tell the House we will help with the employment of carers who do so much – by extending the £2,000 Employment Allowance to include them.

We've shown in this Parliament that we can deliver spending reductions without damaging frontline public services if you're prepared to undertake reform.

Crime is down. Satisfaction with local government services is up.

Savings and reform.

We will do exactly the same again.

Continuing to reduce departmental spending in the first 2 years of the next Parliament would mean at least £15 billion off Whitehall budgets.

Our control of public sector pay these past 4 years has delivered £12 billion of savings. By continuing to restrain public sector pay we expect to deliver commensurate savings in the next Parliament until we have dealt with the deficit.

Today we are committing to complete the public service pension reforms proposed by Lord Hutton, bringing total savings of £1.3 billion a year.

Administration costs in Whitehall are already down 40% over this Parliament. Today my RHF the Minister for the Cabinet Office is publishing a plan for a further £10 billion of efficiencies.

I am also confident that in the next Parliament we can continue to crack down on tax avoidance, evasion and aggressive tax planning. Doing so at the same rate as in this Parliament would raise at least another £5 billion. Today I commit to deliver that.

And then there's the new welfare cap we've introduced to control the one sixth of public spending that was subject to no control at all.

The OBR today report that "the government is on track to meet the welfare cap commitment".

Today we undertake further steps to control benefit spending by freezing Universal Credit work allowances for a further year, cutting tax credits when overpayments are certain, and ending unemployment benefits for migrants with no prospect of work.

Total welfare spending is now set to be £1 billion a year lower than forecast at the Budget and will go on falling as a share of our GDP.

And as I've made clear I believe we need to freeze working age benefits for 2 years – saving billions more.

Decisions to control public spending are never easy. But the impact on people's lives when economic stability is lost is far, far greater. And I've always believed we should be straight about what's required to restore stability and what's then required to stay on course.

EU

Mr Speaker, our task is made easier by the deal we secured for this country when we got the European Union budget cut.

Some people claimed that our payments to the European Union would go up this year.

Instead I can confirm that the OBR's forecast today shows Britain's net payments to the EU falling by around £1 billion for this year and next year – and falling in real terms over the next 5 years.

That is the dividend we receive thanks to a Prime Minister who fights hard for our national financial interest in Brussels.

Military etc

Another bill that has gone down is the cost of our overseas military operations.

The end of our operations in Afghanistan allows us to save an additional £200 million this year from the special military reserve.

I salute the brave men and women of our armed services who for more than a decade have risked their lives for our security in Iraq and Afghanistan.

Even as we speak, they are tackling the horrific Ebola virus in West Africa – a fight that reminds us all of the value of Britain's commitment to 0.7% in development aid.

Today I am extending our inheritance tax exemption to cover our aid workers who lose their lives in dealing with humanitarian emergencies.

LIBOR fines will continue to support our military and emergency service charities with support for our armed services benevolent charities, the Ghurkhas, and £10 million for veterans with hearing problems.

We'll make sure the First World War continues to be properly commemorated.

And this morning I announced we will repay the entire outstanding national debt incurred to fight the First World War.

We will extend the Cathedral Renovation Fund to cover repairs to our country's churches.

And thanks to the brilliant campaigns run by my HFs for Filton, Bristol North West, and others, we will use LIBOR money for new helicopters for the Great Western Air Ambulance, and the Kent, Surrey and Sussex Air Ambulance too.

And I will go further and refund VAT for our search and rescue, and air ambulance organisations across the whole UK.

Our hospice charities also make an enormous contribution to our communities.

They have long been subject to unfair rules that force them to pay VAT, when the NHS does not.

I am today refunding the VAT that these hospice charities incur.

Tax avoidance

I turn now from those who have paid too much tax to some of those who have paid too little.

First, we will make sure that big multinational businesses pay their fair share.

Some of the largest companies in the world, including those in the tech sector, use elaborate structures to avoid paying taxes.

Today I am introducing a 25% tax on profits generated by multinationals from economic activity here in the UK which they then artificially shift out of the country.

