

# BARNES ROFFE

CHARTERED ACCOUNTANTS

## TT238 Budget 2016 focus

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March 17, 2016

There were a number of very interesting announcements aimed at small and micro businesses made by the Chancellor in the 2016 Budget. The focus on micro and small businesses is undoubtedly very important as this sector can (and hopefully will) drive the economy in an upward direction.



I will highlight few of the most interesting measures.

One welcome measure was the increase in the personal allowance from April 2017. Although the increase is very modest (to £11,500), any increase will help owners of micro and small businesses. A knock on effect of the increase in the personal allowance will be the increase in the basic rate and higher rate thresholds.

The Chancellor also announced the abolition of Class II National Insurance Contributions (“NIC”) from April 2018. Class II NIC is payable by self-employed individuals at a flat rate of £2.80 per week although low earners can reclaim this. The abolition of Class II NIC and the increase in the personal allowance will mean that the tax savings do begin to add up.

One of the measures discussed at length by the Chancellor but not really picked up by the media generally is the changes to business rates. From April 2017, small businesses that occupy property with a rateable value of £12,000 or less will pay no business rates. Currently, this 100% relief is available to businesses that occupies a property (e.g. a shop or office) with a value of £6,000 or less.

The Chancellor announced that the rate of corporation tax will be cut from 1 April 2020 to 17%. This is in addition to the cut previously announced by the Chancellor. However, although any cut is welcome it is unlikely to make a significant cash flow difference to microbusinesses.

A very interesting measure was in respect to Entrepreneurs’ relief and the extension of this relief to long term investors in unlisted trading companies. Hopefully this will have the desired outcome of creating a strong enterprise and investment culture, and to enable companies to access capital required to expand and create jobs.

One cost that small businesses have been struggling with in the last few years is the cost of road fuel. The Chancellor thankfully announced that fuel duty will be frozen for another year. This is particularly welcome as the cost of oil production has recently fallen in the last few months and he would have been tempted to increase the rates.

Hopefully the focus on small and micro businesses by the Chancellor will continue.