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## Budget 24<sup>th</sup> March 2010

Why is there a Budget? If there is to be a general election on May 6<sup>th</sup>, Parliament has to be dissolved by 10<sup>th</sup> April – and the Easter holiday comes before then. Hardly time to pass a sensible Finance Bill!

Commenting on the Budget soon after it happens is also fraught with risk, since many of the important points are buried in the detail and first impressions are not always correct. But still it is worth looking at some of the points announced to see what may be relevant for small businesses.

- The **Annual Investment Allowance**, which gives 100% first year tax relief for up to £50,000 per year expenditure on equipment, has been doubled to £100,000. This may not make much difference to the average small business as we recognise it, but it makes it perhaps less likely to be abolished (see March newsletter) and it is a very valuable tax planning tool for small companies.
- **Small Company corporation tax rates** stay at 21%, but will be 22% from April 2011.
- **VAT rate** is unchanged. The turnover threshold for registration increases to £70,000 from 1<sup>st</sup> April 2010 and the deregistration limit increases to £68,000.
- **National Insurance** increases from April 2011 are confirmed. For 2011/12 the main rate for Class 1 and Class 4 will rise to 12% and 9% and the additional rate will become 2%. For basic rate tax payers who are self employed and are looking to save money for their tax bills, the marginal rate will be 29%.
- There will be a one year holiday for **business rates** for properties valued up to £6,000 and some relief for properties valued up to £12,000. This will apply from October 2010.
- No increase in **Capital Gains Tax**, though the top rate is only 18%.

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- HMRC's **Business Payment Support Scheme** whereby HMRC have been taking an unusually lenient view of tax arrears has been extended for a further 5 years. Anecdotal evidence suggests however, that HMRC are becoming increasingly tough on their questioning of applicants for this.
- HMRC will aim to provide a new personalised area for **start-up businesses** by autumn 2011 to provide easy access to guidance and tools to help them when starting up. They also promise to provide an online facility to show small businesses a single view of their current tax liabilities for all main taxes. It will also reduce the number of times they have to provide the same information. *But*, if this is a government IT project, there is always a chance it could be delayed...
- There will be no **company car tax** if the car (or van) has zero CO<sub>2</sub> emissions e.g. electric cars. Hybrids will not qualify.
- Powers will be introduced for **HMRC to require a financial security from employers** who have a history of "serious non-compliance", i.e. paying PAYE/NI late. The measure is targeted at those who "are determined not to pay and will not affect those who need to time to pay". Only time will tell if it starts to have a broader application – let's hope not.
- **A growth fund** of £2.5 billion will be introduced to provide investment for small growing firms to invest in innovation, training and infrastructure. I don't think this will have much practical effect for most of us, but the increased **fuel duty** will. As a concession this has now been staggered but will mean that (including VAT) a litre will be 3.24p more expensive by the end of the year.
- **Saving Gateway**. These accounts will be available from July 2010 and will be offered by Lloyds, RBS and the Post Office. It is a 2 year cash saving account aimed at people on lower incomes. At maturity the government will make a contribution of 50p for each £1 that has been saved in the account.
- It was confirmed that the special rules for **Furnished Holiday Lets** will be abolished. Holiday lets will now be taxed the same as other property letting businesses.
- **Credit Adjudication Service** – This is intended as a route of appeal for those turned down by the banks to see if the decision was fair, if they believe credit has been wrongly denied.

Most people turned down think the bank has been unfair, and current banks lending policies are certainly an issue, but whether this in practical terms will force the banks to lend more, we will have to see. Will it just be more bureaucracy? Who will be making these decisions – civil servants, unemployed ex-bankers?

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And finally, this amused me:

**“Delivering a New Relationship with Business”**

HMRC reports “significant progress” in reducing administrative burdens. “The annual report update includes other ways that HMRC is supporting business to understand their obligations and what to do to meet them.”

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