

### NIC Allowance to Boost SME Job Creation

*“Following the Budget 2013 announcement of a £2,000 Employer NIC allowance, 1 in 5 small businesses expressed optimism about expansion & growth”*

Available from April 2014, this allowance is expected to remove 450,000 small employers from the employers NIC net. The intent is to remove the barrier to employment represented by the significant add-on cost of ER NIC e.g. a small business could employ 4 people on minimum wage or one person on £22,000.

As SME's account for over 99% of private UK businesses, it is hoped that there will be a measurable boost to employment and the health of this critical sector. Surveys suggest that 1/3 of all businesses expect to take on additional staff to take advantage of the allowance.

### 1 in 3 Workers Have a Second Income

*“6% of Britons boost their income by taking on a secondary job. 36% of workers supplement their income in some way by £2,536 per yr” Direct Line reports.”*

In addition over the last 6 months, 1.5 million started businesses to boost primary income. Over half of this group engage in evening work. 2 million work an extra 18 hours/wk in the form of overtime or second jobs.

- 24% (11.5 million) use online auction sites to sell goods or provide freelance design services.
- Nearly 800,000 launched local businesses.
- Popular choices are wedding catering and small scale manufacturing.
- Workers in the South-East are most likely to have additional incomes (40% look to do so).

### Construction Trade - pilot credit scheme

*“200 small businesses and sole traders have been helped by a scheme involving The Kingfisher Group (Europe's largest home improvement retailer) giving them access to £500 million worth of otherwise unavailable credit”*

The Screwfix and B&Q group launched an extension to the Enterprise Finance Guarantee Scheme (EFG) in April providing credit to small businesses who struggle with upfront material costs. Under the scheme, guarantees of up to 75% of the loan value are provided by the government. This has allowed Kingfisher to:- (1) Provide credit up to £3,000 to new customers normally unable to get trade credit.(2) Up to £25,000 to new customers who would normally only get £3,000 credit.(3) up to £50,000 to existing customers who would normally be restricted by not fulfilling qualifying criteria. This success has fostered interest by a wide range of other business sectors.

Further national & local roll-outs amongst builders merchants are expected to boost confidence amongst smaller businesses in the construction industry, helping to fuel growth.

### CBI Sets Out Business Tax Principles

*“The Confederation of British Industry(CBI) issued guidance to UK businesses to improve understanding & visibility in respect of the tax they pay”*

The CBI has recommended that UK businesses with operations in the UK should:

- Engage only in tax planning that is reasonable and consistent with commercial/ economic activities and not abusive.
- Act in a manner of “co-operative compliance” with HMRC when interpreting tax law.
- Respond to tax exemptions & incentives where they are appropriate.
- When considering transfer pricing & tax presence, act in accordance with appropriate UK Double Taxation regulations & OECD guidance including contributing positively to the international review of the global tax regime.
- In respect of reporting, be transparent, collaborative & promote understanding when engaging with HMRC, rebuilding public trust.

### Errors on 2010-11 Tax Credits costs £2.3b

*“HMRC is going to miss its target to reduce tax credit fraud & error by £5 billion”*

The Public Accounts Committee estimates 20% of 2010-11 awards were subject to errors that resulted in overpayments. In 2011-12 HMRC paid out £30 billion to nearly 6 million qualifying families.

The PAC reports that the amount lost to error & fraud in 2010-11 was £2.3 billion (£850 million more than expected)and concludes that “HMRC's performance in cutting fraud & error in the tax credit system has been hugely disappointing & extremely poor” although it concedes that the system is “difficult to understand & equally challenging to administer”

### Extension of Red Tape Freeze

*“From 2014 as well as small businesses, those with less than 50 employees will qualify for the same regulatory exemptions as the government strives to reduce red tape”*

There will also be an assessment process to for exemption from new regulations, to determine whether they face 'disproportionate burdens' which could stifle business expansion. The government sees small businesses as vital in creating new jobs and provide balance in the economy.

Whitehall departments will be forced to consider the following when drafting new regulations:-

- (1)Providing extra time for compliance
- (2) Making record keeping simpler
- (3) Providing small businesses with appropriate guidance & advice
- (4) Tailoring regulations according to business size.

The new Small & Micro Business Assessment (SMBA) expands upon the current Micro-Business Moratorium from the 2011 Budget.