

Chancellor of Exchequer's Budget statement

Today's Budget is a Budget for Britain to succeed in the new economy and lead in the new century: a Budget that builds on a strong foundation of economic stability, advances a modern framework of efficient public services and encourages a dynamic Britain of enterprise and fairness.

With this, the last Budget of the 20th Century, we also leave behind the century-long sterile conflicts between governments of the left that have too often undervalued enterprise and wealth creation - and governments of the right too often indifferent to public services and fairness.

In contrast this is a Budget built on the central idea that our future depends on enterprise and fairness together.

The more enterprising Britain is, the more wealth we create, the higher our standard of public services and our standard of living can be - not just for the few but for all of us.

The fairer Britain is, the more open Britain is to the talents of all, from whatever class or background, the more enterprising and prosperous all of Britain will be.

Because enterprise and fairness are founded on securing sound economic fundamentals, this Budget locks in monetary and fiscal stability for the long term.

Because enterprise and fairness depend on modern public services, we are not only providing the 40 billion pounds extra we promised to health and education but today I will announce more money and more capital investment in schools, hospitals, transport and fighting crime.

And this Budget implements far-reaching tax reform that will deliver a better deal for enterprise, a better deal for families, a better deal for work.

Because for too long the tax system has undervalued entrepreneurship and investment, we will cut taxes on enterprise. And we will champion the needs of small business and introduce a new competition policy and a new computer strategy for Britain.

Because for too long the tax system has undervalued the family, failing to reward those who take on the most important responsibility of all - bringing up children - we will cut taxes for families, helping parents when they need help most.

To recognise the contribution to our country of our senior citizens, this Budget will increase the income of all our pensioners.

And because for too long governments have taken too much in taxes from people who work hard but are not wealthy, this Budget now reforms tax and benefits and delivers tax cuts that reward work and make work pay for everyone in Britain.

So in a better deal for Britain that puts work, enterprise and families first, this Budget will cut tax rates and at the same time boost public investment - and it will do both at the right time for the British economy.

Stability

Two years ago Britain faced the threat of rapidly rising inflation.

So our first priority, and our continuing obligation, has been and is to build a solid foundation of economic stability.

We took decisive action in 1997 and 1998, and as a result inflation is under control and for the last seven months has been at or around 2.5 per cent.

In the 1980s inflation went as high as 21 per cent. Our forecast is for inflation of 2 1/2 per cent this year, next year and the year after. For the first time in our generation, Britain can look forward to sustained low inflation.

In our first week in government, we made the Bank of England independent, freeing monetary policy from the politically-driven control that in the last economic cycle led to 15 per cent interest rates for an entire year and interest rates at 10 per cent or over for four years.

Now, because together we are steering a course of stability, long term interest rates have come down from over 7 per cent in May 1997 to 4 1/2 per cent - our lowest long term interest rates in over 40 years.

And, after five interest rate cuts in five months, saving the typical homeowner around 900 pounds a year on their mortgage, Britain now has the lowest mortgage rates in 33 years.

All of this has happened against a background of great uncertainties in the global economy. One quarter of the world is now in recession. World growth has been cut in half. World export growth has fallen even faster. And, as a result of failures in many of East Asia's economies, our exports to them have fallen by 50 per cent or more.

And this year, as trade imbalances worsen, and threats of protectionism grow, it will be even more important to hold to our course of stability.

Britain, with other G7 nations, has rightly assumed a leadership role to address the root causes and contain the spread of future global crises.

The storms may come again. But because of what we have done, our economy is now better prepared to weather them.

With public investment set to rise and interest rates coming down, both at precisely the right time in the economic cycle, Britain's fiscal and monetary policies - often at odds in previous economic cycles - are now working together to promote growth with low inflation.

I can confirm our growth estimate for 1999 of 1 per cent to 1 1/2 per cent, which is what I told the House in November, followed by stronger growth - in 2000 of 2 1/4 to 2 3/4 per cent and then in 2001 of 2 3/4 to 3 1/4 per cent.

Despite world conditions, more men and women are in jobs than at any time in our history, and unemployment in the last year has been at its lowest rate for 20 years. Since May 1997, youth unemployment has fallen by 57 per cent, and long term unemployment has been cut in half.

And because more lone parents are now in work, the numbers claiming out of work benefit - rising for 30 years, over one million when we took office - have now fallen by nearly 100,000.

As we entered office we inherited a budget deficit of 28 billion pounds.

We said in our manifesto we would work within the existing spending plans for our first two years.

In our first year the deficit was reduced by 19 billion pounds.

In my Budget last year, I promised we would reduce the deficit further.

As a result of our prudence, our first two years' spending is 2 billion pounds lower than the spending plans we inherited.

This year, the Budget will be in surplus. The current surplus this year is forecast to be 4 billion pounds. And public sector net borrowing will be in surplus by one billion pounds - in contrast to the 28 billion pounds deficit we inherited.

