

5 top tips entrepreneurs need to know about the Budget 2011

A new tax year dawning

The Budget 2011 was hailed by George Osborne as a Budget for growth and there was some good news for entrepreneurs with wide ranging changes to tax incentive schemes. RSM Tenon have compiled these tips to help entrepreneurs understand how the changes affect them.

Entrepreneurs' Relief

For disposals on or after 6 April 2011 the lifetime limit will be increased to £10m per individual. For an individual disposing of shares in a trading company for more than £10m the additional relief will be worth an extra £900k to them.

Tip: Where possible defer disposals until after 6 April 2011.

Research and Development tax credit relief

R&D tax credit relief for SMEs will increase from 175% to 200% from April 2011 and then to 225% from April 2012.

Changes reducing the de minimis expenditure of £10k and limits on repayments have also been announced and will take effect from April 2012. Further changes are expected to be announced in due course following further consultation.

Tip: This is now a very valuable relief and is not restricted to scientific research or technology companies by any means. Any company with proprietary methodologies or processes may qualify. Consider whether you do!

Enterprise Investment Schemes (EIS)

The tax relief for investments into EIS will increase from 20% to 30% from April 2011. Further relaxation of the rules, including an increase in the annual amount that can be invested through EIS in an individual's company from £2m to £10m, is due to take place in April 2012. This is likely to attract more money into businesses.

Tip: Another tax relief that has increased in value and will therefore appeal to investors which should mean that more money is invested into businesses. Consider whether your company will qualify.

Tax Rates and allowances

Corporation tax rates are reducing from April 2011 - 20% for SMEs (26% for large companies). Capital allowances are due to reduce in April 2012 which will include a substantial reduction in the Annual Investment Allowance.

Tip: Timing of income and expenditure over the next couple of years will be key to maximising tax relief.

Pensions

Tax relief on pension contributions changes from 6 April 2011 and they will be capped at £50,000, regardless of income levels. In addition, it is no longer a requirement to buy an annuity.

Tip: Ensure that pension relief is maximised and that you are protecting and building your wealth for the future through an investment strategy suited to your needs and aspirations.

And finally...if you feel like giving money to charity, the Chancellor made a number of announcements designed to encourage greater charitable giving. Some of these are administrative but others will give real benefits to donors and to charities.

For further information please contact: **Tel:** 0845 223 2010

Web: www.rsmtenton.com