the voice for social enterprise

Social enterprise Budget briefing 2013

Key points

- A new tax relief will be created to incentivise investment into social enterprises
- A new £2,000 employment allowance per year will be created for businesses towards their employer National Insurance contributions (NICs) bill
- Corporation tax has been lowered to 20%
- The Treasury will explore raising the limit on individual subscriptions for withdrawable share capital in Industrial and Provident Societies
- £50 million will support employee-ownership, alongside a Capital Gains Tax break on transfers of shares into employee-ownership
- The Government will consult further on proposals to make it easier to claim Gift Aid
- The creation of single local growth fund along with more recent news of EU funding suggests that LEPs may start to play a more significant role

Sector headlines

A new tax break
In his spring Budget 2013, the Chancellor of the Exchequer announced that a new tax relief will be created to incentivise investment into social enterprises. SEUK has campaigned long and hard for a tax relief for social enterprises. We have worked closely on this with partners like NCVO and continue to chair the Social Investment Forum - a collective voice to influence social investment policy - and we are delighted the Treasury has responded with this initiative

As well as announcing a timetable for delivery, with a consultation over the summer and a new relief in place in 2014, it was also good to hear the Treasury recognise that social enterprises “play an important role in growing the economy, reforming public services and promoting social justice”.

SEUK is already working with Government to help design the new tax break and we also want our members’ voices to be heard to help make it work for social enterprises across the country. So please do get in touch with Charlotte Chung if you have views on how investees should be defined, what type of investment should be included, which taxes should be relieved and which investors should benefit. The Budget also confirmed that there are now reliefs worth up to 50% of Capital

Social Enterprise UK The Fire Station, 139 Tooley Street, London, SE1 2HZ
T: 020 3589 4950 **E:** info@socialenterprise.org.uk **www.socialenterprise.org.uk**

Gains Tax available under the SEIS scheme, so there could be a lot at stake here.

Evidence suggests that access to finance remains the biggest barrier for our members who want to grow their businesses, and whilst we know social finance isn't the answer for everyone, it's an important piece of the jigsaw and we look forward to hearing from members about what would benefit them the most.

Positive measures
Alongside the tax relief, there was a suite of other measures in the Budget that could benefit a diverse range of social enterprises.

All small businesses and charities should benefit from a new £2,000 employment allowance per year towards their employer National Insurance contributions (NICs) bill. Corporation tax has been lowered to 20%, which should take a few pounds off some tax bills.

For co-operatives, the Treasury will look at raising the limit on individual subscriptions for withdrawable share capital in Industrial and Provident Societies, which could help build on the impressive success of community shares.

For employee-owned firms, £50 million will support employee-ownership, alongside a Capital Gains Tax break on transfers of shares into employee-ownership. Although the Government's 'shares-for-rights' scheme continues to attract much criticism.

For charities, the Government will consult on proposals to make it easier to claim Gift Aid, a recurring theme in recent budgets.

For those interested in local economic development, the creation of single local growth fund (or the 'Heseltine pot') along with more recent news of EU funding suggests that LEPs may start to play a more significant role. Similarly, for public service providers, "whole place community budgets" may develop significance over time. But for those working to deliver environmental sustainability, there was rather less to report.

The wider economy

Economic recovery
As for the economy more widely, even the Treasury acknowledges that we are undergoing a "more subdued and uneven recovery than expected". Public sector net debt as a share of GDP is still on the way up and is forecast by the Office of Budget Responsibility to peak at twice the level of Gordon Brown's long since broken *Golden Rule.*

HMT have attributed this to factors beyond the UK government's control – namely the financial crisis, the Euro crisis and commodity price inflation. So the Chancellor bides his time with a *fiscally* neutral Budget until the forthcoming arrival of Mark Carney at the Bank of England who promises to introduce 'unconventional' *monetary* approaches that may make a difference.

Is there a secret Plan B?
Except, on top of the Bank of England's Quantitative Easing programme of injecting money into the economy, the recent Budget added a significant £10 billion Treasury intervention to support the housing market. This investment is in addition to an earlier £40 billion worth of

similar guarantees for infrastructure. But this investment will sit off the Treasury's books, hidden as 'contingent liabilities'. So the Government does appear to be pursuing a Plan B, although not overtly.

More welfare and benefits changes?

Elsewhere in the Budget was the news that HMT will seek to introduce a cap on 'Annual Managed Expenditure', known as AME. This is the public spending which – until now – has been almost impossible to control. This is the money that the government is obliged to pay out if someone turns up to claim it. For example, jobseeker's allowance, incapacity benefit or child benefit. If HMT are committed to capping this in future, this suggests more battles in the coming months over welfare payments benefits, or even pensioners' entitlements.

Conclusion

The Budget was a success compared to the leaks and U-turns of 2012. But in the short-term, it was quite low key. In the longer-term, however, a number of announcements could grow in significance, including the hidden borrowing and a promise to put a lid on spiralling welfare costs. These may be necessary in some eyes but are fraught with danger.

Some have criticised the Treasury for topping up the housing bubble, propping up the financial markets and mopping up market failure, instead of popping up a new economy. But the tax break for investment in social enterprise does at least offer us some genuine hope for a more balanced economy.