I am determined to continue locking in this fiscal tightening for the years to come so that we continue to meet our fiscal rules and so deliver sound public finances.

I have had to offset the impact of slower world growth on our corporate tax revenues, and lower indirect tax revenues.

But, as a result of sound economic management, debt interest payments next year have been cut by 2 1/2 billion pounds from their previous forecast, and in total by 4 billion pounds over the next three years.

Because less of our social security budget is being wasted on paying for past failures in employment policy, social security spending as a whole has not been rising as in previous years. And over the next three years social security spending including unemployment - even after adjusting for the economic cycle - is set to be significantly lower than previously forecast, freeing resources for new help for families and pensioners.

At the time of the Comprehensive Spending Review there were those who said we could not afford the 40 billion pounds for new investment in health and education and still meet our fiscal rules.

I can report that the entire 40 billion pounds investment in health and in education will be fully delivered and will be delivered fully within our fiscal rules.

Not only that, but still meeting the test of fiscal prudence I will today allocate from our Capital Modernisation Fund even more investment for hospitals and schools.

And still meeting the test of fiscal prudence, I will be able to afford tax cuts to reward work, encourage enterprise and strengthen the family.

Even after all the measures in today's Budget, next year's current surplus is expected to be one billion pounds higher than previously forecast - and one billion pounds more in 2000-2001. For the coming five years the current surpluses are forecast to be successively - 2 billion, 4, 8, 9 and 11 billion pounds.

In line with our golden rule, even under our most cautious assumptions, we are balancing the current budget over the economic cycle. And for the first time in a generation we are eliminating the current structural deficit.

We are also meeting the second fiscal rule, that of sustainable investment, a prudent ratio of debt to national income.

Debt as a proportion of national income has already fallen from the 44 per cent we inherited to under 41 per cent this year, and it will fall below 40 per cent to 39 1/2 per cent next year, then to 38, then to 37 per cent in 2001-2002.

Britain's fiscal position is not only sound today but on the soundest possible footing for the future.

For the coming five years, the estimated current Budget surplus totals plus 34 billion pounds - in contrast with the last Government's deficit over the last economic cycle of minus 149 billion pounds and the last Government's doubling of the national debt.

So, as we cut debt payments and the bills of economic failure, I will further lock in the fiscal tightening we have achieved over the last two years, I will continue to meet our fiscal rules, and I am also able, with my Budget measures today, to boost purchasing power over the next three years by 6 billion pounds at exactly the right time for the economy.

Even after these measures take effect, public sector net borrowing will be lower than previously forecast in each of the next three years - at 3 billion pounds in the coming year, and then 3, 1, 3 and 4 in the years after.

And for those who take a special interest in European issues - in particular the Maastricht Treaty- I can confirm that Britain is well within the Maastricht criteria.

I have often told this House that our prudence is for a purpose.

And so I am now able to announce a new boost to purchasing power of 6 billion pounds over the next three years as a result of my Budget measures:

net tax cuts of 4 billion pounds targeted to working families;

and on top of that, for families and public spending, more than 2 billion pounds of additional public investments.

And I will also today announce major allocations from our 2.5 billion pounds Capital Modernisation Fund, adding more resources to the extra 40 billion pounds we have already committed to invest in health and education over the next three years.

Let me turn to the details of my measures beginning with the tax and other reforms that deliver a better deal for enterprise.

Enterprise

To those who argue that getting interest rates and inflation down is enough, I say that stability is the essential foundation but it is only the foundation. We must build on that foundation a modern knowledge based economy.

Britain must make a quantum leap in skills, innovation, competition, information technology and small business.

So today, we bring forward seven major reforms for a new enterprise economy open to all.

First, tax cuts for business.

So that more businesses - large and small - will invest, grow and prosper, so that the many and not just the few will have the chance of starting businesses, we today cut business taxes, and introduce a special enterprise management incentive scheme to reward the risk takers.

When we came into Government, corporation tax for companies was 33 per cent.

Today it is 31 per cent.

I confirm that from April 1st we will further reduce the main rate of corporation tax from 31p to 30p, the lowest rate in the history of British corporation tax, the lowest rate of any major country in Europe and the lowest rate of any major industrialised country anywhere, including Japan and the United States.

When we came into Government, small companies tax was 23p.

In my first Budget, to encourage enterprise and investment, we reduced it to 21p, backdated to April 1997.

From April this year the rate will be 20p.

350,000 companies will benefit.

But I want to do more by creating an even lower rate that will give new incentives for men and women to start their own business and work their way up.

I believe the whole House will want to welcome what I announce today - a new starting tax rate for small business of 10p in the pound. Every company making profits up to 50,000 pounds will benefit.

The legislation will ensure that the beneficiaries are genuinely those who take risks. And 85 per cent of the firms gaining from the new 10p tax rate have fewer than 10 employees - the very firms we most want to see grow, the very firms whose growth will create the greatest number of new jobs.

This is the lowest starting rate for small businesses in the entire history of UK corporation tax.

