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Fiscal Studies

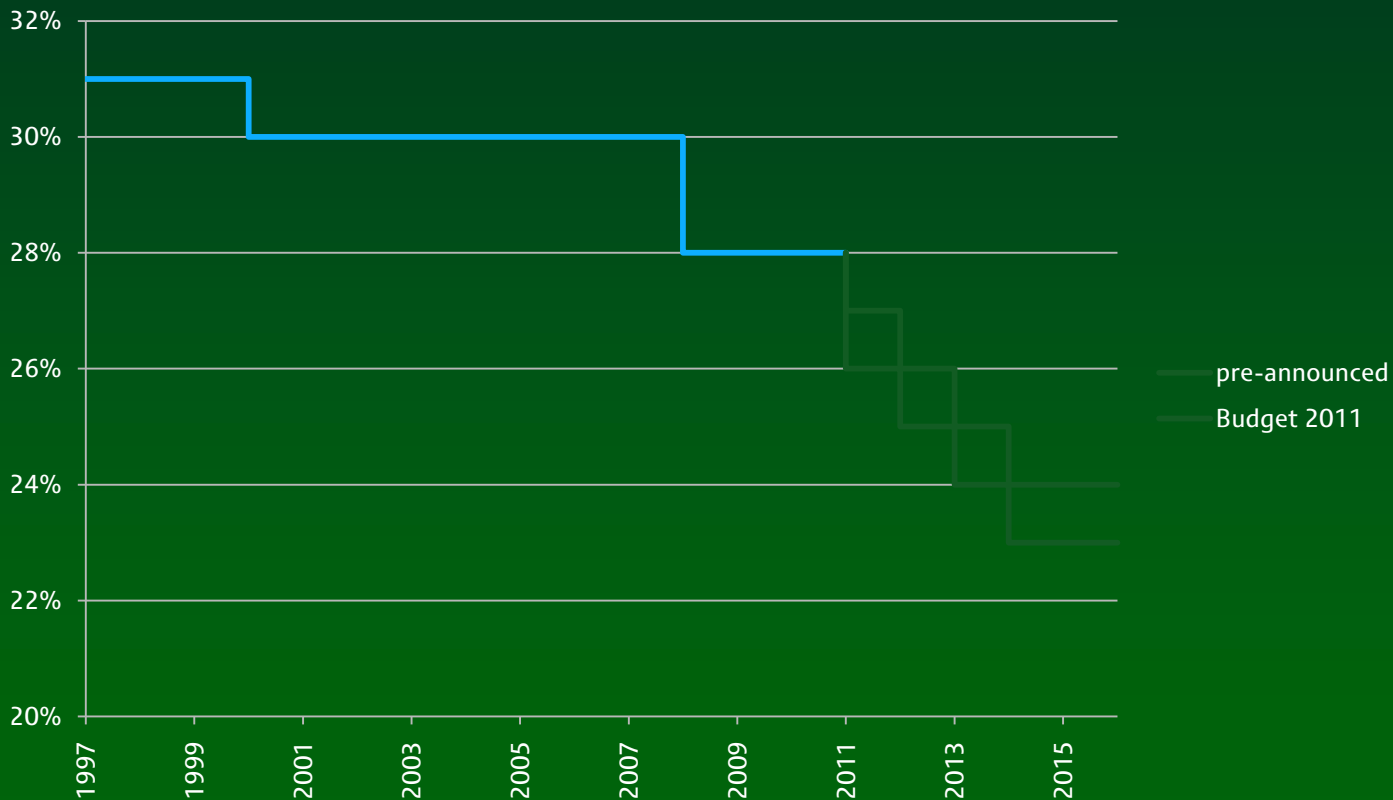
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# Business Taxes and ‘The Plan for Growth’

Helen Miller

# Main corporate tax rate

- Additional 1% cut in main statutory rate to 26% in 2011-12, 23% by 2014-15 (*Revenue cost 2014-15: £1bn*)



