THE EMERGENCY BUDGET 2010

"A New Government, a New Start for the United Kingdom" This is what the Electorate had been promised by the incoming Coalition Government and this is certainly what Mr. Osborne delivered in his emergency budget on Tuesday 22nd June.

The incoming government's priority was to cut the outstanding deficit of two successive Labour governments. All the talk of doom and gloom and austerity however produced a just and reassuring budget, which has been in general well-received. In its first budget the Coalition Government proved it was not afraid to take control of the UK's finances and take strong swift action to halt the UK's growing deficit burden while pushing ahead with its plans to boost industry and render the UK more competitive.

This was a budget to encourage inward investment into the UK, defend employment in the private sector and encourage the setting up of new small businesses. The main hits therefore were to public sector jobs, public sector spending and social security benefits.

To encourage commercial activity in the UK the new coalition government recognised the need to support commerce with this in mind the standard rate of corporation tax was lowered from 28% to 27% from 1st April 2011. Further reductions to this rate are planned over the next 3 years meaning that the rate will fall by 1% annually reaching 24% in 2014. This renders the UK highly competitive both in Europe and the rest of the world. The Confederation of British Industry (CBI) welcomed this news expressing relief that the new government is 100% committed to not only lowering business taxation but also simplifying the entire tax process - cutting the 'red tape'.

For small companies there was even more good news with the rate of corporation tax for small companies being reduced from the current level of 21% to 20% from 1st April 2011. The head of the Federation of Small Businesses gave his seal of approval to this decision especially as it overturns the former government's intention to raise the level to 22%. Small businesses are the backbone of the economy and it is evident that this opinion is held by the new government.

More good news for the commercial sector came in a move to boost tourism. The Coalition Government, as expected, reversed the previous government's decision to abolish Furnished Holiday Lettings. This means that Furnished Holiday Lettings, not only in the UK but elsewhere in the European Economic Area (EEA) will continue to attract special tax treatment for the year 2010-2011. A further consultation on how FHLs will be taxed in the future is expected in the autumn.

Looking at corporation tax reliefs there is more good news. Consortium Relief, where previously companies in a consortium can transfer consortium losses to a linked company, the rule stating that the linked company had to be based in the UK is revoked now the linked company can be based anywhere in the EEA.

The Government announced that it is undertaking a thorough review of corporation tax so as to make it as simple as possible, as low as possible and as corporate-friendly as possible. The intention is to render the UK the easiest and most tax-efficient place to run a company whether it be a small start-up or a large multi-national.

The standard rate of VAT will rise from 4th January 2011 to 20%, bringing the UK into line with Italy and most of the rest of Europe. The zero rate and reduced rate currently charged on food and heating fuel respectively however will remain. Despite grumblings from the TUC the rate rise has been accepted as unavoidable.

Prior to the Budget there was a great deal of attention paid to Capital Gains Tax. The Coalition Government listened to industry and instead of raising the tax to the rate of 40% or higher as previously feared, brought in a fairer two rate system. Lower rate income tax payers will pay CGT at the standard rate of 18% while Higher Rate Income tax Payers will pay a new higher CGT rate of 28%.

Before the budget the Coalition Government had stated that it would do everything to get the country's finances "back on track" but would not risk the country's economic survival in the short term. The majority of financial analysts including the head of the CBI and the head of the Federation of Small Businesses agree that this budget was tough enough in order to tackle the country's deficit but also soft enough to give industry a boost. The ultimate aim of this budget was to encourage private investment in the UK and to get industry moving, naturally time will tell if it has been successful in this but early indications show that the UK is forging ahead of its European partners and of its western allies in tackling debt encouraging industry and entrepreneurial verve and building a fairer just society.

For those thinking of starting a business in the UK, the advice is do so now to avoid the stampede, especially in the wake of the prevailing difficulties in the Eurozone. The message couldn't be clearer after years of stagnation the UK is once again open for business so act now or you might miss the boat!