

Affect of the 2010 Budget on Manufacturers

The Budget contained few announcements aimed specifically at the manufacturing sector. There were, however, a number of measures announced for helping British businesses, particularly small and medium sized businesses, and also for encouraging research and innovation.

There were a number of measures announced to provide better access to finance for small and medium sized companies with the creation of UK Finance for Growth, controlling £4 billion of SME finance products, and the provision of £200 million of capital for the Growth Capital Fund. Companies will also be given the ability to challenge banks' decisions on lending through a new Small Business Credit Adjudicator, although whether this process will be quick enough for struggling businesses remains to be seen.

There was also support for exporters, companies developing "green" technologies and for creative industries, with the computer games sector receiving a special mention.

Corporation tax rates remain the same, while Entrepreneur's Relief for individuals owning trading companies was extended to provide, potentially, a further £80,000 relief from capital gains tax on the sale of a business. The Government is also considering ways in which the Enterprise Investment Scheme and Venture Capital Trust scheme, which provide tax relief for investors in smaller businesses, can be modified to make them more attractive to potential investors.

Changes to capital allowances were announced to increase the Annual Investment Allowance (AIA) so that businesses can take a 100% write off of capital expenditure up to £100,000 per year rather than £50,000 at present. As only a very small percentage of businesses spend more than £50,000 on items qualifying for capital allowances, the increased benefit is likely to be small overall; the Chancellor suggested in the Budget speech that these changes will only affect 1% of British businesses. This extension of the AIA comes as the temporary 40% first year allowances introduced last year come to an end. In addition to the increased AIA, 100% first year allowances have been introduced for electrically propelled vehicles. There is also an update to the list of items that qualify for 100% first year allowances as energy or water efficient plant and machinery.

Aside from these changes in direct tax, the Chancellor announced a temporary reduction in Business Rates for 2010/2011. Small businesses occupying premises with rateable value up to £6,000 should pay no Business Rates for the year from 1 October 2010, while premises with rateable values up to £12,000 should attract some tapered relief. The Chancellor estimated that 90,000 industrial units would be exempt from Business Rates as a result of this relief.

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