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Budget provides boost to automotive facility investments, albeit too late for many and a missed opportunity to stimulate electric and hybrid sales

"Whilst this had the feel of a pre-general election giveaway the underlying messages about increased employment levels and the income tax breaks provided to basic and higher rate tax payers should be good news for the UK automotive sector" says Mike Jones, Chairman of ASE Plc.

Jones commented "The Chancellor's big business tax give-aways will benefit the automotive sector given the considerable capital investment required in relation to motor dealerships. In addition, aside from the negative salary impact of the increases to the minimum wage, there were no immediately noticeable tax potholes which the Chancellor has opened up for the industry.

The increase in the Annual Investment Allowance to £1,000,000, will mean that as much as £190,000 can be saved in terms of Corporation Tax payments when the business incurs qualifying capital expenditure. As manufacturers continue to roll out CI upgrade programmes, this is a welcome windfall for dealers to offset these additional costs. Timing is crucial however as the new limit only takes effect from January 2019 and is in force for two years. Dealers should therefore delay incurring capital costs until the new-year wherever possible.

A further measure introduces additional tax relief for the actual cost of the building, allowing a write off of expenditure against trading profits over a period of 50 years. Whilst this writing off will reduce the tax base cost of the property upon disposal in future, businesses will be delighted to reduce their annual taxable trading profits. This only applies to contracts entered into after 29th October, a real shame for the retailers who have already embarked on some massive building projects.

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The Chancellor also extended the 100% capital allowance available on installing electric charge-points until 2023 but it is disappointing that the Chancellor didn't introduce more far reaching measures to stimulate the sales of hybrid and electric vehicles and the charging network required to support them.

Whilst changes to the way digital transactions are taxed appear to be targeted at the tech giants, there is a potential note of caution for the future automotive landscape. As we see a steady increase in direct manufacturer online car sales, it will be interesting to see if the scope of this legislation is eventually widened to capture these sales as well.

Many automotive business owners will be breathing a sigh of relief at the fact that Entrepreneurs Relief was retained. Whilst there were positive changes for business tax, the availability of Entrepreneurs Relief for business owners has been restricted in certain cases with the holding period for shares increased to two years. Furthermore, shareholders will now need a 5% interest not only in voting rights, but also in distributable profits and assets on winding up. ASE will be working with our clients to ensure we avoid falling into a tax trap on future disposals.

Finally, as we have seen in the USA, increasing the take-home pay of individuals can have a real positive impact on their willingness to purchase, which can only be good news for car retailers."

\- ENDS -

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ASE work with thousands of motor dealers, all the major manufacturers and finance houses around the world to improve dealer, and network, profitability. With a team of 280 operating out of 14 offices and in 50 markets around the world.

ASE's 40 years' of experience; providing practical advice to improve dealer performance, providing motor trade tax, audit and accounting services, as well as analysing data from thousands of dealer transactions every month; means that it's expertise is unique.

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