



# The Budget 2014

---

RJF Public Affairs and Bloomer Heaven Briefing Briefer

18<sup>th</sup> March 2014

Benjamin Mulvihill  
Research Assistant, RJF Public Affairs

Additional Material: Paul Dale  
Edited by Kevin Johnson and Jay Boyce

*Combining tax and accountancy expertise with high level parliamentary intelligence, RJF Public Affairs and Bloomer Heaven are pleased to offer clients and stakeholders an advance briefing of what to expect in the Budget this Wednesday.*

## Contents

Introduction..... 2

Priorities and Perspectives..... 2

Corporation Tax..... 2

40p Tax Rate..... 3

Personal Allowance ..... 3

Garden City..... 3

Stamp Duty..... 3

Help to Buy..... 3

National Insurance & Business Rates ..... 4

SMEs..... 4

Alcohol and Fuel..... 4

Energy ..... 4

Childcare ..... 4

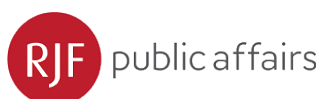
Welfare..... 4

Bloomer Heaven Priorities ..... 5

RJF Perspective ..... 7

About RJF..... 8

About Bloomer Heaven..... 9



**RJF Public Affairs** is the only dedicated public affairs and political communications consultancy owned and based in Greater Birmingham.



**Bloomer Heaven** is one of the most established and successful independent Chartered Accountancy practices in the West Midlands.

*“The message in the Budget is that our economic plan is working but the job is very far from done. That means addressing long-term issues. We don’t export enough, don’t build enough. We need to boost exports to new emerging markets and support investment..”*

*George Osborne  
6<sup>th</sup> January 2014*

## Introduction

When Chancellor George Osborne takes to the despatch box on Wednesday to deliver the annual Budget he will remind the public, as with last December’s Autumn Statement, that the ‘job is not yet done’.

[Speaking in February](#), the Chancellor stated the Budget was to be one of “hard truths” and that he was seeking to rebalance the burgeoning economic recovery away from consumer spending and the finance industry towards increasing manufacturing exports. However, the Chancellor will approach the Budget with a great deal more confidence than in previous years.

Strong projections for growth, a well-received speech on the potential risks for a currency union with an independent Scotland and satiated back benchers promised a referendum in the Queen’s Speech have all bolstered the Chancellor and Government’s position. But the Chancellor will undoubtedly use this recent fortune to restate the case for his long-term plan of tackling the deficit and sure up Conservative credibility on the economy.

## Priorities and Perspectives

This document seeks to give readers a short summary of what is expected to be in the Budget on Wednesday. [On pages 5-7](#) you will also find our priorities and perspective on what we think could and should be included in Chancellor Osborne’s Budget.

We are calling for:

- Further assistance from the Chancellor with competitively priced funding
- A root and branch reform of the business rate system
- An National Insurance exemption for SME Employers
- An extension to the Annual Investment Allowance
- Stronger leadership on HS2

We will also be looking at:

- Changes to help with the impact of the ‘Bedroom Tax’/Spare Room Subsidy
- An increase in the Minimum and Living Wages.

## Corporation Tax

In a speech in Hong Kong, the Chancellor announced that from next year the UK’s corporation tax “will be the lowest in the G20 and one of the lowest in the world.” Given Labour’s past discussions about increasing the tax, [many Conservatives have called on the Chancellor to bring the tax forward](#) to assure the public that the Conservative are the party of business.

## 40p Tax Rate

Former Conservative Chancellors Lord Lawson and Lord Lamont have both publicly called on the Chancellor to introduce a higher threshold for the 40p tax rate as more taxpayers become eligible for the band – or even go as far to scrap it altogether.

At the very least, high profile Conservatives, such as Kwasi Kwarteng, argue that thresholds should rise in line with inflation to prevent demoralising the public.

## Personal Allowance

Meanwhile, cracks are forming in the Coalition as Conservatives and Liberal Democrats fight to take credit for the rise in the tax free personal allowance threshold.

Liberal Democrats are now pushing for a further increase to £10,500 by April 2015 and £12,500 in the next Parliament. Nick Clegg accused Conservative coalition partners of displaying "brass neck" in their attempts to take ownership of the policy, stating that the Conservatives previously described the policy as "unaffordable".

## Garden City

The Chancellor's big pre-Budget announcement this Sunday was that the Government is providing £200m to help to turn Ebbsfleet in Kent into Britain's first garden city for almost a century.

The chancellor told the BBC's Andrew Marr Show the site in south-east England was chosen because pressure on housing has been high particularly high in the region and there was "fantastic" infrastructure in place. A new development corporation is being set up with powers to speed up planning procedures in order to deliver much needed homes. The announcement reflects the increasing demand for house building.

## Stamp Duty

With a growing population and young people being further pushed out of the housing market, the Chancellor knows that the country will struggle to keep up with demand for the foreseeable future.

Once again he faces calls to raise the stamp duty threshold and provide VAT exemptions for the construction industry. With the average house price now around £250,000, the point at which stamp duty rises from one per cent to three per cent, the Chancellor may be tempted to raise the threshold to £300,000.

