Business Taxes and ‘The Plan for Growth’

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Main corporate tax rate

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Other business taxes 1

- Reforms to the Controlled Foreign Companies rules
  - Interim measures in 2011 *(revenue cost 2011-11: £55m)*
  - Full reforms in 2012 *(revenue cost 2014-15: £770m)*

- Supplementary charge on UK oil and gas production profits to increase from 20% to 32%, 2011 *(revenue gain 2014-15: £2.1bn)*

- Increase in the bank levy *(revenue gain 2011-12: £630m; 2014-15: £105m)*

- R&D tax credit rate for SMEs will increase from 175% to 200% in 2011, to 225% in 2012 *(revenue cost 2014-15: £105m)*
Other business taxes 2

- Extension of short life assets limit from 4 to 8 years from 2011 (revenue cost 2014-15: £100m)

- Entrepreneurs’ Relief: doubling of the lifetime limit on qualifying capital gains (from £5 million to £10 million) in 2011 (revenue cost 2014-15: £90m)

- Enterprise Investment Scheme and Venture Capital Trusts: includes increase rate of income tax relief to 30% in 2011 and increased thresholds, e.g. increase in amounts companies can receive (revenue cost 2014-15: £110m)

- Small business rates: one year extension of relief for small business to October 2012 (revenue cost 2011-12: £190m)

- Stamp duty land tax cut for those buying multiple properties (revenue cost 2014-15: £130m)

- Shared equity scheme for first time buyers of new homes (revenue cost 2011-12: £250m)
The Plan for Growth

What should a plan for growth contain?

• Measures aimed at supply side constraints
• Policies to address market failures
• A simpler and less burdensome tax system

• Yesterday’s Plan addresses some of these
  – Planning, regulation, skills

• Also many specific policies where rationale for intervention less clear
  – Sector specific initiatives include attracting tourists with smart phone apps; writing regulation for space tourism; moving the first bank holiday in May

• Few policies to address longer term issues
The Plan for Growth: Enterprise Zones

• Initially 10 areas identified as having ‘untapped potential’, plus one in London and 10 to be won
  
  - 100% business rates relief for 5 years \((\text{revenue cost 2014-15: £65m})\)
    
    • Growth in business rates from within zone for at least 25 years will be kept by local authorities
  
  - Also simplified planning and support for fast broadband
  
  - Potentially enhanced capital allowances and UKTI support

• Similar policy in place in the 1980s - in general this resulted in an increase in number of firms and employment but mostly these represented relocation from neighbouring areas

• Are policies well targeted at constraints?