That's not fair to other British firms. It's not fair to the British people either.

Today we're putting a stop to it.

My message is consistent and clear. Low taxes; but taxes that will be paid.

Britain has led the world on this agenda. And we do so again today.

This new Diverted Profits Tax will raise over £1 billion over the next 5 years.

Second, I am taking action today to make sure our banks pay their fair share too.

Under the rules we inherited banks can offset all their losses from the financial crisis against tax on profits for years to come.

Some banks wouldn't be paying tax for 15 or 20 years.

That's totally unacceptable. The banks got public support in the crisis and they should now support the public in the recovery.

I am today limiting the amount of profit in established banks that can be offset by losses carried forward to 50% and delaying relief on bad debts. Together that means banks will contribute almost £4 billion more in tax over the next 5 years.

We will also put in place internationally recognised measures on hybrids and reporting of tax by country.

That's multinationals and banks paying their fair share.

So should people aggressively trying to avoid tax. That's the third step.

I am taking measures to prevent:

- the disguising of fee income by investment managers;
- the avoidance of tax through special purpose share schemes, miscellaneous losses and payments of benefits in lieu of salary;
- the avoidance of stamp duty on takeovers;
- and unfair benefits from the transfer of some intangible assets on incorporation.

These measures and others set out in the document raise £2.8 billion.

We are also consulting on other measures including the use of so called 'umbrella companies' to deprive people of basic employment rights like the minimum wage and avoid tax.

Fourth, I want to preserve the non-dom status that makes our country attractive, but I want them to pay a fair contribution while having certainty about their future arrangements.

In the next Parliament the £30,000 annual charge will remain unchanged; those who have been here for 12 of the last 14 years will see their payment rise to £60,000; and I am introducing a new £90,000 charge for those resident in this country for 17 of the past 20 years.

And to tackle the continued use of enveloped properties to avoid stamp duty, I am increasing the new annual charge by 50% above inflation on properties worth over £2 million.

All of these tax measures I've announced amount to £9 billion over the next five years.

And the distributional analysis the Treasury publishes today shows that the decisions across this Parliament mean the rich are making the biggest contribution to deficit reduction.

In fact, the net contribution of the richest 20% will be larger than the remaining 80% put together – proving we are all in this together.

Business

Mr Speaker,

We will make further reductions in government spending and welfare; we will make sure taxes are paid.

But ultimately, our future living standards depend on Britain earning its way in the world. So we must increase our productivity.

Today we take steps to back business, support science, and invest in infrastructure.

The government has succeeded in making Britain the most entrepreneurial economy in Europe.

And today we want to go further.

To make sure our growing smaller businesses have access to credit we will expand the British Business Bank, act to encourage peer-to-peer lending.

And, with the Governor of the Bank of England, I am extending the Funding for Lending scheme by a further year – and focussing it exclusively on smaller firms.

We'll strengthen Entrepreneurs' Relief and the Social Investment Tax Relief.

We'll accept almost all the recommendations of the Office of Tax Simplification to reduce the administrative burden on firms – and I thank them for their work.

Our tax breaks have ushered in a golden age for Britain's creative industries.

Today we will extend our new theatre tax break to orchestras.

And we will help one area of television production that has been in decline, with a new children's television credit alongside our new animation credit.

Mr Speaker, we also want to help British businesses do more research and development – this is crucial to our productivity.

Today I am increasing the R&D tax credit for small and medium companies to 230% and the credit for large firms to 11%.

The government has repeatedly helped small businesses deal with the burden of business rates. We do so again today.

We will double Small Business Rate Relief for yet another year.

It benefits half a million firms, means a third of a million firms pay no rates and we'll continue to fund it.

I will also continue to cap the inflation-linked increase in business rates at 2%.

And I am announcing a full review of the structure of business rates, and I urge business groups to engage with us.

Last year to help our high street shops, pubs and cafes, I introduced a new £1,000 discount on their rates.

