C&J
CHARTERED CERTIFIED ACCOUNTANTS

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Monthly Newswire

Welcome to our latest monthly newswire. We hope you enjoy reading this newsletter and find it useful. Please contact us if you wish to discuss any issues further.

February 2025

Inflation falls to 2.5%

What this means for your business

Official figures released in January reveal that UK inflation fell slightly in December, down to 2.5% from 2.6% in November.

While the drop is marginal, it has sparked discussion in the press as to whether this easing of inflation might prompt the Bank of England to consider cutting interest rates when it meets on February 6th. At the same time, there is also talk of many businesses raising prices over coming months due to the increases in payroll costs set for April. This could cause inflation to climb again.

Here, we explore some of the key issues you should be aware of.

<u>Potential interest rate cuts: A relief for borrowers?</u>

If you already have a loan or are considering borrowing for expansion, a rate cut that leads to a reduction in interest rates could lower your financing costs and improve your cash flow.

Even with no interest rate cut in February, confidence in the financial markets over future interest rate movements can work in your favour.

However, it’s important to remain cautious - any rate cuts are speculative at this stage and dependent on further economic data. The Bank of England have already demonstrated a cautious approach to reducing rates, and the inflation rate is still above their target of 2%.

You should prepare for multiple scenarios, and it may be an idea to seek advice so that you can best manage your business’ debt strategically.

<u>Upcoming cost pressures in April</u>

While lower inflation is welcome news, costs will still be rising in 2025. Payroll will particularly be affected.

The National Living Wage and National Minimum Wage are set to rise in April, which will directly impact payroll costs, particularly if your business is in the hospitality, retail, and care sectors. January is traditionally a quiet month for hospitality businesses and this may heighten worries about business in the year ahead.

In addition, as an employer, the increased Employer National Insurance Contributions rate and reduced threshold will add to your overall cost burden and further squeeze your profit margins.

If you are already grappling with thin margins, these increases could put a severe strain on your business. Now is the time to reassess your cost structures, consider your pricing strategy, improve efficiency, and explore ways to remain competitive.

<u>What should business owners be thinking about?</u>

1. Cash flow management: When costs are changing, understanding your cash flow is critical. Accurate forecasting will help ensure your business can meet its obligations while investing for the future.

2. Pricing strategy: Raising prices is one way to deal with increased costs. Passing costs on to customers is always a delicate balance, but strategic planning can minimise problems.

3. Efficiency improvements: Investing in technology or streamlining processes can help offset rising costs. For example, automation tools could reduce administrative expenses and improve productivity.

4. Workforce planning: You should plan for the financial impact of wage increases by knowing how much extra you are likely to pay. Reviewing your staffing levels may also identify areas where you could save money.

The fall in inflation is a positive development, but businesses cannot afford to become complacent. With wage increases and higher employer contributions on the horizon, planning and preparation are key.

If you need help with financial planning and cash flow forecasting, cost management and efficiency reviews, wage planning or tax and national insurance advice, please get in touch. By working with us, you'll gain the insights and strategies needed to navigate these changes confidently and position your business for long-term success.

New safety and security declaration requirements

Are you ready?

Beginning 31 January 2025, entry summary declarations are now required for goods imported into Great Britain (GB) from the EU. This extends the already existing requirements to submit entry summary declarations for imports into GB from countries outside the EU and exit summary declarations for exports to the EU.

To help businesses, HM Revenue and Customs (HMRC) have reduced the amount of safety and security data that needs to be provided. There are now 20 mandatory fields which always need completing. There are then 8 conditional fields and a remaining optional 9 fields.

If you have already been submitting safety and security declarations, then HMRC advise that you don't need to change your existing systems and procedures. However, you may prefer to benefit from the reduced data requirements.

Carriers and hauliers are legally responsible for submitting safety and security declarations. However, in some situations the importer or an intermediary lodge the declaration. Therefore, if you import goods from the EU you should check with the carrier and supplier who is responsible and what the most suitable method is.

