







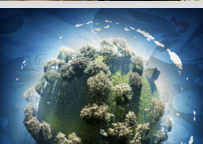


# Autumn Statement 2011

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**As the UK recovers from the most severe financial crisis in generations, the Autumn Statement 2011 could only focus on one objective: strengthening the economy.**

As expected, the Office for Budget Responsibility downgraded its growth forecasts, and revealed that Government debt is higher than expected. Meanwhile, the sovereign debt crisis in Europe adds external pressures over which we have little control.

As a result, announcements spanned from protective measures such as raising the state pension age to reflect an ageing society, to the much anticipated credit easing, designed to reduce the cost of loans to small businesses and easing access to funding.

Other significant announcements included the National Infrastructure Plan, which will see up to £30 billion of new capital investment pumped into the key challenges in energy, transport, telecommunications, waste and water, while a new housing strategy looks set to ease lending to first time buyers.

This report provides a concise summary of the announcements made in the Autumn Statement. Please read our report and contact us if there are matters arising that are pertinent to you or your business.

## Important Information

The information in this report is based on Government documents issued immediately after the Autumn Statement on 29 November 2011. The way in which tax charges (or tax relief, as appropriate) are applied depends upon individual circumstances and may be subject to change in the future.

This document is solely for information purposes and nothing in this document is intended to constitute advice or a recommendation.

Whilst considerable care has been taken to ensure that the information contained within this document is accurate and up-to-date, no warranty is given as to the accuracy or completeness of any information. Errors & Omissions Excepted.

# The Economy



The Chancellor introduced his Autumn Statement against the background of a global economy still struggling to recover from the credit crunch and recession. While officially we are not technically in recession, the reality is that many small businesses perceive that the seemingly ever-decreasing money supply is restricting the ability of many businesses to deliver real increases in growth – both in the top and bottom lines.

The coalition Government set out its stall in 2010 to eliminate the structural deficit by 2015 – a plan which, on the Government's admission, is no longer achievable. The sovereign debt crisis has hindered those economies seeking to climb out of recession and the events of recent months in Greece, Italy, the Republic of Ireland and other countries reveals the seemingly overwhelming challenge that countries who are burdened with debt are faced with.

The Government's fiscal mandate requires it to balance the structural current budget by 2015. As a consequence of the economic position today this is now planned to be attained by 2016/17.

With inflation continuing to exceed Government targets and costs for commodities either rising or threatening to increase, forecasting remains ever-challenging and an activity that almost seemingly invites continual reforecasting. This can be evidenced as the Office of Budget Responsibility (OBR) has again downgraded its previous forecasts.

## So what about debt?

Government debt continues to increase. It was always recognised that debt would spiral during the lifetime of this Government. At the same time households have been struggling with repaying their own debt mountain. Today, many are struggling to downsize their debt. In so doing the economy is being denied the flow of funds it previously enjoyed.

The Government needs to see growth in the economy and with growth for 2011 now forecast to be less than one per cent followed by 0.7 per cent in 2012, it is clear that jobs and tax receipts will be closely monitored over the forthcoming months.

If you are in business you represent one brick in the business enterprise of the UK. How you perceive the next twelve months, what opportunities you face and what threats you envisage will determine the actions you take. If your business reduces its staff by one person that may be one person claiming unemployment benefit and, further, the Government receives no PAYE.

The growth the Government seeks is through exports but with few economies prospering and Governments cutting back on expenditure the remedy can only be achieved by innovation, hard work and effective routes to [global] markets – a remit that is not within the grasp of every business owner.

In recognition of this the Government has made a long term commitment to developing Britain's infrastructure – that commitment will create jobs and demand for products and services.

Further measures to assist businesses include a range of credit easing measures, worth up to £21 billion, to improve the flow of credit to smaller and mid-size businesses.

## Uncertainty in the economy

The OBR makes it clear that there remain many uncertainties arising as a result of the debt crisis in Europe. These are mostly outside the control of the Government; the consequences of the failure of a European country, albeit Greece or any other are being worked through, we are advised, by HM Treasury officials.

