



# RDA SUMMARY OF THE PRE-BUDGET STATEMENT

## MAIN HEADLINES

RDA's welcome PBR and positive measure to help businesses.

### Business landscape

1. **VAT** reduced (temporarily) from 17.5% to 15%.
2. **Income tax** increased to 45% for those earning over £150,000 from 2011.
3. Small company **corporation tax** increase from 21p to 22p scrapped.
4. 2009 **economic growth** forecast cut from assumed +2.5% to -1%.
5. Government **borrowing** to be £78bn in 2008, and £118bn in 2009.
6. **National Insurance** to increase by 0.5% from 2011.

### RDA impact

7. **Small Firms Loan Guarantee** trebled to £1 billion, with £75m from RDAs.
8. RDAs launch **transition loan funds** in all regions (except London), £25m from RDAs.
9. £50m government SME **equity fund** unveiled, £10m from RDAs.
10. Top 3 region by region **regeneration** schemes highlighted.
11. **Public Value Programme announced for RDAs** – The Government will work with the RDAs to maintain and where possible increase the value realised from the Single Pot.

## PBR IN FOCUS

### Government spending –

- **Government borrowing to be £78bn in 2008, £118bn in 2009 (8% of GDP) and £105bn in 2010** – National debt will peak at 57% in 2013/4 and the budget will return to balance in 2015-6.
- **Economy forecast to start growing again in Q3 2009** – 2009 growth forecast estimated at between -0.75% and -1.25 and between +1.5% and +2% in 2010.
- **Acceleration of spending on public works** – £3bn brought forward from 2011-12 aimed at schemes such as flood defences and housing.

### Business Taxation –

- **VAT slashed from 17.5% to 15%** - Immediate temporary tax reduction which will last until end of 2009.
- **Small company corporation tax increase from 21p to 22p scrapped.**
- **Tax timetables for SMEs with cashflow problems** – SMEs allowed as much time as necessary to pay all business taxes.
- **Empty property tax** – All properties with a rateable value less than £15,000 to be exempt.

### Business support –

- **Small Firms Loan Guarantee trebled to £1 billion** – Measure accompanied by steps to reduce tax and regulatory burdens faced by SMEs. £75m funded by RDAs.
- **£50m government equity scheme** – The government has proposed making equity investments to support SMEs. RDAs are contributing £10m to this fund.



- **New Business Link portal unveiled** – to provide better access to business support schemes.
- **New £1bn for temporary Small Business Finance Scheme** – SMEs able to borrow from £1,000 to £1m.
- **Tax repayments extended for business losses** – Firms able to offset losses against 3 years of accounts.
- **£1bn fund to assist with export guarantees** – to alleviate business financing problems.
- **EIB loan funds to banks** – £1bn to be available by end of 2008 through 7 High Street banks.
- **Renewable Energy Obligation extended** – By 10 years to 2037.
- **Additional £100m to be made available to fund energy-saving measures** – aimed at insulating homes with £a further £50 brought forward.
- **Ofgem to monitor wholesale and domestic energy prices** – possible precursor for government to use statutory measures to ensure reductions passed on.

#### Regeneration –

- **£100m of funding for top 3 regeneration priorities brought forward** – Flexibility to bring forward up to £100m in year 3 of current spending round to fund the top 3 regeneration priorities identified recently to CLG by RDAs.
- **£1.8bn to help social housing and regeneration.**

#### Transition Loan Funds –

- **£25m extension of Transition Loan Fund** – in addition to AWM initiative (announced last week) for SMEs to gain better access to finance.

#### Transport –

- **Fuel duty to be increased by 2.5%** - Offsetting VAT reduction.
- **Aviation duty reformed** – into four-band tax system to ensure those travelling further and who have a bigger environmental impact meet the cost.
- **Car tax changes delayed until 2010.**

#### Personal Taxation –

- **New Income Tax rate introduced at 45% for those earning over £150,000** – to be introduced in April 2011 after the next election.
- **National Insurance increased by 0.5% from 2011** - National insurance allowances and income tax allowances aligned.
- **Continuation of £2.7bn for low income families** – aimed to compensate those affected through the abolition of 10p tax rate.

## OPPOSITION REACTION

#### Conservative -

- Tories argue government spending and debt out of control.
- Cameron claims massive tax bombshell inevitable in years ahead.
- Osborne criticises the increase on national insurance increase as a tax on jobs.
- Osborne highlights the doubling of national debt.
- Osborne quotes IMF and European Commission as stating UK will experience world's worst recession.

#### Liberal Democrat -

- Cable calls for tax cuts to be full funded and spending should only be on capital investment.
- Liberal Democrats would have preferred tax cuts aimed at lower and middle income earners.

**STAKEHOLDER REACTION****BCC –**

- **Ahead of PBR, BCC called for cuts to business taxes** – Wanted reintroduction of empty premises tax relief, reductions in National Insurance Contribution rates and reversing the increase in small companies' corporation tax.

**CBI –**

- **Ahead of PBR, CBI calls for measures to protect jobs and help SMEs** – argues for measures to alleviate business cash flow problems including reduction in employer National Insurance contributions.
- **Ahead of PBR, CBI unveils 10 point wish list** – including moderate reduction in business taxes and roadmap to a restoration of public finances.

**EEF –**

- **Ahead of PBR, EEF call for a £30 billion fiscal stimulus** – includes calls for boosts in public spending programmes backed by cuts in the small company and headline rates of corporation tax, the starting rate of income tax, and vat and public spending programmes.

**FSB –**

- **Ahead of PBR, FSB calling for business tax cuts and fund to help SMEs** – includes calls for major boost to Small Firms Loan Guarantee, scrapping of the 1p rise in small companies corporation tax, and proposal to funnel EIB funds through RDAs.

**IoD –**

- **Ahead of PBR, IoD calls for £20 billion of tax cuts** – includes calls for 3p cut in income tax and 4p cut in corporation tax

**LGA –**

- **Ahead of PBR, no press releases issued**

**LINKS**

[Link to PBR](#) from HM Treasury website

[Link to PBR regional outlook](#) from HM Treasury website