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Monthly Business News

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

November 2024

Autumn 2024 Budget speech: History in the making?

Good news for workers, but not so much for businesses

On October 30 2024, Rachel Reeves delivered her first Budget speech. As the first Budget speech ever delivered by a female Chancellor of the Exchequer, the occasion was bound to be one for the history books regardless of what was said.

The Chancellor's speech lasted 76 minutes and right from the start she claimed that difficult decisions were having to be made because of the £22bn black hole left in the public finances by the previous government.

Once the speech had concluded there was a feeling that the Budget may not have been as bad as we might have expected. This is likely the effect the Chancellor was hoping for and may have had something to do with the fact that the main way of increasing taxes – from a rise in Employers' National Insurance (NI) – had already been strongly indicated before the Budget took place.

For working people, the Budget maintained the status quo with no increases to income tax, national insurance or VAT. The personal allowances and tax rate bands were frozen by the previous government as a way of raising taxes known as 'fiscal drag'. This is because as pay increases, more earnings are likely to be taxed at higher rates. The Chancellor did promise that from 2028-29, personal tax thresholds would be uprated in line with inflation once again.

However, businesses were one of the big losers in the Budget, largely through the aforementioned Employers' NI increases as well as increases to the minimum wage rates, which are both explored in the two articles below.

Retail, Hospitality and Leisure (RHL) businesses did receive some support via a 40% relief on their business rates, subject to a cap of £110,000 per business. The small business multiplier will also be frozen in 2025-26. The government intends to introduce permanently lower tax rates for RHL properties from 2026-27.

The Chancellor also announced investments in public services and home building. These may mean contracts and work for businesses across various sectors.

If you are concerned about how any of the Budget measures will affect you and your business, please get in touch at any time and we will be happy to provide you with personalised advice.

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Employment Rights Bill 2024

Significant changes proposed to workers' rights.

The government published the Employment Rights Bill in October, which is intended to help deliver economic security and growth to businesses, workers and communities across the UK.

The bill will bring forward 28 individual employment reforms, from ending exploitative zero hours contracts and fire and rehire practices to establishing day one rights for paternity, parental and bereavement leave for millions of workers. Statutory sick pay will also be strengthened, removing the lower earnings limit for all workers and cutting out the waiting period before sick pay kicks in. The existing two-year qualifying period for protections from unfair dismissal will be removed, ensuring that all workers have a right to these protections from day one on the job.

The government will also consult on a new statutory probation period for companies' new hires. This will allow for a proper assessment of an employee's suitability to a role as well as reassuring employees that they have rights from day one.

The bill will end exploitative zero hours contracts, following research that shows 84% of zero hours workers would rather have guaranteed hours. They, along with those on low hours contracts, will now have the right to a guaranteed hours contract if they work regular hours over a defined period, giving them security of earnings whilst allowing people to remain on zero hours contracts where they prefer to.

The bill will also:

- Change the law to make flexible working the default for all, unless the employer can prove it's unreasonable;
- Set a clear standard for employers by establishing a new right to bereavement leave;
- Deliver stronger protections for pregnant women and new mothers returning to work, including protection from dismissal whilst pregnant, on maternity leave and within six months of returning to work;
- Tackle low pay by accounting for cost of living when setting the Minimum Wage and remove discriminatory age bands; and
- Establish a new Fair Work Agency that will bring together different government enforcement bodies, enforce holiday pay for the first time and strengthen statutory sick pay.

An Impact Assessment for the bill has been published suggesting the measures will impose a direct cost on business of up to £5 billion a year. It suggests that these costs are relatively modest since they estimate that the uplift in wage bill for employers in lower-paid sectors would be 1.5% at most. However, it also found that several of the measures will have a disproportionate impact on small and micro employers.

The government has launched consultations on 4 areas of the proposed legislation, which will be incorporated as amendments to the bill in the early part of 2025. In the meantime, the bill is at committee stage in Parliament, where it is being given a detailed examination.