## Your economy

### "No man is an island" (John Donne).

What is your exposure to the economies of other countries? What credit insurance do you have in place? Undertaking a risk assessment is a key responsibility for any business owner. If you seek to become an exporter or expand your exporting, ensuring that growth is profitable and funds due are duly received is essential. Make sure you seek appropriate advice on the opportunities and risks.

How can we help? Please contact us to discuss measures you could consider to improve your top and bottom lines.

# Business Finance



## Seed Enterprise Investment Scheme (SEIS)

The Government will launch a new Seed Enterprise Investment Scheme (SEIS) from April 2012, offering 50 per cent income tax relief for individuals who invest into shares of qualifying companies, with an annual investment limit of £100,000 and a cumulative investment limit of £150,000 per company. The scheme will also offer a capital gains tax exemption on gains realised in 2012-13 and then invested through a SEIS in the same tax year.

## Venture Capital Trusts (VCTs) and the Enterprise Investment Scheme (EIS)

It was announced that the Government intends to remove the current £1 million investment limit per company for VCTs to reduce the administrative burden of the scheme. The Government will also simplify the EIS by relaxing the connected person rules and the definition of shares that qualify for relief.

## Small business rate relief holiday

Small businesses will benefit from an extension of the small business rate relief holiday - for a further six months from 1 October 2012 to April 2013. Additionally, the Government will provide businesses with the opportunity to defer 60 per cent of the increase in their 2012-13 business rates bills based on the Retail Prices Index (RPI) uprating, which will be repaid equally over the following two years.

## Capital allowances

Enterprise Zones in six assisted areas will qualify for enhanced capital allowances. In these areas, 100 per cent allowances will be available for plant and machinery investment incurred between April 2012 and March 2017. The Enterprise Zones include the Black Country, Humber, Liverpool, North Eastern, Sheffield and Tees Valley.

## Bank Levy

The Bank Levy will be increased from the current rate of 0.078 per cent to 0.088 per cent from 1 January 2012.

## Energy-intensive industries

Measures were announced in order to reduce the impact of policy on the costs of electricity for the most energy-intensive industries. The plans include compensating key electricity-intensive businesses to help offset the indirect cost of the carbon floor and the EU Emissions Trading System, subject to state aid guidelines whilst also increasing the level of relief from the climate change levy to 90 per cent for Climate Change Agreement participants from 1 April 2013.

## Employment law

As part of the commitment to reducing the burden of complying with employment law, the Government is increasing the qualifying period for unfair dismissal claims from one year to two years from April 2012, in an attempt to address the fear and risks to employers of taking on new employees. The Government will also consult on introducing fees for individuals who want to bring cases to employment tribunals and the effectiveness of the Transfer of Undertakings (Protection of Employment) (TUPE) regulations.

## Research and development

In order to encourage research and development activity by larger companies, the Government will introduce an 'above the line' tax credit. The Government will consult on the details at the 2012 Budget and confirmed that SME R&D incentives will not be reduced as a result. These proposals build on the measures introduced in the 2011 Budget to help SMEs.

## VAT: Low value consignment relief

VAT relief will be removed for low value goods (under £15) sent to the UK from the Channel Islands with effect from 1 April 2012, as previously announced on 9 November 2011, in an attempt to help the competitiveness of UK based suppliers.

## VAT: cost sharing exemption

Following consultation after the Budget 2011, the Government will introduce a VAT exemption for services shared between VAT exempt bodies, including charities, universities, higher education colleges and housing associations wishing to make efficiency savings by working together to achieve economies of scale. The exemption will become law when the Finance Act 2012 receives Royal Assent.

## Credit easing

As a consequence of the problems arising from the adverse credit conditions in the euro area the Government recognises that this is having a knock-on effect for small and mid-size businesses which are often most dependent on the banking system for finance. In order to provide support the Government is launching a range of support schemes which are reckoned to be worth up to £21 billion. These measures are intended to improve the flow of credit to businesses that do not have ready access to capital markets. These measures include the National Loan Guarantee Scheme and the Business Finance Partnership.

