



## **FSB's Top Ten Wish List for 2009 Pre Budget Report**

Small businesses play a critical role in the economy. Small and medium sized businesses (SMEs) accounted for 99.9 percent of the estimated 4.8 million private sector enterprises in the UK at the start of 2008<sup>1</sup>. These small firms provide the bulk of employment in the sector and as such are the most important driving force for getting the UK out of the current recession and increasing employment. The FSB is very concerned that businesses, which should be encouraged to grow during this time, will end up bearing the brunt of the tax rises needed to raise revenue to cut the budget deficit and believes that this should be avoided at all costs. To enable growth, the private sector needs the security of knowing that taxes are not going to be raised while businesses plan for the future.

### **1) National Insurance rebate for New Jobs in Small Businesses.**

Small businesses are the key to the UK's economic recovery. Small businesses can create the jobs the UK so badly needs, but with confidence in the economy still low, extra encouragement is needed. The FSB proposes that small businesses, those with fewer than 50 members of staff, which take on new employees during 2010/2011 receive a national insurance rebate for a year. This will encourage small firms to grow and take on more employees, something which many of them are keen to do. A recent FSB survey shows that 50 per cent of small businesses that currently don't employ want to do so in the future and this growth must be encouraged to help the economy turn a corner.

### **2) Stop the Corporation Tax Increase**

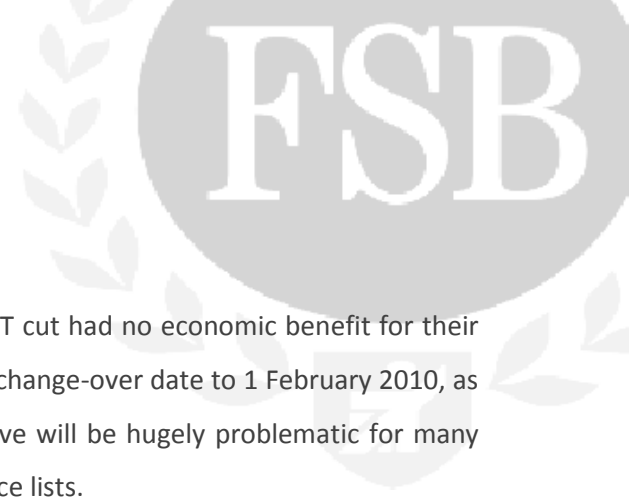
A report commissioned by the FSB shows that corporation tax has a negative impact on small business investment; therefore corporation tax increases would have a strong negative impact on the economy. The FSB therefore urges the Government not to go ahead with the proposed increase in April 2010.

### **3) Employers' National Insurance Contributions**

Employers' National Insurance (NICs) is a tax on employment. An increase in Employers' NICS would have a very detrimental effect on job creation, with unemployment at record high. The FSB urges the Government not go ahead with any planned increase to NICS in 2011.

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<sup>1</sup> Small and Medium Enterprise Statistics for UK and Regions. <http://stats.berr.gov.uk/ed/sme/smestats2008-ukspr.pdf>



## **4) Delay the VAT Rise**

An overwhelming 97 per cent of FSB members believe that the VAT cut had no economic benefit for their business.<sup>2</sup> However, we would urge the Government to delay the change-over date to 1 February 2010, as from a practical point of view, changing the rate on New Year's Eve will be hugely problematic for many small businesses, particularly those in retail who have to change price lists.

## **5) Cut VAT to five per cent for all construction work**

Reducing VAT from 17.5 per cent (15 per cent until January 2010) to five per cent for all maintenance and home improvement work would benefit millions of UK homeowners by getting rid of cowboy builders, helping those who cannot afford vital repairs to their homes, bringing empty properties back into use and protecting the countryside. The current situation where new build attracts a lower VAT rate than renovation or brown site development does not make sense in the current economic climate and given the challenges to make private homes more environmentally friendly.

## **6) Fuel Duty**

The FSB calls on the Government to remove the 2 pence per litre increase that was imposed in December 2008, when VAT goes back to 17.5 per cent next year. Further to this, the 0.5p per litre above indexation increase planned for April 2010 should be scrapped to help keep small businesses moving during the downturn.

## **7) Reform Jobcentre Plus**

Among small businesses, which make up 84 per cent of employers in the UK<sup>3</sup>, less than 20 per cent use a Jobcentre Plus to recruit.<sup>4</sup> This means the vast majority of jobs are not advertised in the job centres, which should provide the most comprehensive free national advertising service for employers.

The FSB recommends that dedicated small-business managers are introduced into job centres; that funding, training and support is targeted at small businesses; and the website is overhauled to make it fit for 21<sup>st</sup>-century recruitment

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<sup>2</sup> Survey of FSB members conducted in February 2009

<sup>3</sup> BIS Annual Small Business Survey 2007/8

<sup>4</sup> FSB Employment Survey, July 2009



## **8) Regulatory budgets for all Government departments**

The FSB believes there needs to be a complete review of all regulators to consider whether they deliver value for money and whether they are making a positive impact on the inspection environment. Regulatory budgets should generally be set at a departmental level, covering all the costs of new and existing regulation with an impact on business. This would be a significant step beyond the coverage of the Government's target to reduce the administrative costs of regulation, which targets the 'red-tape' costs of compliance with, but not the wider costs of, regulation. Freeing up businesses from administrative burdens and creating a regulatory environment which encourages innovation and enterprise should be a key target for the Government.

## **9) Funding For Regions**

The FSB believes that the Regional Development Agencies' (RDAs) key objective should be to help and support businesses in their region. RDAs should be evolved into regional finance houses providing both finance to businesses through term loans, but also managing equity schemes to smaller businesses.

The FSB recommends that the RDAs access European Investment Bank (EIB) funds which are then ring-fenced for small businesses. The RDAs would carry no financial risk, but should be expected to collect money from loan applicants, be responsible for promoting the scheme, receiving applications, deciding viability and acting as a point for queries. The criteria for borrowing money should follow the EIB's criteria and a standard application form should be put on the RDAs websites.

## **10) Automatic Business Rates relief**

During times of economic difficulty, it is important that small businesses get the tax relief they are entitled to. The FSB urges the Government to make small business rate relief automatic, in order to reduce unnecessary bureaucracy and to ensure that it benefits those businesses it is designed to.