With the brilliant Small Business Saturday this weekend, I am increasing that help for the high street by 50% to £1,500 next year.

Oil

Mr Speaker, the fall in the global oil price has meant a welcome boost to much of the British economy and to families.

There is record investment this year in the North Sea, but the lower oil price clearly presents a challenge to this vital industry.

My RHF the Chief Secretary will set out our full proposals in Aberdeen tomorrow.

But I can tell the House today that we will go ahead with an immediate reduction in the rate of the Supplementary Charge from 32% to 30%.

We will expand the ring fenced expenditure supplement from 6 to 10 years.

And we are introducing with immediate effect a new cluster area allowance.

This demonstrates our commitment to the tens of thousands of jobs that depend on this great British industry.

But despite falling fuel prices let me make this clear: we've cut fuel duty and we will keep it frozen.

With my HF for Harlow sitting right behind me, I wouldn't dare do anything else.

And just as we demand that falls in oil prices should be passed on to people at the pumps, other fuel price surcharges should also come down.

We're going to require airlines to list the charges separately from taxes on tickets.

But I also want to reduce the cost of those tickets for families directly.

From the 1st May next year, Air Passenger Duty for children under 12 will be abolished.

And I'll go further than he asked. From the following year, we'll get rid of APD for children under 16 altogether.

Infrastructure

Improving productivity for all businesses also demands a major investment in our nation's infrastructure.

This week we've set out plans for the biggest road building programme for a generation.

We've committed billions to our flood defences. And today expand tax relief on business investment in those flood defences too.

It's all brought together in the National Infrastructure Plan – that is now helping our country attract more investment from around the world than any other country in Europe.

Mr Speaker,

Britain is raising its ambition.

Science

And nowhere is that clearer than in our commitment to science.

It is a personal priority of mine. Scientific advance is a human endeavour worthy of support in its own right. It is also crucial to our economic future.

In 2010, the UK was ranked fourteenth in the Global Innovation Index. Today we are ranked second.

But we aim to be the best.

A year ago, I abolished the arbitrary cap on the total number of undergraduates at our universities. Today, I am going to revolutionise the support for our post-graduate students too.

Until now there has been almost no financial support available, and the upfront costs of postgraduate degrees deters bright students from poorer backgrounds.

So today, across all disciplines, we will make government-backed student loans of up to £10,000 available, for the first time ever, to all young people undertaking post-grad masters degrees.

The next step is the allocation of the £6 billion on the biggest ever sustained programme of investment in the research facilities of our scientific community.

This includes money for major new scientific challenges from the search for advanced materials, to the ground-breaking work on ageing, to the exploration of the universe.

The Rosetta mission to the Comet captured the nation's imagination.

I can tell the House that yesterday Britain was awarded the lead role in the next international effort to explore the planet of Mars.

Northern Powerhouse

Mr Speaker, many of the new science investments will be made in the north of England.

For one of the great challenges of this country is to create a more balanced national economy – a challenge that has eluded governments for generations.

Our ambition is to build a northern powerhouse as a complement to the strength of our capital city, where we bring together our great cities of the North.

Since I set out that ambition less than 6 months ago we have proposed, reported on, and given the green light to the concept of High Speed 3.

This week we commit billions of pounds to other road and rail improvements across the whole of the North of England.

And I can confirm today that we will tender for new franchises for Northern Rail and the Trans-Pennine Express – replacing the ancient and unpopular pacer carriages with new and modern trains.

When I set out the ingredients of a Northern Powerhouse, I promised to do this. Today I can deliver.

A few months ago there were no proposals for major new scientific institutions in the North of England.

Today we commit to a massive, quarter of a billion investment in a new Sir Henry Royce Institute for advanced material science in Manchester, with branches in Leeds, Liverpool and Sheffield.

And we back the brilliant work on ageing being conducted at Newcastle University and big data computing at Hartree.

We're also committing to the industry of the North with investment in new high value manufacturing research.

We're supporting new academy schools too.

