Tuesday 13th March 2018

SMEs and the Spring Statement: the UK200Group Verdict

Chancellor of the Exchequer Philip Hammond announced his Spring Statement to Parliament on Tuesday 13th March; the wider implications of which are sure to impact upon SMEs across the UK. How do members of the UK200Group think those changes will affect the UK's owner-managed businesses?

The **UK200Group** (**http://www.uk200group.co.uk/**) is the UK's leading membership association of chartered accountancy and law firms, whose members act as trusted business advisers to over 150,000 SMEs. A number of the UK200Group's members have given their initial views of the Spring Statement's impact on the SME community.

Trevor Cook, Director at Stockton-on-Tees based Baines Jewitt Chartered Accountants (http://www.bainesjewitt.co.uk/) said;

"With the move to one Budget per year, the Chancellor's spring statement did not present any major tax policy or spending surprises. Although the UK economy grew marginally more than expected in the last quarter of 2017, the Organisation for Economic Co-operation and Development has revealed that UK growth is set to be slower than any other major advanced nation this year.

VAT is to be put under the spotlight via a formal public consultation, which will highlight why it is thought to be inhibiting the growth of small UK companies. The culture of late payments, contributing to the closure of thousands of small businesses, is also set to be addressed. This review of policy is important if we want UK start-ups to scale-up or small and mid-sized companies to grow and explore new markets.

With a large proportion of the UK business economy represented by small and medium sized enterprises, we hope their needs will be reflected in the government's longer-term tax strategies post-Brexit. As well as responding to economic forecasts, focusing on productivity and reducing red tape, Britain needs to remain an attractive place to invest, trade and work."

Ann Bibby, Partner at Banbury based Ellacotts, Chartered Accountants & Business Advisers, (https://www.ellacotts.co.uk/) said;

"The Chancellor's first Spring Statement was a bit of a damp squib for tax purposes. There were no changes to tax at all and so we stick with the main Budget proposals announced in November 2017. The good news is that, from next month, individuals will not pay any Income Tax if their income does not exceed £11,850 and this could even be as high as £22,850 for those with significant dividend and savings income. Also, individuals will not become higher rate taxpayers until their annual income exceeds £46,350. Finally, most

individuals will continue to pay Capital Gains Tax at a maximum rate of 20%, except on the sale of residential properties."

For Ann's full summary of the Spring statement please click here.

Andrew McDaid, Partner at Chesterfield based Mitchells Chartered Accountants and Business Advisers (http://www.mitchellsaccountants.co.uk/) said;

"While I applaud the UK's growth we do have to retain a sense of perspective that it is still a lot lower than other countries in the G20 which puts us in a weaker position particularly in the Brexit trade negotiations."

More frequent rate evaluations are designed to stop such dramatic rate increases, which will hopefully make it easier for business to forecast and plan spending.

The effects of the rates re-evaluation being brought forward and undertaken more frequently, will be felt by all businesses but particularly those in the south, particularly London, where property prices have seen dramatic increases in recent years."

Adam Longmore, Taxation Director at Midlands based Dains Accountants (http://www.dains.com/) said;

"This Spring statement felt like a departure from previous years when the interim statement has been used as a mini budget. Instead, this statement really was the 'short update' that the chancellor suggested it would be and leaves fiscal changes for the 'real budget' in the Autumn.

There were announcements regarding an increase to the National Living wage and support for small businesses to engage with apprentices but very little else of substance. Instead, the statement unveiled a series of consultations on future policies which will no doubt influence tax changes in the Autumn Budget. Business is shouting out for stability and certainty to help boost and drive the UK economy forward and, whilst we did not expect many announcements in this statement, we will be looking forward to the 'real budget' to provide the support required.

Overall there were no surprises, no major changes and the statement provided us with an upbeat message on the economic outlook for the UK. Behind the speech however the growth forecasts show that the UK economy is set to achieve low-key growth for some time. This lack of growth will mean the chancellor has limited wriggle room this Autumn to open the tap for public spending without raising additional tax revenues or achieving savings elsewhere.

We couldn't have a statement that didn't mention Brexit and the OBR (Office for Budget Responsibility) confirmed the final amount the UK expects to pay to 'divorce' from the EU as £37.1bn. Interestingly the final amount won't be paid in full until 2064 and it is therefore likely that ongoing Brexit related uncertainties will dominate and influence budget decisions for some time."

The UK200Group Limited (http://www.uk200group.co.uk/) is an association of separate and independently owned and managed chartered accountancy firms and lawyer firms. UK200Group does not provide client services and it does not accept responsibility or liability for the acts or omissions of its members. Likewise, the members of UK200Group are separate and independent legal entities, and as such each has no responsibility or liability for the acts or omissions of other members.

The UK200Group aims to present a wide variety of views from its member firms, but itself remains impartial and unbiased in political matters.

ENDS