



Factsheet 2008/1

Budget 2008 summary for SMEs

The budget was, in general, good news for small & medium-sized enterprises (SMEs).

SMEs should benefit most from a £50,000 annual investment allowance. This effectively gives 100 per cent first year allowances on the first £50,000 of capital expenditure.

It will offset the increase in corporation tax rates for small companies. Medium-sized companies have a reduced corporation tax rate (down to 28% from 30%). This will also benefit the pricing of new tax-based leases.

New Capital Expenditure from April 2008

You will need to consider the financing decisions for your clients carefully in the light of these changes.

Non-tax financing will remain an attractive option for SMEs that have the taxable profits to offset.

For non-tax payers, such as charitable trusts, or tax exhausted businesses, there are potential savings of up to 3%, using tax based leasing that depends on the timing and terms of the transaction.

Existing Tax based Leases

If any of your clients have existing financing agreements that include tax variation provisions (typically operating leases or finance leases), we offer a no-cost, no obligation review service.

From April 2008, clients who have this type of financing arrangement are likely to be contacted by lessors, to advise them of the rental adjustment.