And we're announcing a new Sovereign Wealth Fund for the North of England so that the shale gas resources of the North are used to invest in the future of the North.

The cultural life of the North will get a boost too, including a major new theatre space in Manchester. Manchester City Council propose to call it The Factory Manchester. Anyone who's a child of the 80s will think that's a great idea.

And Mr Speaker, six months ago people would have said it was completely impossible to get the 10 local authorities of Greater Manchester to come together with the government to agree a major devolution of power to the city and the creation of a new directly elected Mayor.

We've delivered in Manchester and my door is open to other cities who want to follow their cross-party lead.

I said I'd put the Northern Powerhouse at the heart of this Autumn Statement, and with billions of investment in science, transport and new civic power in our great northern cities, that's exactly what we've done.

We show today what can be achieved if you have the determination and ambition to deliver a truly national recovery.

Devolution

Mr Speaker, we will also respect and fully implement the devolution settlements across the nations of our United Kingdom.

Today I announce that we recognise the strongly held arguments for devolving corporation tax setting powers to Northern Ireland.

The Treasury believes it can be implemented provided the Northern Ireland Executive can show that it is able to manage the financial implications.

The current talks will see if that's the case. And if it is, the government will introduce legislation in this Parliament.

In Wales, we are working towards a cross-party agreement on further powers for next March.

I confirm today that we have reached agreement with the Welsh government on the full devolution of business rates. This is a great opportunity to grow the Welsh economy.

The government last week supported the proposals of Lord Smith's Commission on Scotland.

These will lead to the devolution of income tax rates and thresholds and ensure the Scottish government is responsible not just for spending money but for raising the taxes to pay for it.

We will publish the draft clauses in the New Year.

The sheer scale of the devolution to Scotland now makes the case for English Votes for English Laws unanswerable.

Aspiration

Mr Speaker, to improve the productivity of our economy, we back business and we build infrastructure and we will support growth across the whole UK.

But in the end, Britain's future lies in the hands of its people and their aspirations.

The aspiration to save, to work, and to buy a home.

Today we support each one.

First, saving.

From next April, we will trust people with control over their own pensions.

In this Autumn Statement, I confirm that the 55% death tax that currently applies when you pass an unused pension pot on to your loved ones will be abolished.

People will be able to pass on their pensions to their loved ones tax free.

I can also tell the House today that we will ensure that people who die before the age of 75 with a joint life or guaranteed term annuity can pass that on tax free too.

And next week we will publish the market leading rates on our new 65 plus pensioner bonds, which will be available from January.

Our £15,000 New ISAs are hugely popular with savers too.

Next April, we will increase the limit to £15,240.

But, Mr Speaker, we will do something more.

At the moment, when someone dies, the savings in their ISA lose their tax-free status and their spouse starts paying tax on that money.

From today, I can announce that when someone dies, their husband or wife will be able to inherit their ISA and keep its tax free status.

Pass on your ISA tax free.

Pass on your pension tax free.

We are delivering fairness for savers.

And we're delivering fairness for those who aspire to work too.

The number of young people on unemployment benefits has halved. Our goal is to abolish youth unemployment altogether.

To support businesses who take young people on we are already, from next April, abolishing national insurance contributions for employing anyone under the age of 21.

Today, I can go further.

Since 2010, almost 2 million people have taken up an apprenticeship.

The Prime Minister has set this country an ambition of 3 million apprentices in the next Parliament.

So we back the businesses who employ apprentices, especially young apprentices under the age of 25.

At the moment we charge National Insurance on businesses who employ apprentices.

Today I can announce that the jobs tax on young apprentices will be abolished altogether.

When a business is giving a young person a chance in life we're going to support them not tax them.

We also back people of all ages in work.

That is why the government has raised the tax-free personal allowance to £10,000.

Next year, the tax-free Personal Allowance, which was set to rise to £10,500, will rise instead to £10,600.

So that's a total wage boost for working people of £825 a year.

It means three and a half million of the lowest paid will now be taken out of tax altogether.

I just wanted to flag that up.

