

Budget Preview 2008

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hoping Chancellor will do

(and artist) Vicky Bayliss, certainly thinks so



It's a call for caution as the 2008 Budget looms

■ **Arthur Hindmarch, managing director of The Commercial Group, Cheltenham**

For as much as the last 15 years, the world economy has been through a fairly unique period of sustained growth and it's my belief that the UK economy can be seen as a large business within it.

When you have falling costs and rising sales it's easy to budget and plan a business going forward. But for the first time we are now facing threats to our business with the worldwide credit crunch and the shoots of inflation in China. While the economy was



flourishing, public sector spending was allowed to grow and as a consequence of the positive economic climate, was easy to finance. Now that growth is slowing, we will get to see just how good our government is at directing the business.

Like any business in this environment, the government needs to control spending as the economy tightens in order to finance its public sector requirements. The alternative to that is raising revenue, but in a falling economy raising revenue means more taxes and more taxes actually puts pressure on at a time when you should be releasing it. The Bank of England has little scope for reducing interest

rates because of the threat of inflation.

I expect the Chancellor to raise taxes and I'm particularly concerned about increases to capital gains tax and the threat caused by reviewing the position of non-domiciles. The UK has increasingly been seen as a benevolent home for entrepreneurs and the wealthy. That has brought huge opportunities and inflows of capital into the city of London. The Chancellor needs to be very careful not to damage the heart of our economy with Elliot Spitzer-type actions (Sarbanes-Oxley) to facilitate tax raising as the long-term damage to the UK economy could be permanent. We need to retain our position as the financial capital of the world, which we have only recently assumed from Wall Street.

Small businesses need to be nurtured and protected through this credit squeeze.

Budget could not come at worst time, says chairman of the Federation of Small Businesses

■ **Mark Owen, chairman of the Gloucester branch of the Federation of Small Businesses and MD Of Moose Partnership, PR, marketing and advertising agency**

Chancellor Alistair Darling's debut Budget could not have come at a worse time for him as he now stands squarely caught - between a Northern Rock and a hard place.

The combined effects of the general economic downturn, the Northern Rock debacle and the credit crunch fallout from the collapse of the American



slowdown, he needs to consider some kind of tax concessions:

- To the business community to boost commercial viability and investor confidence.
- To the general public to encourage spending, in the face of spiralling food costs which reduces disposable income and has a knock-on effect on small businesses.

A reduction on stamp duty could also aid the ailing housing market and scrapping the proposed 2p per litre increase in petrol and diesel duty would also reduce transport costs, helping the farming community and distribution companies and lowering overheads of all businesses.

In his October pre-Budget report he acknowledged that GDP growth would slow sharply this year, but in the face of everything that has gone down since, the strong recovery he predicted for 2009 now looks like the pathetic daydream of an incurable romantic.

Although he is highly unlikely to emulate Ben