

Small Business, Brexit and the budget

The Small business Bureau signed a letter with the CBI talking of unspecified dangers they saw for business from Brexit uncertainties. That letter indeed seemed to want to extend the uncertainties rather than reducing them, by recommending a further two years of delay before we fully exit the EU. They recommend a Transitional period of 2 years. That would need to be negotiated and agreed with the rest of the EU. It delays adjusting to the new relationship.

There is a muddle in the minds of some who seek a 2 year Transitional period. You cannot have a Transition unless you have in place an Agreement about a new relationship which you are then going to move to. It is best currently to concentrate on negotiating that future relationship. If any implementation period is then needed as a result of that agreement, that would be decided once you know the overall Agreement. The Prime Minister has always been clear about this. As the EU is not yet willing to start negotiating a new relationship the idea of transition looks premature. No future Relationship Agreement, No Transition. If as the PM hopes they soon change their mind and do get on with negotiating a future relationship agreement then there could be implementation time depending on what needs doing to execute the Agreement. If there is no special Agreement, then clearly there is no need for an implementation period.

The overwhelming majority of small businesses do not export to the EU. Their confidence levels and ambitions are dependent on the prosperity of the local and UK economies. They are more interested in lobbying the Chancellor before the budget than in seeking to influence any particular way to leave the EU. Issues that worry the small business community most include the indexation of business rates to the RPI, which they would like eased. Business rates are felt to be high, and hit businesses like High Street shops more than some of their on line competitors. The small business groups are worried about the reduction of credit in the economy resulting from the macro prudential actions of the Bank of England and the slowing apparent in recent figures for output. They regret some of the tax rises put through in the 2016 and 2017 budgets, and are keen to resist any changes to the way NI is levied on the self employed.

There is a temptation in some journalism and commentary to attribute everything to Brexit when little that is currently happening is to do with Brexit which still has not happened. Small business wants a positive budget that helps promote growth. An end to monetary tightening combined with some suitable tax cuts would be the best response from government to the needs of small business.