Budget delivers small wins but inevitable tax rises loom

BUDGET

Angela **Keery**

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WHEN the chancellor confirmed a hike in corporation tax rates in an announcement aimed at beginning to balance the books in the spring, many thought it may be the most significant fiscal moment of the year.

But since then, we have seen several major announcements including a climb in national insurance contributions and the dividend tax rate to fund an uplift for health and social care services and the suspension of the triple lock on pensions, to name a few.

It was to that backdrop, and with rising inflation and unprecedented public debt on his desk, that the chancellor delivered an autumn budget and spending review last week, the first such multi-year breakdown of capital spending settlements since 2015.

As advisers, we know the pace of change can be overwhelming for businesses as they work through the real-term impacts on their profitability and capacity to invest and grow their business. A number of key announcements were made, however, that will have implications on their finances.

As anticipated, the chancellor did confirm a long-awaited review of business rates, including a 50 per cent cut for eligible retail, hospitality and leisure businesses. Despite the headline of a £7 billion rates slash, however, Northern Ireland companies remain in the dark about whether this reduction will be extended by our own executive.

More promising for local firms is the extension of annual investment allowances, which will remain at their current level of £1 million. Previously anticipated to end in December of this year, the chancellor confirmed the measure, which allows companies to deduct qualifying capital allowances from their profits before tax, will remain in place until March 2023 to encourage further investment.

RATES CUT: The chancellor confirmed a 50 per cent rates cut for eligible retail, hospitality and leisure businesses – but companies in the north remain in the dark about whether this measure will be mirrored by the executive

Underpinning all of this is a potential significant tax liability following the reforms to basis period rules, which define the accounting period for which businesses pay tax in each year. Sole trader and partnerships know that when the income tax periods transition to new rules in April 2024, many of them will be on the countdown to a hefty tax bill in January 2025.

Add to this the uplift in the National Living Wage and you have a looming sense of rising costs hanging over already stretched employers.

Despite these concerns, however, official forecasts from the Office for Budget Responsibility suggest that there is light at the end of the tunnel.

The scar of the pandemic on GDP is now estimated at 2 per cent, a full percentage point lower than anticipated, arming the chancellor with more spending power than anticipated.

For Northern Ireland, this translated into £15bn a year for the executive, a commitment that the Treasury states is a 2.2 per cent rise and which will include a £1.6 billion boost for public services.

For companies, avenues of opportunity do exist within a number of policies announced by Rishi Sunak last week.

Reduction in Air Passenger Duty from 2023 will aid greater regional connectivity for firms hoping to do more business across the UK, while simplification of alcohol duties will reduce costs for hospitality.

While they may be small wins, these measures are a welcome relief for businesses.

The chancellor delivered a balanced budget that kept many of the anticipated tax changes at bay for now, but there is little doubt that he is delaying the inevitable.

Angela Keery is tax director at Baker Tilly Mooney Moore in Belfast.

Time for Northern Ireland to move out of its economic comfort zones

ECONOMIC STRATEGY

Sarah **Longlands**

"Community wealth building seeks to increase flows of investment within local economies by making the most of the economic opportunities and wealth that exists locally"

IT'S time for Stormont to stop waiting for Westminster or private investment to provide the answers to Northern Ireland's economic challenges. Instead, we need to start building on the assets and wealth which already exist within our businesses and communities and use that to build a fairer economy for everyone.

As it stands, our economic model is failing to deliver a good life for everyone. Life expectancy is falling across the UK and the gaps between rich and poor are getting wider. One in four children in Northern Ireland are growing up in poverty, with the highest levels in Derry, Belfast and Newry and Mourne and you only need to walk a short distance across Belfast to see how the benefits of growth in the city have been unequally shared.

Politicians and civil servants tend to see growth as the panacea to all economic woes, regardless of where that growth comes from or how it is achieved.

Bring in enough investment, whether from Westminster or from overseas and, over time, this will "trickle down" to those most in need. That's not to say that there isn't concern about levels of poverty, ill health and unemployment, but these are regarded as community or social issues rather than part of the economic debate.

This needs to change. Community wealth building is an approach to local economic development which sees community, social and economic challenges as one and the same. It starts by asking questions about where wealth exists in our society, who owns it and how we can build wealth in a way which enables more people – particularly those worst off – to have a stake in the economic future of their place.

INEQUALITIES: One in four children in Northern Ireland are growing up in poverty, with the highest levels in Derry, Belfast and Newry & Mourne

Rather than taking the traditional economic development approach of focusing solely on attracting the attention of Westminster or of private industry, community wealth building seeks to increase flows of investment within local economies by making the most of the economic opportunities and wealth that exists locally.

The Centre for Local Economic Strategies (CLES) works around the following principles.

Local businesses, community organisations and co-operatives must be supported to develop and grow because they are more financially generative than those organisations who would seek to extract wealth.

In Northern Ireland, where rates of public employment are high, it is incumbent on public sector institutions to use their economic influence to support recruitment from lower income areas, pay the Living Wage and build progression into all their jobs.

The public sector has an important role to play in developing dense supply chains of businesses likely to support local employment and retain wealth locally. Flows of investment within local economies should be increased by harnessing and recirculating the wealth that is already there, rather than attracting capital from distant investors with more regard for profit than for the needs of the place. This includes redirecting local authority pension funds and supporting mutually owned banks.

Local land and assets held by the public sector should be used to the best advantage of citizens.

Over the course of the last decade, these principles of community wealth building – pioneered in Cleveland, Ohio and the Basque Country – has advanced in the UK.

What was once a marginal sport is now a widely-adopted corrective to a failing economic model. But there is no one size fits all approach and it's time for Stormont to stop waiting for growth and get on with building a better economic future for everyone now.

■ As part of RE[act] Festival at the Europa Hotel this Friday, Sarah will host a workshop, Community Wealth Building: Where the Economy Works for People. To attend, register for free at reactfestival.co.uk.

Sarah Longlands is chief executive of the Centre for Local Economic Strategies (CLES).