Autumn Statement and draft Finance Bill – Key issues for SMEs

This note highlights the key issues for small and medium sized enterprises (SMEs) in the 2013 Autumn Statement and draft Finance Bill 2014.

Business rates

Small business rate relief

The existing temporary increase in small business rate relief (SBRR), which is due to end in April 2014, will be further extended to 31 March 2015. The Government estimates that approximately 360,000 small businesses will continue to get 100% relief and another 180,000 will receive tapering relief.

The rules on SBRR will also be relaxed to incentivise the growth of business. Businesses will be able to keep receiving SBRR for 1 year, with effect from 1 April 2014, if they take on an additional property that would otherwise cause them to lose the relief.

Discount for retail premises

A business rates discount of up to £1,000 will be given in 2014-15 and 2015-16 to retail premises with a rateable value of up to £50,000. Eligible retail premises will include pubs, cafes, restaurants and charity shops but will exclude banks and betting offices. The Government will issue guidance on how the discount will be applied.

Reoccupation relief

A business rates discount of up to 50% will be given for 18 months to new occupants of retail premises, which were previously empty for a year or more. The relief will apply to businesses moving into empty retail premises between 1 April 2014 and 31 March 2016.

Business property renovation relief

The Government announced measures to simplify the business premises renovation allowance, make the scheme more certain in its application and reduce the risk of exploitation, with effect from April 2014.

Corporation tax changes

As a result of the proposed reduction in the main rate of corporation tax to 20% for the financial year commencing 1 April 2015, the main and small profits rates of corporation tax will be unified from that date. Consequently, marginal relief for companies with profits between the threshold for the small profits rate and the main rate of corporation tax
The draft Finance Bill 2014 keeps the small profits rate of corporation tax at 20% for the financial year beginning 1 April 2014 and changes the small profits marginal relief standard fraction to 1/400ths for that period.

**Company cars: private use and lease to employee**

Two measures on company cars were announced that take effect on 6 April 2014:

- The first will require employees to make payments, within the tax year, for private use of a company car or van.
- The second will ensure that a car that is leased to an employee falls within the car benefit regime of section 114 of the Income Tax (Earnings and Pensions) Act 2003.

**Employer NICs abolished for under 21s**

From 6 April 2015, no employers’ national insurance contributions (NICs) will be payable on wages below the upper earnings limit (expected to be £813 per week) paid to employees who are under the age of 21. This will apply to new and existing employees, whose state pension entitlement will not be affected.

**National insurance contributions rates and thresholds**

Although the rates of Class 1 employee and employer NICs will not change, the limits and thresholds will be increased for 2014-15. The weekly lower earnings limit will increase to £111 per week, the weekly primary and secondary thresholds will increase to £153 per week and the upper earnings limit will increase to £805 per week.

**SAYE and SIP limits increased**

From April 2014, certain participation limits for SAYE option schemes and share incentive plans (SIPs) will increase:

- The savings limit for SAYE option schemes will be increased from £250 per month to £500 per month.
- The limit on free shares that can be awarded to a participant under a SIP will increase from £3,000 per tax year to £3,600 per tax year.
- The amount an employee can invest in partnership shares under a SIP will increase from £1,500 per tax year to £1,800 per tax year.

**Measures to encourage employee ownership**

A number of tax measures aimed at encouraging employee ownership will be introduced:

- A capital gains tax (CGT) relief when shares are disposed of to an employee ownership that meets certain conditions and is used as an indirect employee ownership vehicle structure, if that disposal results in the trust owning a controlling interest in the company. This relief will apply from 6 April 2014.
• From October 2014, bonuses (or “equivalent payments”) of up to £600 per employee per tax year paid to employees of companies that are indirectly employee-owned will be exempt from income tax (but not NICs).
• Changes to the inheritance tax exemptions will be made to ensure that they apply to shares and other assets transferred to employee-ownership trusts, provided certain conditions are met. The changes will take effect from 6 April 2014.

**Tax exemption for employer-funded health treatments**

A tax exemption, previously announced in the 2013 Budget, will be introduced for amounts paid by employers (or reimbursed to employees) to fund medical treatment for employees to assist them to return to work following a period of absence due to injury or ill-health. Up to £500 will be exempt and the exemption is expected to take effect from autumn 2014. The scope of the exemption will include medical treatments recommended by occupational health services arranged by the employer, as well as treatments recommended by the soon to be created Health and Work Service.

**Apprenticeships**

Measures will be introduced to enable businesses to receive funding for training apprenticeships directly through an HMRC-led system.

**Employment intermediaries**

Legislation will be introduced to ensure that workers whose services are supplied in the UK to a UK resident end client will no longer be able to escape UK tax and NICs through the use of offshore employment intermediaries if the nature of their relationship to the end client has the characteristics of employment.

In addition, the Government will consult on strengthening the existing agency legislation to ensure that employment intermediaries cannot be used to disguise employment as self-employment.

**Lending to SMEs**

The Government will use unspent funding from the Business Finance Partnership (BFP) to provide a further £250 million to the British Business Bank, which will allow it to:

• Invest in late-stage venture capital funds that invest in high-growth potential SMEs.
• Launch a new scheme to support the provision of lease and asset finance.
• Launch a programme of wholesale guarantees for SME loans.

**Venture capital trusts: no relief for investments linked to buybacks**

Following a consultation over the summer identifying the practice of some venture capital trusts (VCTs) operating share buy-back
schemes under which investors reinvest proceeds received on a buyback within a short period of time, draft Finance Bill 2014 clauses have been published to ensure relief is not available in those circumstances.

In particular, from April 2014, new tax relief will not be available for investments that are conditionally linked in any way to a VCT share buy-back, or that have been made within 6 months of a disposal of shares in the same VCT.

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