

## Press Release

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For immediate release

### **Budget is good news for entrepreneurs**

MEASURES to reduce corporation tax, as well as extend the NIC threshold and entrepreneurs' relief, announced in yesterday's Budget (June 22, 2010) are welcome news for small to medium-sized firms, according to Target Chartered Accountants.

The company, which specialises in advising entrepreneurial businesses, says that following the Budget many SMEs would be better off than they had been for many years and incentivised to grow further.

Group Head of Tax Planning, Gavin Lenthall, said: "The Chancellor stated that the private sector would be the foundation of the recovery and many of the measures he has introduced are very encouraging for new and existing entrepreneurs alike.

"From a corporate finance perspective, the big news is the reduction in the rate of Capital Gains Tax (CGT) on the first £5 million of lifetime gains - up from the first £2 million introduced in the March Budget," he said.

"The move acknowledges the risks entrepreneurs take when starting up a business and should encourage more people to set up on their own," Gavin adds.

Following the Budget, the reduced 10% rate of CGT can be claimed on the first £5 million of lifetime gains by individuals who are sole traders, partners in a trading business, or who own shares in their personal trading company.

"From a Corporate Finance perspective, entrepreneurs selling their share of a business with a value of less than £7.5 million will see a reduction in their CGT bill following the change," Gavin explains. "However, an owner selling a business with a value in excess of this will be worse off and would do well to plan ahead if they are considering selling in the near future.

"Transferring assets to family members to secure multiple £5 million allowances may now look increasingly attractive," he advises.

“Although the widely criticised 1% increase in employer’s NIC will still come into force, the Chancellor has softened the blow by increasing the threshold at which employers start to pay National Insurance and significantly reduced the cost of employing staff on salaries of less than £20k,” Gavin said.

“Furthermore, Corporation Tax will be cut next year to 27% and reduced by one per cent annually over the next three years, until it reaches 24%. There has also been a reduction in the small companies’ corporation tax rate to 20%,” he explains.

“As the Chancellor himself pointed out, the 24% rate is one of the lowest of any Western economy and this should hopefully increase our competitiveness in terms of attracting large corporations, as well as boosting the profitability of businesses.”

Gavin warned that although the majority of non-retail businesses would be unaffected by the VAT change, the squeeze on consumer spending could have a damaging effect on the economy.

“Like the VAT rate change we saw at the start of this year, businesses will need to make all the necessary accounting preparations ahead of the change,” he said. “Although the majority of UK businesses are VAT registered and will be unaffected in terms of paying the additional VAT, the change could have a significant effect on consumer spending habits. At a time when the recovery is weak this could be seen as a gamble in terms of slowing down the pace of economic growth.”

“Likewise, there are many other areas, such as pensions, which the Chancellor has put under review. Changes here could have widespread implications for high income earners, so we are advising clients to review their tax affairs now while they can, as there is a general consensus that things will become a whole lot tougher in the future,” Gavin adds.

## **ENDS**

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### **Editor’s notes:**

Target is a top 50\* firm of chartered accountants working exclusively with entrepreneurial individuals and their businesses around the country. The firm has 11 directors and 180 staff working out of four UK offices in Bath, London, Reading and the Midlands. Established 11 years ago as a specialist tax consultancy, Target are leading advisers in six core integrated service areas: Audit and Assurance, Business Services, Tax Planning, Corporate Finance, Financial Management and HR Consultancy. (\*source Accountancy Age)