Entry summary declarations are submitted into an IT platform called Safety and Security Great Britain (S&S GB). You need a Government Gateway account and a Great Britain Economic Operators Registration and Identification (EORI) number to register. You will also need suitable software to be able to lodge the declarations as there is no way to do so directly.

See HMRC's guidance here.

Crackdown on right to work checks

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Are you compliant?

Recent immigration enforcement activity has highlighted the need for employers to ensure their workers have the right to work in the UK. With thousands of enforcement visits, arrests, and hefty fines being issued, businesses that neglect their responsibilities risk serious consequences.

Crackdown on illegal working

Immigration Enforcement teams have been targeting sectors prone to illegal employments, such as car washes, nail bars, supermarkets, and constructions sites.

Between July and November last year, enforcement teams conducted thousands of visits across the UK. These led to 770 arrests in London alone, with nearly 1,000 premises inspected.

Employers found guilty of hiring workers without the right to work face fines of up to £60,000 per worker, along with reputational damage and potential criminal charges.

How to stay compliant

Employers are required to carry out right to work checks before employing someone.

You need to:

- Request sight of original documents: Review the worker's passport, visa, or other approved documents that prove their right to work in the UK.

- Verify authenticity: Confirm that the documents are genuine, belong to the individual, and haven't expired.

- Keep records: Retain copies of the documents, including the date you verified them, for at least two years after employment ends.

- Use the Home Office's online service: The Home Office offers an online right to work checking service for non-UK nationals. This can provide you with confirmation of a worker's status.

For further guidance on conducting right to work checks, see here.

Why you should prioritise tax planning before the tax year ends

Save tax and improve your cash flow

As the UK tax year-end approaches on 5 April, it's an excellent time for you to review your business finances and explore tax planning opportunities, particularly if you are self-employed. Tax planning can help you to reduce tax liabilities, boost your cash flow and put you in a stronger financial position.

Let's explore some areas that you could think about.

Capital allowances

One key area to consider is capital allowances. If your business invests in equipment, vehicles, or machinery, you may be eligible for tax relief under the Annual Investment Allowance. Reviewing these purchases before the tax year-end can help make sure that you don't miss out on a valuable deduction.

Pension contributions

Another potential benefit lies in pension contributions. By contributing to employee or director pensions before the tax deadline, you can potentially lower your taxable profit while promoting loyalty in your staff.

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R&D activities

If your company has engaged in innovation, you could be eligible for tax credits under the Research and Development Tax Relief scheme. These credits can provide a significant boost.

Proactive planning now can save headaches later and uncover opportunities to improve your bottom line. Why not give us a call to make sure you're taking full advantage of the options available to you?

Three business rates agents suspended by VOA

Businesses urged to be cautious

The Valuation Office Agency (VOA) have announced the suspension of three business rates agents. The suspension of Rateable Value Experts and Re-Rates UK was announced on January 2nd. Rate Masters Limited trading as 'My Rates' were suspended on January 22nd.

The VOA have not specified the exact reasons for the suspensions and have simply said that they are investigating a potentially serious breach of their agent standards.

While the suspension is in force, the VOA won't work with or accept any information from the affected agents. This is likely to cause difficulties for any customers that they are representing, however the VOA say they have written to customers that are affected.

As part of the announcements, the VOA have reminded businesses of the need to be cautious of agents who:

- try to pressure you to make a decision or sign a contract.
- say they are acting on behalf of the VOA or forward emails to you that they claim are from the VOA.
- demand large sums of money up front.
- make claims about 'unclaimed credits' or similar.

It is worth noting that there is no need to use an agent to handle your business rates related matters. The VOA provides a free online service where you can challenge your rateable value for yourself.

The VOA also provides a checklist of agents that you can use to select an agent. They point out that using this is safer than allowing an agent to select you.