## National Loan Guarantee Scheme

This provides funds of up to £20 billion of guarantees for bank funding over two years. This is intended to permit banks to offer lower cost lending to smaller businesses. This lending is subject to state aid approval.

## Business Finance Partnership

The remaining £1 billion of the credit easing funds is to be available to invest in SMEs and mid-sized companies in the UK through non-bank lenders. Initially, these funds will be targeted toward co-investment with the private sector with loan funds that lend directly to mid-sized businesses.

# Pensions



## State pension age

The Chancellor announced that the introduction of the planned rise of the state pension age to 67 is to be brought forward to 2026 from 2034, which is forecast to save £59 billion in the longer term. This should not affect anyone within 14 years of receiving their state pension.

## State pension and pension credit

The basic state pension will rise by £5.30 to £107.45 in April 2012, which will be the largest ever cash rise in the basic state pension. To ensure that the poorest pensioners will not see a smaller rise, the Government confirmed that it would also uprate the pension credit by £5.35 in April 2012.

## Asset-backed pension contributions

The Government will introduce new legislation that takes effect on 29 November 2011 to prevent employers obtaining excessive tax relief for asset-backed pension contributions to their pension schemes, but instead accurately reflects the payments made.

## Pension funds and infrastructure funding

It was announced that the Government will target up to £20 billion of additional private sector investment to support UK infrastructure through a Memorandum of Understanding with two groups of UK pension funds.

# Tax Credits



The planned £110 above inflation increase to the child element of the Child Tax Credit will be scrapped and the Government will also not uprate the couple and lone parent elements of the Working Tax Credit in 2012-13.

The child element of the Child Tax Credit and the disability elements of the tax credits will be uprated in line with the Consumer Prices Index (CPI) in 2012-13.

# Travel



## Fuel duty

The planned increase in fuel duty of 3 pence per litre on 1 January 2012 has been deferred to 1 August 2012 while the original 5 pence planned increase in August 2012 has been scrapped.

## Rail fares

The increase in rail fares each January, which is normally 3 per cent above the rate of inflation (RPI) is to be limited to one per cent – that still means a likely increase of about 6 per cent.

## Air passenger duty (APD)

Increases to APD from 1 April 2012 and 1 April 2013 (business jets) are proceeding as previously announced.

On 1 November 2011 the APD was cut for passengers travelling on direct long-haul routes departing from airports in Northern Ireland. The direct long haul rates will fall to the prevailing band A rate of APD. To provide a lasting solution, the Government has launched a parallel process to devolve aspects of APD to the Northern Ireland Assembly.

# Housing

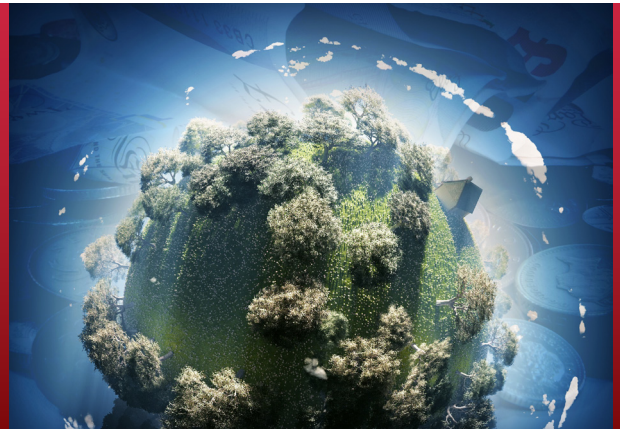


The last few years have been marked by a relatively stagnant housing market with prices generally flat in the midlands and north, Scotland, Wales and Northern Ireland, while prices have increased in the south east. However, high levels for deposits has meant that first time buyers have found it almost impossible to enter the housing market without saving for many years or seeking the support of the 'bank of mum and dad'.