It is the first step to the new goal we have set of raising the personal allowance to £12,500 – so that people working full time on the minimum wage pay no tax at all.

Today I can also announce that, unlike previous increases in the personal allowance threshold, this increase will be passed on in full to higher rate taxpayers paying 40% tax.

So the higher rate threshold goes from £41,865 this year to £42,385 next year.

That is the first increase in the higher threshold in line with inflation for 5 years.

This year's increase means 138,000 fewer people will pay the higher rate than would otherwise be the case.

And it is a down-payment on our commitment to raise the higher rate threshold to £50,000 by the end of the decade.

Mr Speaker,

There are those who have said it was impossible to control public spending, improve public services, reduce the deficit and still cut income taxes for hard working families on low and middle incomes.

Today we have settled that argument: it is possible and we're doing it.

Provided you have a long term economic plan you hold to.

Mr Speaker, I turn to my final measure.

As well as the aspiration to work and to save, there is the aspiration to own your own home.

Today I am announcing a complete reform of a tax that has been described as one of our worst-designed and most damaging of all taxes.

Stamp duty is charged at a single slab rate on the whole purchase price of a home. It means big jumps in tax when house values tip into a new band.

The distortions can be particularly damaging at the lower end.

If you buy a property worth £250,000, you pay £2,500 in tax.

Buy a house worth just one pound more and you pay over £7,500, three times as much.

And in recent years the burden of stamp duty has increased on low and middle income families trying to buy a new home, as prices have risen.

This makes it even more difficult to get together the cash deposits buyers need.

It's time we fundamentally changed this badly-designed tax on aspiration.

So I am today abolishing the residential slab system altogether. In future each rate will only apply to the part of the property price that falls within that band – like income tax.

Here are the new marginal rates.

You will pay no tax on the first £125,000 paid.

Then 2% on the portion up to £250,000.

Then 5% up to £925,000.

Then 10% up to £1.5 million.

Then 12% on everything over that.

As a result stamp duty will be cut for the 98% of homebuyers who pay it.

If you buy an averagely priced home of £275,000, you will pay £4,500 less in tax.

The average home in London will see a similar reduction.

As I say, 98% pay less – and the whole reform represents a tax cut of £800 million per year. Only homes that cost just over £937,000 will see their stamp duty bill go up under this system – gradually to start with, rising to more substantial sums for the most expensive homes.

A £5 million pound house will see its stamp duty rise from £350,000 to £514,000 – but of course, this is a charge that is only paid once, when the property is bought.

I can tell the House that these changes to stamp duty become effective from midnight tonight.

Anyone who has exchanged contracts but not completed by midnight will be able to choose whether to pay under the old system or the new, so no one in the middle of moving house will lose out.

The changes will apply in Scotland until the Scottish government's new regime comes into effect next April.

At the end of this statement I will move a motion to introduce this. There will be a debate tomorrow. And legislation will follow.

Mr Speaker, there has been a debate in this country about taxing houses.

The system I introduce today replaces a badly designed system that has distorted our housing market for decades.

It reduces the stamp taxes for 98% of people who pay them in this country.

It increases the taxes on the most expensive 2% of homes, but only asks people to pay that tax when they buy the house and they have the money.

And it does not involve a revaluation of hundreds of thousands of homes in this country.

Today I'm cutting stamp duty for millions of homebuyers in this country.

98% will be better off.

It is a fair, workable, lasting reform to the taxation of housing.

Conclusion

Mr Speaker,

Four and a half years ago our economy was in crisis.

People questioned whether Britain could remain among the front rank economic nations of the world.

But we set a course to restore stability, get on top of our debts and show Britain was not going to be counted out.

Through the storm we have stayed the course.

Now Britain is on course for surplus.

On course for lower taxes.

On course for more jobs.

On course for higher growth.

On course for a truly national recovery.

A long term economic plan, on course to prosperity.

Published 3 December 2014

<https://www.gov.uk/government/speeches/chancellor-george-osbornes-autumn-statement-2014-speech>