## Help to Buy

The Chancellor also faces a "headache" with his flagship Help to Buy scheme. The Treasury Committee and Royal Institute of Chartered Surveyors have both called on the policy to be altered or even dropped

[amid fears that the scheme risks inflating a housing bubble, particularly in London and the South-East.](#)

## National Insurance & Business Rates

Given rates of unemployment among young people are still high, the Chancellor may bring forward his promise to axe employers' National Insurance for the under-21s. The change doesn't come in until 2015, and [there is now speculation it may be brought forward to April 2014.](#)

## SMEs

The Institute of Directors has called on the Chancellor to ease the burden on small and medium enterprises through root and branch reform of the business rates system, going as far as to abolish rates for small enterprises. The most popular option for business rates among IoD members would be a doubling of the cap for relief for small businesses from £6,000 to £12,000.

## Alcohol and Fuel

The Chancellor looks set to freeze rises to both fuel and alcohol duty as a result of pressure from both industries. A proposed rise in fuel duty will be, as in the Autumn Statement, frozen despite calls for a cut to the fuel duty.

Meanwhile, campaigners have written to the Chancellor calling on him to stand firm on his commitment to the fuel duty escalator, urging him not to give in to industry pressure.

## Energy

With high energy prices, consumer and business groups have called for the Chancellor to ease the burden on consumers by freezing the carbon floor price, the 'green' tax that levies charges on the production of energy from fossil fuels.

Critics state that it places a punitive burden on businesses and the public alike and does little to incentivise low carbon energy production.

## Childcare

Nick Clegg announced on Tuesday that a tax break worth £2,000 per child for working couples will be included in the Budget. Couples will not have to pay basic-rate tax on the first £10,000 they spend on nurseries, nannies or child-minders.

## Welfare

The Chancellor confirmed, [in an article in The Sun on Sunday](#), he will include a promised cap on welfare payment when he delivers his statement to the Commons. Significantly, [previous reports have suggested that pensioner payments will be included in any cap.](#)

## Bloomer Heaven Priorities



Jay Boyce

Director, Tax and Wealth Management  
Bloomer Heaven

Many of the surveys we are seeing (and there have been a plethora of them before the Budget as always) are waxing lyrical about the increasing momentum of the recovery; how the West Midlands region is poised to benefit and life is generally on the up and up.

Bloomer Heaven has many clients that reflect the true engine of the region, those businesses turning over sub £10m per annum and employing less than 250 people.

Whilst not wishing to sound like damp squibs, we would like to speak up for the significant but quiet part of the business sector for whom life isn't as rosy and continues to be very hard work.

We have seen surveys this week referring to orders for manufacturing firms being at a 16-year high and levels of business confidence having "never being higher".

This comment applies to a little over half of those surveyed which means that a little under half of businesses are *not* expecting an increase in orders and that confidence still remains fragile. As at the start of the recession, when media coverage described all things economic as being at the brink of collapse, so there is a danger of now believing the job is done. Our experience leads us to believe this is far from being the case.

A significant number of West Midlands' based business still need help and support and we hope the Chancellor will not be blinded by the hype and see that that there is case to continue to push the banks to lend more to business.

Locally, we see many businesses that would welcome competitively priced funding to enable them to explore new markets and take advantage of the undoubted recovery but who have been weakened by years of fighting for survival during the recession.

Now is the time for the Chancellor to recognise the position for a significant proportion of business nationally and in the West Midlands region in particular. Some ideas we have and we would like to see implemented include:

- A root and branch reformation of the business rate system with a start being made by some form of business rate holiday with effect from Budget Day for small to medium size enterprises.
- An exemption from Employers' National Insurance in respect of all new jobs created by SME's after Budget Day. This ensures that there is not a jolt to the public finances by some of the more aggressive suggestions by other commentators, but provides a real incentive to employers as they seek to grow.

- We agree with the CBI that an extension beyond January 2015 of the Annual Investment Allowance of £250,000 that supports tax relief on capital expenditure would be most welcome and would again send the right signal to businesses seeking to invest.
- We mentioned at the time of the Autumn Statement the importance of crowdfunding and alternative sources of lending to business. There is regulation afoot and we hope the Chancellor will ensure that this vital market is not fettered by non-commercial and disproportionate rules despite lobbying from those powerful institutions which may have seen their share of the market eroded.
- The Government needs to show stronger leadership on HS2. We believe the lack of clarity is having a significant impact on the West Midlands region and is certainly affecting investment decisions of business here, nationally and internationally. Let's use the report from David Higgins yesterday as trigger to get on with it.

## RJF Perspective



Kevin Johnson

Partner

RJF Public Affairs

The Chancellor could take steps to ameliorate the impact of the so-called Bedroom Tax.

There is speculation he may increase the amount of tax-free income that may be earned from having a lodger. This currently stands at £4,250 a year. The figure has been unchanged since it was introduced in 1997 despite the huge increase in average rental charges since then.

