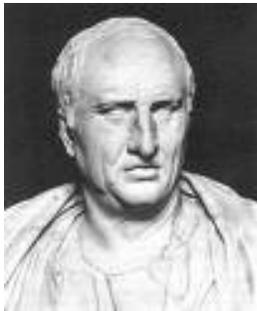


Newsletter

Where's Cicero when you need him?

Trying to make sense of the Budget – 25th March 2010



"The budget should be balanced, the Treasury should be refilled, public debt should be reduced, the arrogance of officialdom should be tempered and controlled, and the assistance to foreign lands should be curtailed lest we become bankrupt. People must again learn to work, instead of living on public assistance."

I don't know if you've seen this quote before but it's from Cicero and he wrote it in 55BC. Over 2,000 years later it's as true today as it was then. Only it was more likely to be heeded then.

Mr. Darling, recognised as one of the few strong men in the Cabinet, might as well have been at the hustings when he presented his Budget Speech. Yesterday was a time to attempt to set off political fireworks in advance of what is likely to be a very tight General Election contest rather than deliver a long –term economic strategic report for the benefit of the generally ailing SME business sector.

Should the Tories win power in a few weeks time, they have also promised a Budget Speech so we could be looking at a completely different financial route map very soon.

The elephant in the room of course is how, when and where public expenditure cuts are going to be made and we're not likely to get a detailed explanation on that front from any of the major political parties when there is an election to be won. No wonder us grubby little votes get frustrated with politicians. Where's Cicero when we need him?

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Nonetheless there were a few slivers of information that were relevant to business owners, the self employed and the business turnaround community which merit attention. Plus it is important to remember that there are significant tax changes that are to be effected from next month over and above what was announced by Mr. Darling yesterday.

Investment tax breaks for businesses extended by doubling of allowance to £100,000: *Comment: Spend up to £100,000 on capital equipment and get full tax relief immediately! Can see some of the intellectual justification for this decision as a motor to get growth going for manufacturing/hi tech businesses. Of course the huge numbers of service companies who rarely invest in capital equipment would have been far happier with a simple cut in corporation tax.*

RBS and Lloyds to make available £94 billion of new business loans – nearly half to SMEs: *Comment: Your correspondent got quite excited in late 2008 when the Enterprise Finance Guarantee Scheme was announced, offering government backed support for the bank funding of small business. Unfortunately the reality was a crashing disappointment. Loans were simply not made available for small businesses as the banks repaired their balance sheets. Time will tell if the above announcement is not simply another vote grabbing headline of little substance.*

Government body to be set up to adjudicate when small businesses feel they are wrongly denied a bank loan, known as the ‘Small Business Credit Adjudicator. *Comment: Sounds great doesn't it? To the correspondent it all comes down to delivery. Will small businesses really be given a chance to argue their case to get funding when seemingly unfairly denied, quickly, efficiently and effectively? If this idea had been introduced in say 2008 much of the resentment felt by the small business community about using taxpayers' money banks that will still not lend to them could have been averted.*

HMRC Time to Pay scheme to be extended for whole of next Parliament: *Comment: Surprising and welcome news allowing struggling companies the opportunity to continue defer PAYE/VAT/corporation tax liabilities and thereby improve their cash flow. The Revenue time to pay scheme is a vital source of credit for small businesses. **Apologies for small advert, but Turning Circle specialize in negotiating time to pay arrangements for business customers, contact us for further details.***

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Capital gains tax reliefs for entrepreneurs doubled to £2million. *Comment: With the 50% rate of income tax and the restrictions on personal tax allowances coming in next month, never has there been such a gap between income and capital gain tax rates. This differential has been heightened by the above news. Expect a lot of business owners in the happy position of being able to sell all or part of their company shareholdings cashing in at as low a tax rate as 10% as an efficient alternative to taking highly taxed annual dividends. This is a welcome short-term development for some entrepreneurs. But, surely, it can't be long before the rate of CGT is also increased, whichever party is in power come the spring.*

As always if you've got any further questions on the Budget or require more detailed advice, please do contact me. We will also shortly be updating our company's website, do feel free to comment once it's up and running.