Pre-Election Budget offers demand stimulus for the Motor Trade

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"The economy is set to grow at above 2% for the next 4 years with unemployment forecasted to remain stable at around 5%. This, together with current measures to improve disposable incomes and encourage investment should lead to continued demand and expansion in the automotive sector." says Tim Lwin, Tax Partner at ASE.

Corporate Identity and Capital Investment

The £500k threshold for immediate relief on capital expenditure including CI refurbishments was set to reduce to £25k after 31 December 2015. However, George Osborne recognised that this was unfair to business and is set to announce a new level in the 2015 Autumn Statement.

This is good news for dealers where CI refurbishments are planned to start later in the year and removes the cashflow constraints to start and finish before the year end to obtain the tax relief.

There are no limits for CI and capital expenditure where qualifying energy efficient materials and equipment are used. Close liaison with contractors and architects should identify such expenditure where 100% immediate relief is obtained irrespective of any changes to the threshold.

Several enterprise zones are to be extended with creation of new zones in Plymouth and Blackpool. These areas offer major reliefs in the form of 100% discount of business rates, immediate tax relief for capital expenditure with no limits, simpler planning applications and IT infrastructure funding.

Dealerships and Manufacturers should seek out their nearest zones as sites for development and expansion to take advantage of these generous reliefs and cost savings that will improve the bottom line.

Bodyshop Apprenticeships

The increases in the national minimum wage at all levels should help to recruit and retain new young talent into the workshops.

The higher direct costs of employment are to be offset by the abolition of NIC for under 21's starting from April 2015 and for under 25's from April 2016.

The Government is also set to introduce an apprentice voucher in 2017 to support the growth in apprenticeships.

The IMI also see these measures as welcome news to ensure young talent is recruited and retained in the Industry and to help the employer to control costs.

The self-employed sector of the motor industry that provide ancillary support to mainstream dealerships should also see benefits with the abolition of Class 2 NIC's becoming effective in the next Parliament and consultation to reform Class 4 starting later in the year.

Stimulus for Consumer Spending

In unison, the raft of policies to improve consumer confidence should lead to higher disposable income that will hopefully be geared towards the automotive sector.

Firstly, personal allowance will increase to £10,800 and £11,000 over the next two years. The higher rate threshold for 40% tax rate payers will also increase to £42,700 and £43,300 meaning that net incomes increase at all levels.

There are also measures for tax free savings. From April 2016, up to £1,000 of savings income for basic rate taxpayers and £500 for higher rate taxpayers are now tax free.

Access to cash has also been improved on two fronts. ISA limits have been increased to £15,240 with the freedom to take money in and out without losing the tax benefits.

The pension rules have been further flexed by offering annuity holders to cash in now and drawdown at marginal rates of tax. This is seen as being fair to pensioners that missed out on the previous changes to drawdown rules.

The freezing of fuel duties and cutting and maintaining duties on other household consumables all help towards consumer confidence.

"Increased disposable income across the board from apprentices to pensioners should stimulate demand for both used and new vehicles" says Tim Lwin.

Fleet Operators

Corporation tax will be 20% at all profit levels starting from 1 April 2015. This saving should offset the higher benefit in kind costs of company cars applying from 2019 where the percentage charged based on CO2 emissions will increase by 3% with a maximum rate of 37% (currently 35%).

Emissions levels continue to fall year on year and setting the increase in advance gives manufacturers the impetus to reduce their levels to compete in the fleet market.

This is further encouraged by the lower benefit in kind rates planned for ultra-low emission vehicles from 2019 and the 100% tax relief for the purchases of low emission cars (up to 75g/km) and zero emission vans to 31 March 2018.

For Fleet Operators, emission shopping for cars and vans will be key to reducing payroll and running costs.

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