The Government is setting up a review into business rates, which raises about £27 billion, or 4.5 per cent of the Treasury's income. The business community has been clamouring for reform, while local councils want to get their hands back on the money generated through business rates and the right to set a business rate levy for special projects.

Leading manufacturers, including Tata and Vauxhall, have written to Chancellor Osborne complaining that increases in rateable value resulting from investment in new equipment often wipe out the benefit of efficiency savings. Vauxhall said it had ditched a plan to install solar panels on a factory roof as this would increase its business rates bill.

It is thought unlikely, however, that Mr Osborne will risk radical change this close to a General Election although he could offer something by widening the type of infrastructure improvement eligible for tax relief.

One interesting area to keep an eye on concerns the minimum wage. The Low Pay Commission is recommending a three per cent increase; with further rises should the economy continue to improve. Business leaders, the CBI and Chambers of Commerce, feared a far higher increase and may view three per cent as an acceptable compromise.

However, that leaves open the matter of the Living Wage, already set higher than the minimum wage, which many councils including Birmingham are paying to staff. If the minimum wage rises, we can expect the Living Wage to do so as well to maintain the differential.

Birmingham City Council has told firms that they must pay the Living Wage if they wish to be considered for Council contracts. Clearly, therefore, any increase in the minimum wage and subsequent knock-on impact on the Living Wage will have an inflationary impact on many businesses.



## About RJF

Contact us:  
+44 (0) 121 213 4716  
kevin.johnson@rjffa.com  
www.rjffa.com

---

RJF Public Affairs is the only dedicated public affairs and political communications consultancy owned and based in Birmingham.

RJF believes most of the public affairs requirements of Greater Birmingham's economy are best understood and serviced locally. We counsel organisations on issues of public policy, where legislative, regulatory or governmental decisions could affect their operations, prospects or value.

Our client portfolio includes Bullring Birmingham, Birmingham City University, Broad Street BID, Go Ahead, Groundwork Trust West Midlands, the Library of Birmingham Development Trust, Live Nation, Vision for a Connected Midlands, Watkin Jones and The University of Warwick.

Our advocacy service includes influencing, or advising those who wish to influence, the UK Government, Parliament, the devolved legislatures or administrations, regional or local government or other public bodies on any relevant matter.

We inform and help implement the public and political agenda not simply through 'lobbying' but in bringing governments, agencies, legislators and regulators together with our clients and stakeholders to shape ethical and effective public policy solutions.

Our core values of **intelligence**, **transparency** and **connectivity** reflect our approach, experience and the opportunity for a new approach to public affairs in Birmingham and beyond.

You can find more information at our website: [www.rjffa.com](http://www.rjffa.com). This is one of a series of **Briefing Papers** we produce for clients and stakeholders. We also produce **Insights** containing unique datasets and intelligent analysis of key decision makers in the region. Keep up to date with the latest developments at Birmingham City Council and across Greater Birmingham's political scene at our blog: [www.thechamberlainfiles.com](http://www.thechamberlainfiles.com).

Our sister consultancy, Urban Communications, is a strategic communications firm which focuses on **Building Relationships** and **Enhancing Reputations**. More details at: [www.urbancomms.com](http://www.urbancomms.com).

## About Bloomer Heaven

Contact us:

+44 (0) 121 236 0465

[post@bloomerheaven.co.uk](mailto:post@bloomerheaven.co.uk)

[www.bloomerheaven.co.uk](http://www.bloomerheaven.co.uk)

---

Bloomer Heaven is one of the most established and successful independent Chartered Accountancy practices in the West Midlands. From our offices in the heart of Birmingham's business district we provide accountancy and business advisory services to a wide range of companies and organisations. We have built up a portfolio of clients that range across many sectors including manufacturing, property, law and not-for-profit.

Our reputation is built upon the values of **trust**, **efficiency**, **relevance** and **value**. Our team of specialists can provide accountancy and business support from audit and tax through to payroll and strategic financial planning.

Bloomer Heaven's philosophy is a simple one. We work hard to understand your business - that's how we can provide services that are relevant. We pride ourselves on developing positive and effective working relationships built upon knowledge, respect and understanding. At Bloomer Heaven we will take a pragmatic, flexible and constructive approach to your business. Underpinning everything we do is a commitment to value for money and providing a first class client service.

In 2011, Bloomer Heaven joined with eight other similar minded independent accountancy firms situated across the UK to form MacIntyre Hudson Association (MHA). This means that Bloomer Heaven is able to provide clients with a nationwide service with 42 offices within the group and means that we can also resource additional specialist skills and expertise when they are required.

Bloomer Heaven is also a member of Morison International, a global organisation of independent accountants, auditors, business advisors and lawyers created specifically to support the cross border objectives of member firms' clients. 90 firms are now part of the network, located in 65 countries which means that Bloomer Heaven can provide a truly global perspective and network to clients with specific international requirements.

Whether you are looking for a full service accountancy service or specialist advice, Bloomer Heaven has the skills, experience, resource and passion to support your needs.