

Budget 2009


The Retail Summary



The Budget proposals look likely to have a negative impact on the retail sector. Some highlights are outlined below, by reference to various measures proposed by the British Retail Consortium. Overall, the Chancellor can only achieve a low score.

Suggestions	Outcome & Comment	Verdict
Immediate freeze on all new business rate burdens and Empty Property Rate Relief reinstatement (EPRR)	<p>From 1 April 2009, EPRR has been temporarily increased from £2,200 to £15,000 until 31 March 2010. But this is not new – it was detailed in the 2008 Pre Budget Report.</p> <p>A small but welcome announcement is the ability to defer the 5% increase in Business Rates from 1 April 2009.</p>	
Ensuring new development is not deterred/further deferred as a result of the introduction of the Community Infrastructure Levy	Introduction of the Levy is now deferred until 6 April 2010.	
National Minimum Wage (NMW) increases to be kept to no more than 1-1.5%	This is not dealt with. The NMW was increased in October 2008 in accordance with recommendations from the Low Pay Commission. Further recommendations for 2009 are due to be published in May 2009. So watch this space. But be prepared for disappointment?	
Drop planned increases in NICs	<p>No – as per the 2008 Pre Budget Report, from 6 April 2011 the employer, employee and self-employee rates for NICs will be increased by 0.5% and the primary threshold for NICs will be aligned with the weekly equivalent of the income tax personal allowance.</p> <p>Indeed, the picture gets worse. From 2010 those earning over £150,000 will be charged income tax at 50% and the personal tax allowance will be restricted for those earning over £100,000 –it will reduce by £1 for every £2 over £100,000 earned (this is different from the two-stage approach details in the 2008 PBR). This can only have an adverse impact for retail businesses.</p>	

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Postpone the reintroduction of the 17.5% VAT rate for at least one month	No – VAT will be put back to 17.5% from 1 January 2010. But the good news is that no mention is made of a higher rate (say, 20%). At least not yet.	X
Implementing zero VAT rates on all domestic insulation and energy efficient products	No changes are proposed.	X
Broadening the scope of Enhanced Capital Allowances	The Enhanced Capital Allowances scheme has been widened slightly as one new technology (uninterruptible power supplies) and two sub-technologies (air to water heat pumps and close control air conditioning systems) have been added to the energy efficient scheme list. Three existing sub-technologies (air source: single duct and packaged double duct heat pumps, ground source: brine to air heat pumps and water source: packaged heat pumps) will be removed.	=
Expanding support for retailers to deliver qualifications	Nothing specific was mentioned, but see the comments below.	=
Working with businesses to identify crucial skills gaps and provide training opportunities.	<p>The government has guaranteed a job, training or work placement for all 18-24 year old that are unemployed for more than 12 months. The funding for the Government's 'Train to Gain' initiative has been increased from £925 million for 2009-10 to over £1 billion for 2010-11, with an emphasis on SMEs who are the focus of this increase in funding.</p> <p>The Government is also committed to providing an additional 35,000 apprenticeship in January 2009, 21,000 of which will be in the public sector.</p> <p>The Economic Challenge Investment Fund is backed by the Higher Education Funding Council for England which will provide an investment of £59 million. This is suggested to benefit over 10,000 businesses and 50,000 individuals.</p>	=

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Giving positive incentives in emissions reporting and Carbon Reduction Commitment Rules.	No changes are proposed.	X
Reducing Business Rates and Council Taxes by 15% where +15% of own energy needs are met from on-site renewables	No changes are proposed.	X
Setting out a clear vision and significant incentives to encourage environmentally friendly action by businesses and households.	<p>It is debatable whether a clear vision has been set out, or whether incentives can be described as significant. However, the following initiatives have been introduced for business and/or households:</p> <ul style="list-style-type: none"> ○ A £100 million loan to small and medium sized businesses to take energy efficient measures, with a view to them making a £23 million saving on bills; ○ A £45 million scheme to encourage small scale renewable energy and heat technologies; ○ Plans to subsidise hybrid and electronic cars (although the details are yet to be confirmed); ○ A £100 million commitment to help insulate social sector homes; and ○ A £100 million commitment to fund the construction of energy efficient homes. 	
Maximising investment incentives for retail-let regeneration.	No changes are proposed.	X
Increase the threshold to restore the previous exemptions for small retailers and simplify the returns for the Intrastat reporting requirements.	No changes are proposed.	X

Suggestions	Outcome & Comment	Verdict
Pooling evidence and costings in considering legislation on devolved matters and suspending all new proposals that do not result in substantially increased benefits.	No changes are proposed.	X

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The information contained in this update is intended as a general review of the subjects featured and detailed specialist advice should always be taken before taking or refraining from taking any action.