



**The Quoted
Companies Alliance**

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Martin Morris, *Daily Telegraph*
Small businesses call for tax lifeline

With tax cuts widely expected in today's pre-Budget report, **the Quoted Companies Alliance Companies (QCA)**, the representative body for small and mid-cap quoted companies, will be hoping some crumbs are thrown to small businesses.

It says that while the major political parties have suggested that "tax breaks" are the way ahead in coping with the current economic crisis, its principal concern is that a broad reduction in tax does not address the root cause of the problem.

Tax cuts may prove politically expedient but they fail to address the key issues of how to stimulate growth, the lobbying body further argues.

Instead, it wants a lifeline handed to the sector, at a time when survival is a major issue and the need to stimulate investment to ensure future growth is paramount.

Currently many companies have to pay corporation tax during the year on an estimated basis. This kicks in when a company's estimated profit exceeds £1.5m (i.e. when they have to pay the full rate of corporation tax). **The QCA** believes this limit should be increased to £3m with immediate effect. A similar measure has already been introduced with respect to quarterly VAT payments.

The QCA is also after more flexible rules on tax rebates. Current rules allow companies to recover taxes by using losses incurred in the current year to offset previous years' profits. However, the facility is restricted to just one year. **The QCA** would like to see the rules changed to allow companies to carry their losses back six years, potentially giving distressed businesses six years' worth of tax rebates. At the same time, **the QCA** is requesting that inflexible rules on carrying losses forward to offset future profits are made less restrictive.

It also claims that for many small companies, the rate of tax has actually increased in the last two years and is due to increase again next year because of the increase in the "smaller companies" rate of tax. "This is a classic example of mistiming. We would like to see the smaller companies' rate of tax reverting to 18pc and the mainstream corporation tax rate reduced to 23pc," it says.