



tax | autumn statement 2011

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editorial

With his options severely limited by the ongoing debt crisis across Europe the Chancellor did, nevertheless, manage to bring some welcome assistance for small and medium-sized businesses (SMEs) in his Autumn Statement on the 29th November 2011.

We have set out below our summary of the key points announced. However the Autumn Statement is no longer a “mini Budget” and we will provide more detailed analysis of forthcoming taxation reforms when the 2012 draft Finance Bill is published on Tuesday, 6 December.

Seed Enterprise Investment Scheme (SEIS)

A new EIS specifically targeted at new business start-ups will offer 50% income tax relief to encourage individuals to invest in qualifying companies. Starting in April 2012 there will be an annual investment limit of £100,000 for SEIS. In addition capital gains realised in 2012/13 will be CGT exempt if the proceeds are reinvested in SEIS companies within the same tax year. This is more generous than standard EIS investments, which only offer CGT deferral on reinvested gains. These rules will be subject to consultation before being finalised in the 2012 Finance Bill.

Under the original Enterprise Investment Scheme the connected person rules will be relaxed as will the definition of qualifying shares. Further details may be available on this when the draft Finance Bill 2012 is published next week.

credit easing for SMEs

A £20bn credit guarantee scheme will be created to encourage banks to lend money at lower interest rates to SMEs. Subject to state aid approval, businesses with a turnover of up to £50m will be allowed to take part and the scheme could result in interest rates on business loans being reduced by up to 1%.

Research & Development (R&D) tax credits

A consultation will begin in March 2012 on introducing a tax credit in 2013 to encourage Large Companies to undertake research & development activity. The government has promised that R&D tax credits for SMEs will not be reduced by these new proposals.

employment regulation reform

The government had previously announced that the time limit before which an employee can claim unfair dismissal will increase from one year to two years from April 2012. It will consult on introducing fees for employees wishing to make a claim and consult further on introducing compensated no-fault dismissals for micro-businesses with fewer than 10 employees.

good news for commuters and drivers

Whilst perhaps it was too much to hope that the Chancellor would take action to reduce fuel costs, the proposed 3p increase in fuel duty that was due to take effect from January 2012 has been cancelled. Regulated rail fares, mainly commuter fares, will increase by 6.2% from January 2012 rather than the originally planned 8.2%.

pensions

The government had already announced that the state pension retirement age would increase to 66 from 2020. It has now gone further and brought forward the increase to 67 to 2026 from 2034.

Enterprise Zones

Following the creation of a series of new Enterprise Zones last year, enhanced capital allowances of 100% will be available for plant and machinery purchased between 2012 and 2017 in six designated areas – The Black Country, Humber, Liverpool, North Eastern, Sheffield and Tees Valley.

VAT Low Value Consignment Relief

As announced earlier this month the Chancellor has confirmed that VAT relief on goods under £15 sent from the Channel Islands to the UK will be abolished from April 2012. This relief has often been used, and perhaps abused, by large retailers shipping goods into the UK.

VAT Cost Sharing Exemption

The introduction of this exemption has been confirmed for the 2012 Finance Bill. The form it will take remains unclear and is likely to involve setting up an entity which will act as the cost sharing vehicle for member organisations. The beneficiary organisations are likely to be those which mainly make exempt supplies or carry out non-business activity, which will be able to share services through such a vehicle without creating a VAT charge.

more academies and free schools

An additional £600m will be invested to fund around 100 new free schools over the next four years, including specialist maths schools for 16-18 year olds. A further £600m will go to local authorities with the greatest demographic pressures to fund additional school places.

and finally...

One headline grabbing section was perhaps not all it seemed. The bank levy will be increased to 0.088% from January 2012. This is not because George Osborne believes the banks should pay more in principle, but simply because the Treasury miscalculated the rate that was required to generate £2.5bn per year!

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