Where we inherited business tax rates of 33p and 23p, the rates will now be 30, 20 and 10, and I give to all companies - large and small - an assurance not just for a year but for the rest of this Parliament:

there will be no return to the higher tax rates of the previous Parliament. For the life of this Parliament the rates will be 30, 20 and 10 - or lower.

We will not only cut the tax rate but also cut the cost of investing.

I am particularly keen to strengthen the ability of manufacturing industry to invest in new equipment and new technology with targeted tax advantages for doing so. I recognise the difficulties faced by manufacturing as a result of global instability and the strong pound.

And so I will set aside an additional 325 million pounds to allow small and medium sized companies to write off 40 per cent of all they invest in the coming year.

In other areas I am extending the tax allowance for new films made in Britain. And the shipping industry has put to me the case for enhanced training incentives and for a lower rate ring-fenced tonnage tax. While I am attracted to these options I have to be satisfied that

lower tax rates will not become a vehicle for tax avoidance and I am grateful to Lord Alexander of Weedon for agreeing to conduct an independent study of the national and international tax issues involved.

Second, I propose a tax reform that will reward risk and stimulate new enterprise at the cutting edge of technology.

I want to recruit, motivate and reward Britain's risk-takers, the innovators capable of creating wealth and jobs in the Britain of tomorrow.

In the past, share option schemes, subsidised by the taxpayer, have rewarded those already at the top whose risks are low and rewards already high - such as utility chief executives often operating in a monopoly environment.

Tomorrow I will publish details of a very different kind of targeted tax cut for those who are prepared to move from secure jobs and venture their time and effort to create wealth for our country. The new enterprise management incentive will allow the award of equity worth up to 100,000 pounds for success in building up the new path-breaking companies our economy needs.

Our capital gains tax reforms reward committed long term investment.

For the first time, Britain now has a long term rate of only 10 per cent.

I now announce the level at which capital gains tax will begin. There is no requirement for me to raise the threshold. But I have decided to do so.

For all individuals, from April, the first 7,100 pounds will be free of capital gains tax. This measure will exempt 10,000 more people from capital gains tax altogether. Britain now has the lowest long term rate of capital gains tax with the most generous threshold in its history.

I now turn to the rate and threshold for inheritance tax.

The rate will be unchanged and fewer people will pay the tax as I raise the threshold by 8,000 pounds to 231,000 pounds.

97 per cent of estates will now be exempt from tax.

Third, targeted tax cuts and public investment to put Britain and British enterprise at the forefront of innovation.

I propose a new R&D tax credit which will give new business and small business - the biggest source of innovative ideas - cash help to research and develop their innovations even before they make their first profits.

At a cost of 150 million pounds a year, this targeted tax cut will underwrite almost one third of research and development costs for small business. Britain now has one of the best incentives for innovation anywhere in the industrialised world.

Scientific innovation is a prime catalyst of growth. And I want a winner's circle of innovation - inventions in Britain, that are then developed in Britain and manufactured in Britain, creating growth and jobs in Britain.

The seedbed is basic science. I can announce a 100 million pound new investment in university science laboratories and equipment, part of our one billion pounds upgrading of British science.

To transform British inventions into British-made products, I propose a 30 per cent increase to 65 million pounds in the budget of our University Challenge Fund. To encourage large companies to invest venture capital in innovative small companies we will tomorrow publish proposals for a new corporate tax incentive. To ensure the necessary flow of finance to high-risk companies, I am allocating 20 million pounds for start-up funding for high tech venture capital funds for England, Scotland, Wales and Northern Ireland.

Fourth, a new competition policy for Britain.

The sharpest spur to enterprise, the ingredient too often missing in our country today, is competition.

The productivity review has concluded that competition is not only the best stimulus for innovation and efficiency but the best prospect for a better deal for consumers. And it is time for more competition and lower prices in basic essentials like the utilities, financial services, indeed the whole range of consumer goods, where too often British people are paying far more than they should for what they need to buy.

It is wholly unacceptable that consumer goods can still cost up to twice as much in Britain as in America.

In 1997, so that interest rate decisions would be set for the long-term needs of the economy, the Government made the Bank of England - Britain's monetary authority - independent. Tomorrow so that competition will be encouraged for the long-term needs of the economy and consumers, the Secretary of State for Trade and Industry plans to set out a new competition policy for Britain.

With the setting aside of 20 per cent extra resources, the Office of Fair Trading will now be charged with a pro-active remit to root out cartels and restrictive behaviour. Obstructing investigations will be a criminal offence.

Wherever there is monopoly power we will open the way to competition and new entrants.

The Deputy Prime Minister will review competition in airports and in the water industry, starting with industrial and commercial consumers.

The Financial Services Authority will now publish league tables of costs and charges in savings, insurance and pension products, to guarantee a better deal for consumers and to avoid the mis-selling of the past. To help homeowners, all building societies and banks will, for the first time, be obliged to publish reliable price information on mortgages.

