



Measures for business

A wide range of tax and other measures affecting businesses were announced by the Chancellor, with the stated aim of assisting businesses in the difficult economic climate.

Corporation tax: Small companies' rate (SCR)

The Government had planned to increase the small companies' rate (SCR) of corporation tax from 21% to 22% from 1 April 2009. However, this has now been deferred until 1 April 2010.

Legislation will now be introduced in the 2009 Finance Bill to maintain the SCR for all profits, apart from ring fence profits, at 21% from 1 April 2009 and effectively maintain the marginal rate (used to 'smooth' the difference between the main rate of corporation tax and the SCR) at 29.75%. Profits limits will remain the same.

Comment

A welcome measure but companies will be aware that the rate rise will be implemented in the future and if the company makes a loss this will make no difference!

Extension of trading loss carry back

The period for which current trading losses from businesses can be carried back against previous profits is to be extended from the current one year entitlement, to a period of three years, with losses being carried back against later years first.

The amount of losses that can be carried back to the preceding year is unlimited. After carry back to the preceding year, a maximum of £50,000 of the balance of unused losses is then available for carry back to the earlier two years.

This is a temporary measure for one year only. A company may make a loss relief claim under the new rules when it makes its return for an accounting period ending in the period 24 November 2008 to 23 November 2009.

Unincorporated businesses may make a loss claim under the new rules as soon as they have calculated their losses for their basis period for the 2008/09 tax year.

HMRC will make repayments arising from loss relief claims received under the new rules on or after Budget Day 2009.

Comment

This may help businesses recover tax paid from earlier and therefore help cashflow. The announcement does provide an opportunity for businesses to consider maximising their losses by using the new Annual Investment Allowance. The more relaxed rules apply for only one year's results and are limited to £50,000.



Finance for SMEs

The Chancellor announced various measures designed to help SMEs with working capital and investment needs.

Early in 2009, the Government will launch a Small Business Finance Scheme – a new temporary guarantee scheme to enable up to £1 billion of Government supported lending by banks.

The Export Credits Guarantee Department, in conjunction with the banks, will introduce a temporary guarantee scheme to support a £1 billion facility providing smaller exporters with better access to short-term working capital. The Government will also make available a capital fund of £50 million to convert SMEs' debt into equity.

Earlier in November 2008, Advantage West Midlands, a Regional Development Agency (RDA), launched a transition fund for viable SMEs facing financial difficulties. Other RDAs will launch similar loan funds, now totalling £25 million, to help businesses over the next six months.

The Government has said that it 'welcomes the commitment' of UK lenders to approach the European Investment Bank (EIB) to access these funds. Following negotiations between UK banks and the EIB, £1 billion of EIB funds will be available to SMEs in the UK by the end of 2008.

Early in 2009, the Government will launch, in conjunction with Business Link, a new portal to help credit-worthy SME's find suitable financing/support.

Comment

We will need to see the details when they are published early in 2009 before we can assess the effectiveness of these measures.

Empty Property Rate Relief

The Government is temporarily increasing the threshold at which an empty property becomes liable for business rates. For the financial year 2009/10, empty properties with a rateable value of less than £15,000 will be exempt from business rates – exempting an estimated 70% of empty properties.

Interest-free payment schedule for backdated business rates bills

To reduce the cash flow strain on businesses, given current economic difficulties, the Government will legislate to give more time to pay certain backdated business rates bills issued before 31 March 2010. Businesses facing such bills will be able to pay their liability for previous years in equal interest-free instalments over 8 years, rather than immediately. Beneficiaries will include several occupiers of ports who have been affected by recent rating reviews.



Comment

Some commentators had hoped for the rate relief relaxation to apply to all empty properties. An interest free payment schedule will certainly assist businesses affected by backdated rates.

Income shifting

The controversial proposed legislation designed to prevent 'income shifting' will not now be introduced in April 2009.

However, the Government has restated that it 'firmly believes it is unfair' to allow a minority of individuals to benefit financially from shifting part of their income to someone else who is subject to a lower rate of tax.

Comment

This is a welcome announcement on a matter causing much concern to small businesses. There is a hint however that the Government may try again once the economy has recovered and they have discovered a viable method for dealing with it.

Taxation of foreign profits

The Government will bring forward a package of reforms to the taxation of foreign profits, with the object of making the UK a 'more attractive location' for multinational business. Measures will include an exemption from tax for most foreign dividends received by large and medium sized groups, regardless of the level of shareholding. The Government will also continue to examine options for reform of the Controlled Foreign Company (CFC) rules. Any reform will aim to improve the way the CFC rules achieve their objective of taxing profits diverted from the UK.

New Business Payment Support Service

HMRC has introduced a new Business Payment Support Service, which is designed to assist those businesses whose cash flow has been adversely affected by the economic downturn.

The service allows business owners who are concerned about making their tax, national insurance and other payments, to contact HMRC to discuss a range of payment options tailored to their business needs.

The scheme includes a Business Payment Support Line for new enquiries, which is available on **0845 302 1435**, and is open from 8am to 8pm Monday to Friday, and 8am to 4pm at weekends.

Comment

*The service is only for new enquiries **NOT** for amounts that are already late. HM Revenue & Customs has always allowed payment by instalments in cases where taxpayers were in difficulties. Interest will be charged on late tax, but the new scheme will give exemption for late payment surcharges.*



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