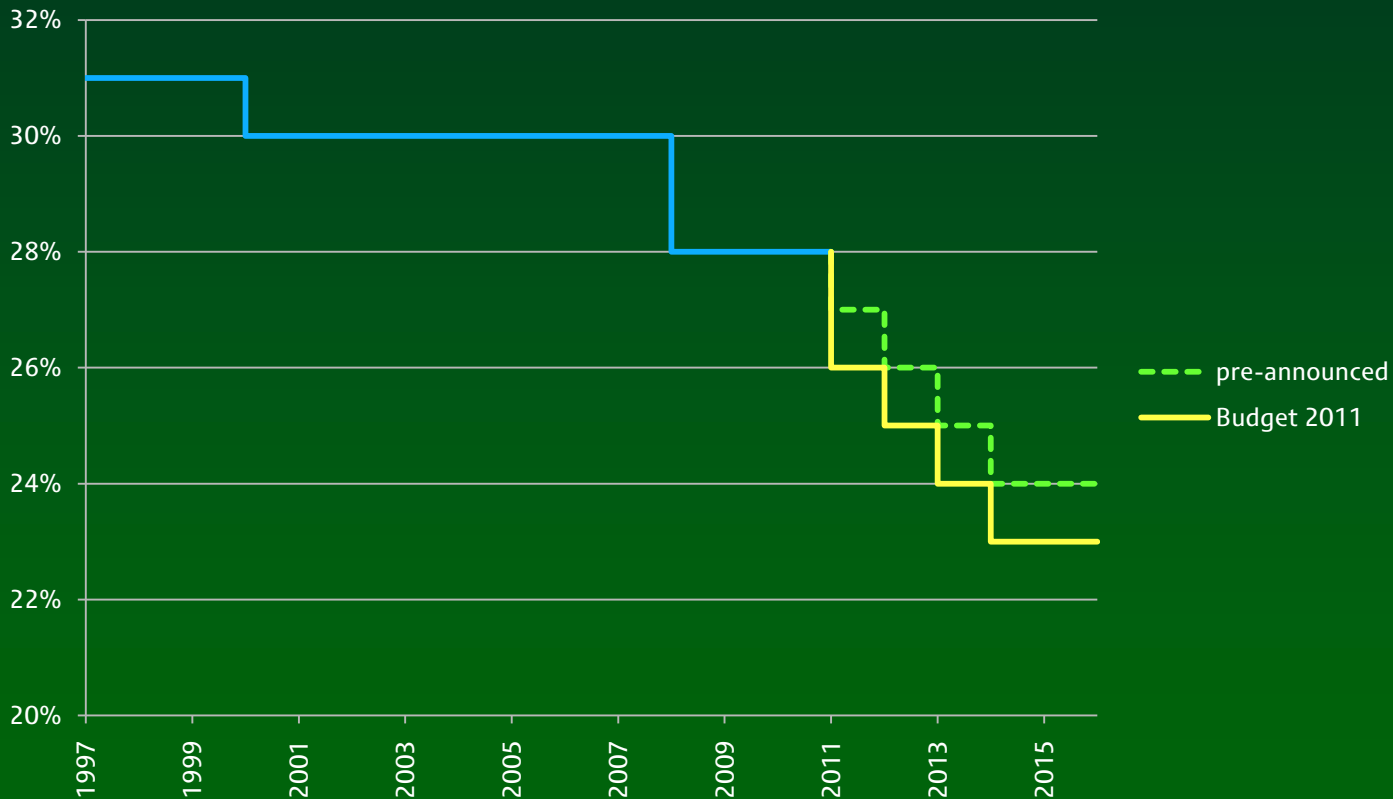
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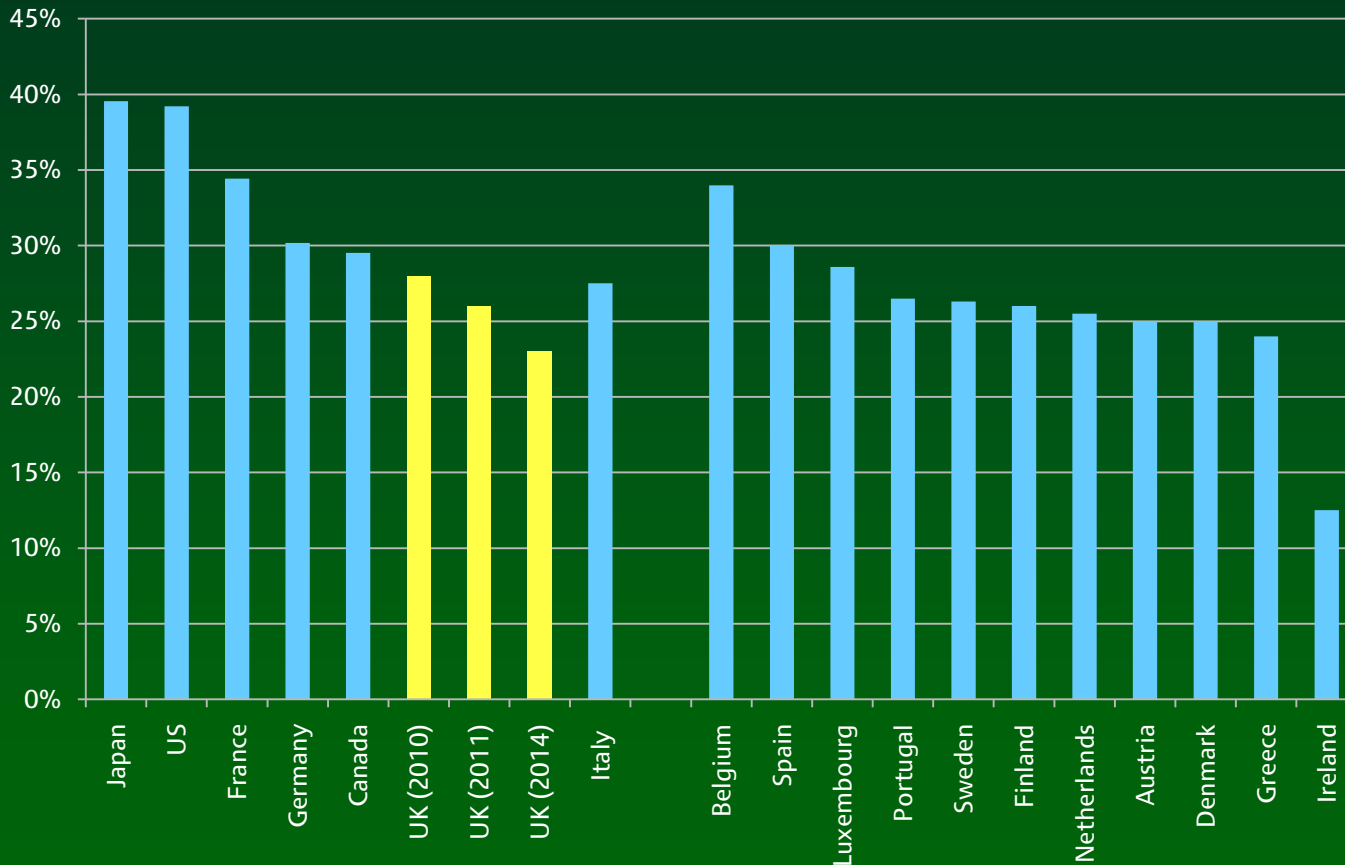
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# Main corporate tax rate

- Main rate cut to 26% in 2011-12, falling to 23% in 2014-15



# 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 (*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?