Britain will have the most open competition policy the country has seen.

Fifth, to match our small business tax cuts with a new champion for small business in government, we will simplify help for small businesses and establish, for the first time in our country, a single Small Business Service, devoted entirely to the needs of small business.

This one-stop, open-door service - the Small Business Service - will have new resources to offer loan guarantees, support innovation, advise on electronic commerce and deliver, for the first time, an automated payroll service to help new small companies starting out.

Small businesses who file their tax returns electronically will be offered a discount.

Sixth, to open Britain's economy to the enterprise of all, we propose employee shares for all.

Britain can and must become a democracy of enterprise, that gives all who create wealth a greater stake in the wealth they create.

Under our new programme of shares for all, employees will be able, for the first time, to buy shares in their own companies from their pre-tax income. Every employer will be able to match, tax-free, what each employee buys.

This will be the most tax-advantaged all-employee share ownership scheme Britain has ever had.

Our only stipulation is that it really must be shares for all - offered across the company's entire workforce.

Our seventh measure for enterprise.

New targeted tax cuts and public investment to equip all our companies and all our people for the newest and most decisive economic challenge of the 21st century - mastering information technologies, from the PC to the internet, from e-mail to e-commerce.

This industry is the great driver of world economic growth today.

And Britain can no longer afford to lag behind America.

So today, we allocate an additional half a billion pounds from our Capital Modernisation Fund to launch a 1.7 billion pound computers for all initiative, a nationwide effort enlisting schools, colleges and companies, public and private sectors across the board to make Britain a leader in the information economy.

Our target is a national network of 1,000 computer learning centres, one for every community in Britain. They will be in schools, colleges, libraries, in internet cafes and on the High Street.

A whole new network of computer learning with one purpose only, that the whole of Britain is equipped for the information age.

Our targets for the new economy are ambitious.

Within three years, one million small businesses able to benefit from e-commerce.

32,000 schools connected to the internet, with 370,000 teachers computer-trained.

New help worth 20 million pounds making it possible for more teachers to have computers for home use.

Inequality in computer learning today will mean inequality in earning power tomorrow. So to bring more computers into more British homes, we will legislate so that employees will be able to borrow computers from their companies as a tax-free benefit.

Anyone left out of the new knowledge revolution will be left behind in the new knowledge economy. So we will pioneer a system under which local partnerships will be able to loan

computers and software in the new century the way local libraries have loaned books in the last century.

In the new economy the more individual talent we nurture the more economic growth we will achieve.

The tax system will offer further incentives to upgrade old skills and learn new ones.

From this year a million men and women will start to receive 150 pounds to set up their own Individual Learning Accounts - putting the power to plan and prepare for their own careers in their own hands.

In this Budget we expand Individual Learning Accounts and open up tax-free learning in computers, in basic skills and advanced skills, to millions more.

We will legislate so that employers will be able to contribute tax-free to the new Individual Learning Accounts.

Employees will also pay no tax on such payments.

And this will be skills for all because, to secure the tax relief, the opportunity to learn must be offered across the company's entire workforce.

But we need to do more. And this Budget will go further, offering not just tax cuts but discounts for learning.

Any adult with an Individual Learning Account will be able to claim a discount of 20 per cent, an additional grant of up to 100 pounds, on the cost of their learning.

For all adults signing up to improve on their basic education - including computer literacy - there will be a discount of 80 per cent on course fees.

And we will pay for this measure in tax-free learning by phasing out existing Vocational Tax Relief which has been subsidising non-vocational courses like diving and flying lessons.

This century, Britain has achieved universal free education for children. This Budget introduces the opportunity for universal education at every age, lifelong learning so everyone will have the chance to succeed in the new economy.

Environment

As Britain works to lead in the new economy we must resolve to lead in respecting the environment.

Our Government's target is to reduce greenhouse emissions by 12.5 per cent by 2010. And today I will announce a programme of measures that will cut carbon pollution by 3 million tonnes.

My first proposal alone will reduce carbon pollution by 1.5 million tonnes. The Government has received Lord Marshall's Report, for which I thank him, on the role of economic instruments and the business use of energy.

We will now implement Lord Marshall's recommendations and introduce a levy on business use of energy from April 2001. And it will be brought in, after further consultation with industry, on a revenue neutral basis, with no overall increase in the burden of taxation on

business. Because we intend at the same time to cut the main rate of employers' national insurance contributions from 12.2 to 11.7 per cent.

We also intend to set significantly lower rates of tax for energy intensive sectors that improve their energy efficiency. Today we are inviting them to submit their proposals. In pursuit of our policies for sustainable development we will also allocate an extra 50 million pounds to encourage business to invest in the new environmental technologies and in renewable fuels.

In line with the fuel escalator first introduced by the previous Government at 5 per cent above inflation and now 6 per cent, petrol duty will rise from 6.00 pm today.

