



To All MPs

28<sup>th</sup> March 2023

Dear Colleagues,

### Support to small and medium enterprises

At Spring Budget, the Chancellor set out his commitment to make the UK the best place in the world to start and grow a business. As part of this, we wanted to draw your attention to the extensive support government has provided to small and medium enterprises (SMEs) including at the most recent Spring Budget, some of which we will be debating at the Finance Bill's Second Reading tomorrow.

### Autumn Statement 2022

Autumn Statement 2022 provided a multi-billion-pound package of support for SMEs. We announced a package of business rates support worth £13.6bn over the next five years for properties in England. This included freezing the multiplier for 2023-24, targeting support for small businesses to support them at the revaluation and expanding the generosity of the Retail, Hospitality and Leisure relief scheme from 50% to 75% in 2023-24, subject to a £110,000 cash cap per business. The revaluation package will protect small businesses by limiting bill increases to a maximum of 5% or £600 for over 500,000 ratepayers next year. It will also ensure that 80% of Retail, Hospitality and Leisure properties will see bills fall or stay the same, protecting the UK's high street businesses.

We also announced an expansion of the Seed Enterprise Investment Scheme to further incentivise investment in very early-stage UK companies from April 2023. In addition, we confirmed that the Annual Investment Allowance would be set at £1m permanently. This means that UK SMEs can offset 100% of the cost of their investment in plant and machinery against their taxable profits in the year of investment: a tax cut of up to 25p for every £1 invested for those SMEs operating in the corporation tax system. The Annual Investment Allowance amounts to full expensing for both main and special rate investments.

### Spring Budget 2023

Spring Budget built on a substantial package of existing support. The Spring Budget tackles the UK labour supply challenges identified by businesses across the country. The measures announced around labour supply, migration, Flexible Working, Childcare Support, and helping Universal Credit Claimants increase their earnings, will help support businesses by delivering the workforce they need to expand and grow. There will also be an expansion of a pilot Occupational Health subsidy scheme to help UK SMEs with the cost of purchasing Occupational Health services.

We announced a range of administrative changes to make it easier for businesses to interact with the tax system, including a systematic review of HMRC guidance and forms for small businesses. The Chancellor also announced additional tax relief for



loss-making R&D intensive SMEs, who will be able to claim relief at a higher rate of 14.5%, benefiting 20,000 UK SMEs a year.

### Other support

Other measures announced by Government in 2022 include an extension of the Recovery Loan Scheme until June 2024, providing UK businesses with up to £2m of government guaranteed finance. We also acted to reduce the burden on regulation for tens of thousands of SMEs. From 3 October 2022, the presumption of exemption was extended from businesses with fewer than 50 employees to those with fewer than 500, for new regulations and retained EU regulations as they are reviewed. Regarding retained EU Law, the Retained EU Law (Revocation and Reform) Bill is currently going through its Parliamentary passage. It will end the special status of 'retained EU law' and ensure that it can be easily amended or removed. It will accompany a major cross-government drive to reform, repeal and replace outdated retained EU law, that will aim to cut £1bn of red tape for UK businesses, ease regulatory burdens and contribute to the Government's mission to unite and level up the country.

The Government announced two significant packages of energy support for UK businesses. Initially, the six-month Energy Bill Relief Scheme provided a discount on wholesale gas and electricity prices for businesses until 31 March 2023, it was extended in January this year by a further 12 months, until March 2024.

We have supported SMEs through the Made Smarter Adoption and Help to Grow: Management programmes to help increase their productivity. Made Smarter Adoption was allocated £24m over the SR period and provides a combination of tailored advice, financial support and leadership training to help manufacturing SMEs in several English regions adopt advanced digital technologies, while the Help to Grow: Management programme enables SME leaders to access management training delivered through leading UK business schools, alongside 1:1 support from a business mentor. In addition, we have supported UK entrepreneurs through the Start-Up Loans scheme which delivered more than 101,000 loans, providing more than £950m of funding to entrepreneurs. We provided the British Business Bank with funding to make 33,000 loans over the SR period. We increased the National Insurance Contributions (NICs) Employment Allowance from £4,000 to £5,000 in April 2022, meaning that any UK businesses with employer NICs bills of £100,000 or less in the previous tax year can claim up to £5,000 off their NICs bill. This means the smallest 40% of businesses pay no National Insurance at all.

There is also further support we have previously announced. From April 2023, the Small Profits Rate will keep the rate at 19% for companies with profits of £50,000 or less meaning 70% of companies will see no increase in their Corporation Tax rate this April. The UK also has a higher VAT registration threshold than any EU member state and second highest in the OECD – which keeps the majority of UK businesses out of VAT altogether. The Government continues to invest in 38 Growth Hubs providing businesses across England with free one-to-one support and advice. Growth Hubs offer a triage, diagnostic and signposting service to make sure



HM TREASURY



Department for  
Business & Trade

that all businesses, whatever their size or sector, know what help is available and can access the most appropriate support.

### Support through the Pandemic

Throughout the pandemic, the Government provided an unprecedented £22.6bn in support to protect impacted businesses across England. It is worth noting that micro, small, and medium sized businesses received 95% of the funding value, totalling £21.3bn. These grants included: The Local Authority Discretionary Grant Fund, The Small Business Grants Fund, Retail, Hospitality and Leisure Grant Fund, The Additional Restrictions Grant, and the Omicron Hospitality and Leisure Grant. All of which were open to applications from eligible SMEs.

Support was also provided through the Coronavirus Job Retention Scheme which helped support over 7.6m employee jobs for businesses with below 250 employees. The Government also introduced a collection of loan guarantee schemes to support SMEs, including the Coronavirus Business Interruption Loan Scheme, and the Bounce Back Loan Scheme. Together these schemes collectively approved over £72bn worth of finance through more than 1.6m facilities. Bounce Back Loan Scheme, which targeted small and micro business, the average loan was £30,000 whilst under Coronavirus Business Interruption Loan Scheme, which was targeted towards medium sized businesses, the average loan was worth £150,000.

All of us in government want to see our small businesses, as well as the wider business sector, grow and thrive. We believe we have some of the most creative, innovative and exciting small businesses in the world, and we have provided comprehensive support them through the difficulties of the pandemic and Putin's illegal war in Ukraine. We are confident that the measures we have taken to support businesses will provide them with the environment they need to succeed.

Best wishes,

**JAMES CARTLIDGE MP**

Exchequer Secretary to the Treasury

**KEVIN HOLLINRAKE MP**

Parliamentary Under Secretary of State  
Department for Business and Trade

**VICTORIA ATKINS MP**

Financial Secretary to the Treasury