



## Budget 2011 – A Personal view

Many of the changes had been pre-announced last year, and the Chancellor's room for manoeuvre was always going to be limited by severe economic restraints. Having reflected on what was actually contained in the budget and reading subsequent commentary I can only conclude that this was a pretty good budget for small business and the sort of clients that we look after.

The increase in the personal allowance from £6,475 to £7,475 follows from the LibDem's manifesto pledge to increase the personal allowance to £10,000. It must make sense to take the low-paid out of tax. For directors of limited companies paying themselves minimum salaries there is a nice £200 saving in tax here.

Corporation tax at 20% for small businesses is good news as is the reduction in the rate for larger businesses. Most directors keep their cars outside their limited companies and charge for mileage, so the increase of the mileage rate from 40p to 45p is welcome, if overdue, after nine years at the same level!

For entrepreneurial clients there was an increase to £10 million for Entrepreneurs Relief on the sale of a business and extension to the Enterprise Investment Scheme (EIS).

The one percent increase in employer's and employee's national insurance sounds nasty, but when you actually look at the numbers it only costs more for employees earning more than £24,000 per annum due to the increase in thresholds. Where salaries are less this the national insurance cost actually reduces.

The main pain is definitely going to be felt by the middle to upper earners – people earning more than £40,000 a year. Whether in the private or public sector these people may find themselves paying quite a bit of extra tax, on top of the VAT increase which came into effect in January. There may also be some loss of benefits for those receiving child tax credit. The squeeze on middle England is a real one.

As it stands at present it should be possible to business clients to manage their affairs in such a way that they suffer least. This seems fair enough as it is this sector which the government expects to lead us out of recession.

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