Vehicle Excise Duty for smaller cars will, from June 1st this year, be cut by 55 pounds - the first cut in the license fee in 50 years. Other cars' rates are only increased in line with inflation.

I will freeze Vehicle Excise Duties for 98 per cent of all lorries, and for lorries and buses with clean engines I am cutting the license fee by up to 1,000 pounds.

Last year, to encourage a switch to cleaner fuels, I promised to give an additional tax advantage to ultra-low sulphur diesel. By the end of the year almost all producers will have switched to this cleaner fuel. This alone will cut emissions by 20 per cent. At a revenue cost of over 400 million pounds a year I will maintain the favourable tax treatment for cleaner diesel.

I propose a reform to reward the use of fuel efficient company cars and remove today's counter-productive incentive to drive more miles in order to get bigger discounts. So I start in this Budget with a measure that will cost the company car user with a typical car around one pound a week. This reform - to link tax to emissions - will be implemented in 2002 on a revenue neutral basis.

Further, to reduce pollution, employees will from this year be able for the first time to secure tax-free the benefits from employer-run or employer-subsidised buses, car sharing schemes and other environmentally friendly means of transport to work.

Last year we set up a new rural transport fund. To build on its success in extending the range of public transport services in rural communities we will now increase funding for the next two years by 20 per cent to 120 million pounds.

To reduce the amount of waste going to landfill, the landfill tax, 10 pounds per tonne in 1999, will, in future, rise by one pound per tonne per year.

Taking into account all these tax changes and all the changes I have yet to announce there will be a net tax cut of 4 billion pounds in this Budget.

Families

Children are 20 per cent of the British people but 100 per cent of Britain's future.

To build that future, this Budget provides a better deal for families and children.

Family life is the foundation of society, and our first principle in society's support for the family is that the interests of children must be paramount.

For the last third of this century families with children have been losers in the tax system. Their tax burden has risen by nearly 20 per cent under successive Governments - even though the time when children are growing up is the time when families need tax help most.

So it is time to reform the tax and benefit system to strengthen the family by putting children first.

What is today called the married couple's allowance is in fact neither restricted to marriage, nor restricted to couples, nor is it strictly an allowance. It is in fact a tax credit paid at the same flat rate to married couples, single parents and unmarried parents living together.

Far from recognising marriage it is now so confused that it can even be paid at twice the rate in the year of separation or divorce. A married couple's allowance that can pay more for separation or divorce cannot be said to uphold the institution of marriage.

The last Government called the married couple's allowance an anomaly and reduced it from 40 per cent to 15 per cent, cutting its value in half.

If we were now to restrict the married couple's allowance to married couples only, as some propose, we would unfairly exclude, for example, widows with children, and wives who have been deserted and left to bring up their children alone.

So we will replace the married couple's allowance with a new family tax cut that will increase the amount that goes to help families with children. This children's tax credit will give more not less - help to families at the time they need it most, when they have their children and when their children are growing up.

Today's pensioner couples will retain the married couple's allowance. And couples without children or whose children have grown up will benefit from other changes I will shortly announce.

The married couple's allowance is now worth 190 pounds to married couples. The children's tax credit, the tax cut for families, to be introduced from April 2001, will be worth 416 pounds, and as a result the typical family with children will be over 200 pounds a year better off.

This tax cut for families represents the first recognition in the tax system for over 20 years of the extra costs of bringing up children.

So under my proposals the tax burden on the typical family will fall to the lowest level for 25 years. I will introduce similar improvements in income support and the working families tax credit.

In the Budget last year I set down the two principles that govern my approach: that we must substantially increase support for families with children and we must do so in the fairest way.

It is in fulfilment of these two principles that the children's tax credit will be tapered away for the higher earning family where there is a top rate taxpayer.

In the light of this reform, my Budget decision is that child benefit will not be taxed for taxpayers on the basic rate - or the top rate.

As our manifesto promised, child benefit itself will remain as it is, paid to all mothers, and rising annually with inflation.

When we came to power child benefit for the first child was 11.45 pounds a week. Next month it will rise to 14.40 pounds a week.

It has risen by 25 per cent since we came to Government - an increase of 150 pounds a year.

I now propose a further increase in child benefit, well above the rate of inflation. It will rise next April to 15 pounds a week for the first child, 780 pounds a year. I will also raise the rate for the second and further children to 10 pounds a week.

Support for children will be twice as high at the end of this Parliament as it was at the beginning.

With the children's tax credit added to child benefit, families who were receiving 11 pounds a week in 1997 for their first child will be receiving 23 pounds a week, 1,200 pounds a year.

And taking all our reforms together the maximum support for the first child will be 40 pounds a week, 2,000 pounds a year for families when they need it most.

Every child in the country in every family will get more - not less - support under this system, support ranging from 780 pounds a year to 2,000 pounds a year. And every child will receive more year on year.

When we came into power we found a chaotic, even counter-productive, system of child support that gave far too little help to mothers and did not provide enough to those who needed it most.