Employers should prepare by looking at how the bill will affect their employment procedures and budgeting for any increased costs.

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Surprising drop in inflation for September

Will it lead to interest rate cuts?

The Office for National Statistics (ONS) reports each month on inflation and other economic indicators each month. During October they reported that their measure for inflation (Consumer Prices Index) fell to 1.7% for the year ending in September. This was an unexpected reduction and is the lowest inflation has been in more than three years.

Drops in airfares and petrol were the main reasons for the reduction. The Bank of England targets 2% inflation, so this reduction may allow them to cut interest rates further when they meet on 7 November. Due to the reduction, there is now also some expectation that there could be a second rate cut in December.

The September inflation figure is an important one since it’s normally used to set how much state benefits increase next April. These include Universal Credit, disability benefits, and carer’s allowance. Lower inflation may lead to lower increases in these allowances.

Some are advising that the drop in inflation may just be temporary. That’s because energy prices increased during October, which may swing the picture once again.

New tipping laws

What employers need to know

As of 1st October, the Employment (Allocation of Tips) Act came into force that ensures workers keep 100% of the tips, gratuities, and service charges they earn. While many employers already pass on tips to staff, this new legislation will close loopholes so that all tips go directly to workers.

What changed for employers?

Under the new law, employers are legally required to pass all tips, gratuities, and service charges on to their staff without making any deductions. This means that if a customer leaves a tip, whether it’s in cash or through card payments, it must go to the workers.

Businesses that fail to follow these rules could face serious consequences. Workers now have the right to take their employer to an employment tribunal if they believe their tips have been unfairly withheld. This means that employers could be ordered to pay fines or compensation to affected staff members.

To avoid any potential issues, it’s crucial for employers to review their tipping policies and ensure they’re fully compliant with the law. Transparency is key, and businesses should make sure they have a clear and fair system in place for distributing tips.

Have you prepared for the changes?

With the new laws already in effect, employers should already be familiar with the statutory Code of Practice on fair tipping. This code provides detailed guidance on how tips should be fairly distributed among workers. The rules apply across sectors in England, Scotland, and Wales (For Northern Ireland, employment policy is devolved), and employment tribunals will consider this code when handling disputes.

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If you've not done so already, it's a good idea to review your tipping policies, train your staff on the new procedures, and ensure that your systems for handling tips comply with the law. The government has also issued some non-statutory guidance to help employers.

Chancellor pushes for e-invoicing

Could that help or hinder your business?

As part of a series of announcements made in recent weeks by the Chancellor, the government is making a push for greater use of electronic invoicing (e-invoicing).

HM Revenue and Customs (HMRC) will soon launch a consultation on encouraging the wider use of e-invoicing, with the goal of simplifying business transactions and reducing administrative burdens but perhaps especially, reducing errors in tax returns so that HMRC can 'close the tax gap'.

While there are clearly advantages for HMRC in businesses using e-invoices, it's also fair to say that they can benefit businesses too.

Benefits of e-invoicing for businesses:

- Improved cash flow: E-invoicing accelerates payment times by automating the invoice approval process, making it easier for businesses to receive payments quickly.
- Reduced errors: Automated processes can help minimise the risks of manual entry errors in invoices, which can lead to payment delays or disputes.
- Increased productivity: With fewer administrative tasks, businesses can save time and focus on other essential areas, such as growth and customer service.
- Tax compliance: E-invoicing can help businesses keep accurate tax records, making it easier to complete tax returns and avoid discrepancies that may lead to penalties.

How could you take advantage of e-invoicing?

While the consultation is yet to launch, there's no reason you couldn't give some thought to moving over to an e-invoicing system now.

To do this, you could explore the options available. Many software providers offer affordable solutions tailored to SMEs that work with your existing accounting software. You may find that the software you already use can do e-invoicing for you.

If you need any help with e-invoicing or setting up your accounting software, please just give us a call and we would be happy to help you out.