Budget 2011 Review

George Osborne's first Spring Budget included a host of surprises. He claimed to be putting "fuel back into the UK economy". Certainly the fuel levy changes look designed to have grabbed the headlines, but there were other measures, including supercharging some tax reliefs, designed to change the economy up a gear.

The Chancellor unveiled a further £630 hike in the personal allowance, in addition to the £1,000 increase already announced, meaning no tax on the first £8,105 of income. Higher rate tax payers won't benefit however, as the level at which higher rate tax applies will be reduced and, in future, allowances will change in line with the CPI index, not the more generous RPI. Anyone earning over £150,000 will be pleased that the 50p tax rate is apparently "temporary", although there is no indication of when it will be removed. Sceptics may point out that income tax is also a temporary annual tax, reliant on Acts of Parliament to continue!

The changes for businesses include not only cutting corporation tax by two per cent in April 2011, rather than one per cent as previously announced, but also enhancements to the rules for Enterprise Investment Schemes, Venture Capital Trusts, Research & Development (R&D) and Enterprise Zones.

All of these merit closer scrutiny, as it is possible that what you are already doing will or could fit within the rules. The R&D scheme for example works

by treating the expenditure on qualifying R&D as increased. The increase was 75 per cent, so if £40,000 was spent, £70,000 was deducted in calculating the profits subject to corporation tax. If this resulted in a tax loss, the excess could be surrendered for a 14 per cent tax refund up to the tax and national insurance contributions actually paid under a PAYE scheme. The Chancellor announced the intention to raise the increase to 100 per cent and then 125 per cent (qualifying expenditure £40,000 = tax deduction of £90,000) and to remove the restriction limiting the refund to the PAYE and NIC. Qualifying expenditure is much more widely defined than you might think and crucially can include payroll costs, so it is worth making sure you are not missing out.

In the current climate, most businesses will want to take fresh look to ensure they are getting all the help they can.

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