Child benefit had not been increased every year even in line with inflation. The married couple's allowance could not fulfil its intended purpose. Income support for children was based on family status not on family need. Family credit failed to guarantee a living wage for working families. What the benefits system gave with one hand, the tax system took away with the other.

Our long-term goal is to bring together the different strands of our support for children in the working families tax credit, in income support and in our children's tax credit and create an integrated and seamless system of child financial support paid to the mother, building upon the foundation of universal child benefit.

Already with the changes we are making today, we are creating the best system of family support in the history of our country.

I have also considered the alternative case that has been advocated, for a transferable tax allowance for mothers who stay at home. The better deal for mothers who stay at home is what we are doing from October this year - the working families tax credit. A family with two children on 15,000 pounds a year where the mother stays at home, would have received nothing under the old system of family credit. Transferable tax allowances would give them 997 pounds. Under the working families tax credit they will receive 1,460 pounds.

Where both parents need to work, we need to do more to help them balance the demands of making a living and having children.

With a million new childcare places now being created and from October our new childcare tax credit set at a maximum of 70 pounds for one child and 105 pounds for two children, Britain has a national childcare strategy for the first time in our history.

From December 1999 all parents will be entitled to three months unpaid leave for each child.

But currently up to 15 per cent of working mothers-to-be are not entitled to any maternity pay. This is wrong. Today's Budget will ensure that all mothers in work earning 30 pounds a

week or more - 95 per cent of all women in work - are entitled to maternity pay and to 18 weeks of maternity pay. This is family friendly employment in action.

Every year a quarter of a million children, even at the minute they are born, are born into poverty. This too is wrong.

Our Sure Start Programme for the under threes, beginning next month, will ensure that the full resources of health visitors, primary care and schools are there to give every young child a better chance.

Today I can announce a new Sure Start Maternity Grant for the new born: government offering more help to parents in return for parents meeting their responsibilities. Help amounting to 200 pounds will be conditional, linked to keeping appointments for child health advice and child health check ups.

When we came into power, one child in every three in our country was in poverty. With our measures today 700,000 children are being lifted out of poverty. Families with children are better off. Instead of a past that developed only some of the potential of some of our children, the future depends on developing all of the potential of all our children.

The elderly

As this Budget creates a better deal for those starting out in life, this Budget will today provide a better deal for those who have worked hard all their lives - our elderly.

Today I announce new measures to help all pensioners: for those who are poor, for those with incomes above benefit level who are not wealthy, indeed for every retired person and every retired couple, taxpayers and non-taxpayers alike - a better deal in the minimum pension guarantee, in the winter allowance, and on savings and tax.

This Government created a minimum income guarantee for pensioners. Today I can confirm that next April this minimum income guarantee will be increased not just in line with prices but in line with earnings.

As a result of the changes we are making, the minimum income guarantee for the single pensioner will be 78 pounds a week, nearly 500 pounds a year higher than when this Government came to office.

Pensioner couples will have a minimum income guarantee of over 121 pounds a week, nearly 800 pounds higher a year than in 1997.

As a result of the measures already taken - our cut in VAT on fuel with tougher regulation and the winter allowance - pensioners are saving 108 pounds on their fuel bills and the poorest pensioners are saving 140 pounds.

I can announce today that we will do more.

The winter allowance is currently paid to all eight million elderly households at 20 pounds.

I have decided to raise it - to one hundred pounds - for all eight million elderly households.

And this is not a one time need or a one time decision. In future years the winter allowance will also be 100 pounds - for all eight million elderly households.

To help the elderly get more out of their savings I have asked national savings to issue a new pensioners bond. With the shorter term deposits that pensioners want, this new bond will offer the returns that pensioners need.

And I have a further improvement, a tax cut for the elderly. I am announcing a reform that will ensure that a total of seven million elderly men and women will now be outside the income tax system.

For pensioners I have decided to raise the personal tax allowance in excess of inflation.

Single pensioners will not pay any tax until they have an income of 5,720 pounds.

Older pensioner couples who both use their personal allowances to the full will now not pay tax until they have incomes above 15,000 pounds.

200,000 more pensioners will not have to pay income tax.

Now, in total, two thirds of pensioners will not have to pay income tax.

Taken together the measures I have already announced add up to an additional 3 billion pounds, a better deal for the elderly that makes the typical pensioner household 240 pounds a year better off.

To help pay for this, from today excise duty on tobacco will rise by the normal escalator, 5 per cent above inflation. Organised smuggling, which is now a 1 1/2 billion pound a year racket, will not be permitted to undo a policy on cigarettes which successive British Governments have adopted for good and urgent health reasons.

As the Government strengthens its anti-smuggling strategy, we will target new resources to detect, prevent and punish this costly form of organised crime.

I have decided to freeze the duty on spirits, on beer and on wine at its current level. There will be no tax rise on alcohol this side of the millennium.

