



David Watt, Executive Director of the Institute of Directors (IoD) Scotland submitted the following comment to The Scotsman's Budget Special (23rd June 2010)

So, did George Osborne's inaugural budget live up to the pre-match billing of "firm but fair? Well, broadly yes, with the new Chancellor delivering pretty much what was expected - despite some measures being more welcome than others.

As is the case with budgets, the devil tends to be in detail, with the bigger picture - and what it will all inevitably mean for Scottish business - emerging in the weeks and months ahead. What is clear however, is that this budget shows the coalition government mean business in tackling our damaging deficit, while at the same time, also recognising the crucial aspect of building economic growth as a key aspect of solving our economic woes.

The rise in VAT to 20 per cent was expected and given it won't kick in until next year, people at least will have time to plan for it. Moreover, even with a 2.5 percentage rise it's still comparable with other countries in Europe. The hike in Capital Gains Tax (CGT) however, is more regrettable, although, on balance, not as bad as an increase in line with the rates of income tax would have been.

Elsewhere, the reduction of small business taxes and the package to neutralise the damaging effect of the national insurance increase - through upping the level of income at which employers contributions start to be payable and in the personal allowance - are sensible as an effective means of generating growth across the economy.

We also welcome the Government's commitment to long-term reform of the corporation tax system; likewise on the decision to consult regarding taxation of foreign profits and intellectual property. It will however, be vitally important to consult on all the proposals issued in yesterday's announcement, so as to ensure the package really is business-friendly and sustainable.

The decision to review the restriction on pension contributions is also to be commended, especially given the move to replace the impossibly complex regime created by the previous government with a simple limit on annual contributions. Equally, the prioritisation of capital spending for projects which bring economic benefit is positive, although the total spend is set to half over the next three years.

As regards, specific spending measures, the IoD recognise the need for bold action to freeze public sector pay for two years and welcome the urgency to fast-track public sector pension reform. We're also behind the proposed slow-down in the growth of welfare spending, and want to see further radical structural reform of the system.

For Scotland specifically, again, the full detail remains to be seen; however, the decision not to increase duty on whisky is welcome, as is the promise to consult on air transport taxes, given they fall more heavily on Scottish businesses competing in a global market.

Finally, the move to review the use of the fossil fuel levy is disappointing as our renewables industry need the money now; as is the decision to scrap tax relief for the video games industry.

As the old adage runs, you can't please all the people all the time. However, on balance this budget at least signals a strong intent to get our economy firmly back on track.