

## Checklist: Budget 2011 - implications for start-ups and entrepreneurs

This checklist highlights the key issues from the Budget 2011 for start-up businesses and entrepreneurs.

### Temporary exemption from new regulation for start-ups and small businesses

- Start-ups and employers with fewer than ten employees will be exempted from compliance with new domestic regulation for three years. The exemption covers all new domestic regulation due to start from 1 April 2011.
- A start-up is defined as a business commencing a trade, profession or vocation on or after the 1 April 2011, unless:
  - they carried out a business that did mostly the same activities at any time in the six months before the start-up;
  - the new business is the result of another business that carried out the same activities; or
  - the new business takes on all or part of an existing business.

### Entrepreneurs' relief

- The lifetime limit for entrepreneurs' relief increased from £5 million to £10 million on 6 April 2011.
- Entrepreneurs' relief is available to individuals and trustees who dispose of qualifying business assets or shares and meet certain other conditions. For disposals on or after 6 April 2011, the first £10 million of qualifying capital gains will be taxed at a rate of 10%, with gains exceeding that figure being taxed at the individual's marginal rate.
- To the extent any gains realised by the taxpayer before that date exceeded the lifetime limit of entrepreneurs' relief in force at the date of disposal, capital gains tax will remain payable at the full rate of 18% or 28% on the excess, but only the £5 million of relief claimed will be set against the increased limit for future qualifying disposals.

### Venture capital schemes

A number of changes to the enterprise investment scheme (EIS) and the venture capital trust (VCT) scheme were announced.

- An increase in the rate of income tax relief for EIS investment from 20% to 30% for shares issued on or after 6 April 2011.
- An increase in the EIS annual investment limit from £500,000 to £1 million for shares issued on or after 6 April 2012.
- The following changes in the qualifying conditions relating to the EIS or VCT investee company will apply to shares issued on or after 6 April 2012:
  - an increase in the gross assets test from £7 million immediately before the share issue and £8 million immediately after to £15 million immediately before investment;
  - an increase in the employee limit from 50 employees to 250 employees; and
  - an increase in the annual amount that can be invested in an individual company from £2 million to £10 million.

### Small business rate relief

Since 1 October 2010, there has been full relief for eligible small businesses occupying property with a rateable value of up to £6,000 and tapering relief for businesses with a rateable value of up to £12,000. The small business rate relief holiday will be extended by one year from 1 October 2011.

### **Business premises renovation allowance**

The business premises renovation allowance (BPRA) will be extended for a further five years from 11 April 2012 (it was due to end on 10 April 2012).

- BPRA is a tax allowance designed as an incentive to renovate derelict or unused properties in disadvantaged areas (for example, North Cornwall) and bring them back into use. It allows a 100% first-year capital allowance on qualifying expenditure associated with the conversion, refurbishment or renovation of qualifying business properties that have been vacant for at least 12 months.
- Qualifying buildings should have been last used for a commercial purpose and must be retained for seven years after completion of the renovation works, to avoid claw back of any tax gains on the property.

### **VAT registration thresholds and compulsory online VAT compliance**

The VAT registration threshold increased from £70,000 to £73,000 and the deregistration threshold increased from £68,000 to £71,000 on 1 April 2011. From 1 August 2012, all VAT registrations, deregistrations and notifications of changes must be completed online. All businesses must file VAT returns online and make VAT payments electronically for VAT periods beginning after 31 March 2012.

### **More information**

If you have any questions about the content of this checklist, please contact Jennifer Renney at [jennifer@renneyandco.com](mailto:jennifer@renneyandco.com)