In order to promote growth in the housing market the Government has announced that it will:

- Introduce a new build indemnity scheme to increase the supply of affordable mortgage finance for new build homes. This scheme will enable home buyers to purchase new build houses and flats with a five per cent deposit. It is envisaged that this will assist up to 100,000 families
- Reinvigorate the 'Right to Buy' to support social tenants who aspire to own their own home. The Government will provide an additional affordable home for each one purchased, in addition to plans to deliver up to 170,000 affordable homes through the new Affordable Homes Programme
- Launch a £400 million 'Get Britain Building' investment fund, which will support firms in need of development finance
- Support new development, which could include modern garden cities, urban and village extensions.

# Other Announcements



## Capital gains tax

The annual exempt amount for capital gains tax will be frozen at £10,600 for 2012-13.

## Corporation tax

The main rate of corporation tax will reduce to 25 per cent, as planned, on 1 April 2012.

## Gifts of pre-eminent objects

Following consultation after the Budget 2011, the Government announced that legislation will be introduced to enable individuals and companies to receive a reduction in their income tax and capital gains tax liabilities, and corporation tax liabilities respectively, by donating pre-eminent works of art or historical objects to the nation.

## Child poverty strategy

By 2014-15, the Government will invest a further £380 million a year to extend its offer of 15 hours free education and care targeted at two-year-olds from poorer families.

## Youth unemployment

The Government will introduce a 'Youth Contract' to tackle the growth in youth unemployment. Amongst other measures it will include the provision of funding for an estimated 160,000 wage incentives of £2,275 to make it easier for private sector employers to take on young people and funding for at least 40,000 incentive payments for small firms taking on young apprentices.

## Health and safety regulations

Following the review by Professor Löftstedt of health and safety regulations, the Government has accepted the recommendations which will further reduce red tape for UK businesses. Some of the main measures will include exempting self-employed individuals that pose no risk to others from health and safety legislation and simplifying guidance and codes of practice.

## Insurers' Infrastructure Investors Forum

The Government will establish an Insurers' Infrastructure Investors Forum with the Association of British Insurers. The purpose of the forum is to explore ways to guarantee that the capital markets continue to provide an efficient and attractive source of debt finance for infrastructure projects.

## Planning reform

Gaining planning permission always seems to be a challenge, with so many requirements and hurdles to jump over, so the Government have announced another endeavour to reform the planning and consent regime. The intention is to speed up planning decisions while seeking to reduce the cost of investment in UK infrastructure.

These changes arise as a result of the Penfold Review and confirm that the Government will:

- Ensure the key consenting and advisory agencies have a remit to promote sustainable development as soon as the National Planning Policy Framework is finalised
- Introduce a 13-week maximum timescale for the majority of non-planning consents, to speed up the consenting process and give certainty to developers. This change takes effect immediately.

The Government will also:

- Ensure that there is a more effective mechanism for applicants to obtain an award of costs, if there is an appeal against refusal of a planning permission when a statutory consultee has acted unreasonably
- Build more flexibility into the new major infrastructure planning process particularly in the pre-application phase.

## Promoting Exports

The Government announced that it will:

- Spend £10 million to make available to 500 mid-sized businesses each year the bespoke export service support services of UK Trade and Investment (UKTI)
- Spend £35 million to increase from 25,000 to 50,000 the number of SMEs that UKTI supports each year
- Work through the EU to complete free trade agreements with India, Singapore and Canada in 2012, and make substantial progress towards completing trade agreements with Mercosur, most ASEAN countries and Japan within the next three years; and
- Launch HE Global – an online information and advice portal for higher education institutions wishing to expand abroad.

## Investing in Education and Training

The Government is to provide a further £1.2 billion for capital investment in schools in England, including:

- An extra £600 million to fund 100 additional Free Schools
- An additional £600 million to support those local authorities with the greatest demographic pressures
- Investing £250 million in 2012 to enable businesses to design, develop and purchase the vocational training programmes they need.
- Increasing young people's access to high quality work experience by investing £4.5 million over the next two years to support work experience as part of post-16 programmes of study; work with the Federation of Small Businesses and other employer groups to review regulation impacting on the provision of work experience by the end of December 2011; and publish shortly a guide on work experience.