And I will cut the tax on pools from 28 March by one third, from 26.5 per cent down to 17.5 per cent. On this basis the pools companies have agreed future funding of around 20 million pounds a year for the Football Trust and the Foundation for Sport and the Arts. Details of this, of minor duty changes and of measures to combat tax avoidance are published this afternoon.

Insurance premium tax will rise by 1 pence in the pound from July 1st, although 80 per cent of insurance underwritten in Britain will remain exempt.

On VAT, today I propose there will be no increase in rates and no extension of VAT.

I have also decided to make no change to stamp duty on property sales up to 250,000 pounds. For property sales above that, the rates will be raised by one half per cent from next Tuesday. 96 per cent of home sales are unaffected.

A Britain of strong families is also a Britain of strong communities.

Each year 1.2 million people give of their time in voluntary work.

Millions more give money to our national charities.

The Prime Minister has rightly called for our age to become a Giving Age.

I want us to mark the Millennium in the best way, by making the year 2000 the giving year.

In the last Budget we introduced Millennium Gift Aid.

For every 100 pounds a British citizen donates to Third World causes before the end of the year 2000, the Government will contribute 30 pounds.

When Millennium Gift Aid is launched on March 18th I urge British people to give more to those who have too little.

As governments make their contribution to Third World debt relief, all of us can make a contribution to Third World poverty relief.

Today in our consultation document on tax and charities, we propose extending the tax advantages of Millennium Gift Aid. We propose that every charity, national and international, should be able to benefit from this new tax relief.

We propose in future for every 100 pounds a British citizen donates to any charity, the government will contribute 30 pounds.

Instead of charity seen in the old way, the rich bestowing favours on the poor, I want a democracy of giving, where all those who can, help all those who can't.

Work

Most fundamentally the tax reforms of this Budget provide a better deal for the hard working majority - a ladder of opportunity for those who want to work their way up, a chance to keep more of what they earn and, for all, a fundamental guarantee that work will pay.

Our reforms in national insurance will give employers an overall tax cut of 1.5 billion pounds and employees an overall tax cut on work of 2.5 billion pounds - an average of 130 pounds per year per employee.

This April, as I implement the Report by Martin Taylor, I am abolishing the perverse tax on work, the entry fee every employee has to pay simply to be part of the national insurance system. From this tax cut on work worth over 1.4 billion pounds a year, every one of 20 million employees will gain 69 pounds a year.

Over two financial years, I will further align the starting point with that of income tax so that no one will have to pay either national insurance or income tax for the first 87 pounds of their weekly earnings. From this tax cut on work worth 1.8 billion pounds a year, every employee will gain 99 pounds a year.

From April 2001 therefore the lower limit for employees, self-employed and employers national insurance will be harmonised at 87 pounds a week, the same as income tax. As with the lower earnings limit which is rising faster than inflation, the upper limit will rise to 575 pounds and to complete our reforms we will also align employers national insurance and income tax in the treatment of benefits in kind.

I also propose to extend to the self-employed national insurance rights to the full maternity allowance.

Again, to implement the recommendations of the Taylor Report, we will align national insurance arrangements for the self-employed closer to those of employees: reducing the

unfair entry fee from 6.35 pounds a week to two pounds, and setting the Class Four threshold at the same point as the personal income tax allowance. But I will set contributions at a lower rate than envisaged by the Taylor Report, at 7 per cent in contrast with the 10 per cent employees pay.

230,000 young people are already benefiting from the New Deal. Now we must bring in those young unemployed who, for whatever reason, have yet to join.

I say to them, this will be our New Deal for 1999: better provision but tougher conditions. Our responsibility is to offer training and intensive coaching. In return their responsibility is to come into the New Deal, get the skills and prepare to take up a job.

To help lone parents make the transition into jobs, benefits will continue when they first start work.

For them and others the working families tax credit will make work pay more than benefits. Every working family will be guaranteed a minimum income, to be introduced in October not at the previously announced rate of 190 pounds a week but at 200 pounds a week, more than 10,000 pounds a year. No income tax will be paid until earnings reach 235 pounds a week.

This is a tax cut available to 1.4 million families helping 3 million children.

I now propose that over time we extend this principle.

The old tax system set a personal allowance that failed to ensure that work paid, and also made thousands pay tax even as they were forced to claim benefits.

Not just families but all who work will be guaranteed a minimum income, and this minimum income will be paid through targeted tax cuts and credits. No one who is in work should, in future, have to go to the benefits office to receive a living income.

We start in this Budget with a minimum income guarantee. A new deal, for over 50s returning to work.

Nearly 30 per cent of men over 50 are outside the Labour force, twice as many as 20 years ago.

We need their talents. For those unemployed for six months or more, we will create a new employment credit which will guarantee a minimum income of 9,000 pounds a year, for their first year back in full-time work, at least 170 pounds a week.

And over time I want this better deal for work to include help with housing costs, not just help with rent but also help for homeowners going back to work. Taking a job should not put them in danger of losing their homes.

Successive Governments have lowered mortgage tax relief from 40 per cent to 10 per cent of interest costs and frozen the limits at the first 30,000 pounds of a mortgage.

Today the allowance is worth an average of £2.50 a week.

In the last year mortgage rates have come down significantly and I now recognise that there is a consensus across this House to complete the phasing out of MIRAS. As we do so we will ensure that families are better off.

We said in our manifesto that we would introduce a 10p starting rate of income tax for individuals when it was prudent to do so.

I repeated in the last Budget that we would introduce the 10p starting rate when it was prudent to do so.

However, I have to tell the House that this 10p rate will not start in April 2000, like other income tax changes we are making today.

It is prudent, instead, for people to get the benefit of the 10p starting rate now.

So it will take effect in April 1999, a 10p starting rate on the first 1,500 pounds of income, the lowest starting rate of tax since 1962, and it will be delivered a few weeks from today. People will see it in their pay packets in May.

Nearly 2 million people will see their income tax bills cut in half, and take home 90 pence of every pound they earn.

The new income tax structure will this year be 10, 23, and 40. And income tax allowances, income limits and tax thresholds will rise as usual in line with inflation. The tax rates on savings will remain unchanged.

So this is a Budget with a 10p starting rate of income tax. A 10p starting rate of small business tax, a 10p long term rate for capital gains tax. The maximum small business tax is now down to 20p and corporate tax for big companies down to 30p.

The tax cuts I have made today are tax cuts for a purpose, tax cuts that encourage work and make work pay, that help all middle and lower income families, tax cuts for the many and not just the few and at the best time for the economy.

I can confirm that the share of tax in national income will fall next year. And the tax burden on the typical family with children will fall below 20 per cent for the first time in 20 years.

Modernising public services

I have one set of further announcements to make.

After long years of neglect, step by step this Government is rebuilding Britain's public services.

On top of the 40 billion pounds extra we are already investing in education and health, we will today allocate increased resources for our key public services.

We have identified specific areas where step changes can be made through additional investment from the Capital Modernisation Fund.

We are allocating an additional 170 million pounds for crime prevention in areas where crime is highest. The Home Secretary will make a detailed statement to the House.

For public transport, in addition to the rural transport fund, we will make a further allocation to be announced by the Deputy Prime Minister.

For Northern Ireland, today we allocate additional capital spending of 50 million pounds, for Wales of 80 million pounds, for Scotland of 165 million pounds. Full details of new investments will be given by the Secretaries of State.

The 19 billion pounds extra we are already providing for education will finance smaller class sizes, more nursery education, better pay for better teachers, our drive to improve literacy and numeracy - and we will help 700,000 more young people to go on to further and higher education.

But, so that every child will have that chance, we need specific and targeted help for our inner city schools. For upgrading their technology, the Secretary of State for Education will receive an additional 100 million pounds.

And for every school we will not only invest in new technology; as a result of our prudence in the last year, and following the huge take-up of the additional money provided last year, we are able this month to make another extra and larger allocation for school books:

2,000 pounds to every school in every constituency in every part of the country, immediate new resources of 60 million pounds for a total of 10 million new books in all.

I turn to the NHS.

21 billion pounds extra money is making possible the largest hospital building programme since the war: a one billion pounds investment in modern technology in the health service; the recruitment of 7,000 new doctors; 15,000 more nurses; and a fair pay award for nurses.

The Government's new programme, NHS Direct, is a proven success. And later this week the Secretary of State for Health will announce detailed proposals not only to extend it to all of the country by the end of next year, but to carry NHS Direct right into communities - with a network of health centres and drop-in centres where people can get immediate advice about treatment.

We have already provided additional resources for upgrading one-third of all accident and emergency units that need modernisation.

Today we go further.

To enhance in every part of the United Kingdom the health care that people most urgently require we today make an additional and immediate cash allocation, to be spent in the next twelve months, for the upgrading of every single accident and emergency unit which needs it, in every part of Britain.

For this and other improvements which the Secretaries of State for Health, and Scotland, Wales, and Northern Ireland will announce, I am providing for the NHS almost half a billion pounds of extra investment today.

Throughout the public services, more than a billion pounds of additional new investment, on top of the two billion pounds I have allocated to families and pensioners.

Public services in the months and years ahead - safe in this Government's hands.

I have a final announcement.

We promised to get inflation and interest rates under control, to sort out the public finances, to make this the government of economic competence and we have.

We promised to invest billions more in health and education and we have.

We promised we would cut youth unemployment and we have.

And I can confirm to the House that, while rebuilding our public services, our prudence in office also enables us to hold to our pledge made at the election not to raise the basic rate of income tax.

In fact, to reward work and ensure working families are better off, I will match the new 10p starting rate of income tax this April with a cut from next April in the basic rate of income tax to 22p, the lowest basic rate of tax for seventy years - and under this Government.

Today's Budget is a better deal for work, a better deal for the family, a better deal for business - for a Britain now united around values of fairness and enterprise, and I commend this Budget not just to the House but to the country.