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BUSINESS NEWSLETTER

February 2025

We hope you enjoy reading this newsletter and find it useful. Please contact us if you would like to discuss any matters further.

THERE'S STILL TIME FOR SOME YEAR END TAX PLANNING!

With the tax year end approaching, now is a good time to check that you're making the most of the available reliefs and allowances available to you. Please talk to us if you think any of the issues affect you.

Savings

If you have some spare cash, an obvious tax planning point might be to maximise your ISA allowances for the 2024/25 tax year (currently £20,000 per person). If you are 18 or over, but under 40, you can open a Lifetime ISA to save for your first home or retirement. You can put in up to £4,000 each year, until you're 50, but you must make your first payment into your ISA before you're 40. The government will add a 25% bonus to your savings, up to a maximum of £1,000 per year. The £4,000 Lifetime ISA limit counts towards the £20,000 ISA allowance.

Pension planning

You might also want to consider increasing your pension savings before 5 April 2025.

Under the current rules, the government adds to your pension contributions at the 20% basic rate. For instance, if you save £4,000 in a personal pension, the government tops this up to £5,000. If you are a higher rate taxpayer there is a further £1,000 tax relief when your tax liability is calculated, reducing the net cost to £3,000.

If you have income in excess of £100,000, your £12,570 personal allowance may be tapered. For every £2 of income in excess of £100,000, the personal allowance is reduced by £1, reducing to nil where net income is £125,140 or more. Additional pension contributions can be even more effective if your income is between £100,000 and £125,140; the gross pension contribution reduces net income for the purposes of calculating the reduction in the personal allowance. This is effectively a 60% tax saving.

Capital Allowances

Unless the business year end is 31 March or 5 April, the end of the tax year is not a significant date as far as capital allowances are concerned. In order for new equipment to attract capital allowances, the expenditure must be incurred on or before the end of the accounting period.

Limited companies and unincorporated businesses are entitled to a 100% write-off for the first £1 million spent on new and used equipment in a 12 month period. This "Annual Investment Allowance" (AIA) does not apply to motor cars, but there is a special 100% tax relief if you buy a new zero-emissions motor car.

In addition to the AIA, limited companies buying new (not second hand) equipment are entitled to fully expense the cost of most acquisitions against business profits. There is no financial limit on expenditure qualifying for this "full expensing" relief.

Where equipment is bought under a hire purchase contract, the capital allowances outlined above are available on the full cost of the asset provided it has been brought into use by the end of the accounting period. This is despite the fact that the payments may be spread over a number of months.

Capital Gains Tax (CGT) planning

You might wish to consider bringing forward capital gains to before 6 April 2025 if you haven't used your £3,000 CGT annual exemption for 2024/25.

Paying Voluntary National Insurance Contributions

A retiring person needs to have 35 'qualifying years' in order to claim the full state pension. For those with gaps in their record, usually due to not paying sufficient National Insurance Contributions (NICs), it is possible to 'plug' those gaps by paying Class 3 (Voluntary) NICs at £17.45 per week (£17.75 in 2025/26). Usually, it is only possible to pay Class 3 NICs in respect of the past six tax years, but there is currently an easement in place that allows taxpayers to pay Class 3 in respect of tax years going as far back as 2006. This easement expires on 5 April 2025, so it is worth considering making Class 3 payments before the opportunity is lost.

Stamp Duty Land Tax

Stamp Duty Land Tax (SDLT) applies to purchases of property in England and Northern Ireland. The following SDLT nil-rate thresholds are set to revert to their previous levels from 1 April 2025, so if possible, accelerating a completion date could be worthwhile in order to make a saving!

	Threshold to 31 March 2025	Threshold from 1 April 2025
For first-time buyers of residential property	£425,000	£300,000
Single residential property	£250,000	£125,000

Furnished Holiday Lettings

As covered in previous editions of this newsletter, Furnished Holiday Letting (FHL) status will be abolished from 6 April 2025. This will mean an end to the beneficial tax treatment that has been enjoyed by FHL owners up to now. If you own an FHL property, it may be worth considering the cessation of your FHL trade prior to 6 April 2025, so that your ability to claim Business Asset Disposal Relief in the normal period of three years post cessation can be preserved.

If you wish to continue operating your property as a holiday let, and are considering making any renovations to the property, it's worth remembering that you can still claim capital allowances for expenditure on a qualifying FHL prior to 6 April 2025, so you may wish to accelerate such expenditure.

AVOID ANY DOUBLE CAB 'HICCUPS'!

HMRC has published new guidance regarding a change in the interpretation of how Double-Cab Pickup (DCPU) vehicles should be classified for car benefit, capital allowances and some deductions from business profits purposes. Previously, HMRC accepted that if the payload of a DCPU was 1 tonne or more, it was a goods vehicle, not a car, and therefore qualified for beneficial capital allowances and benefit in kind treatment.

Following the government's announcement in Autumn Budget 2024, from April 2025 (1st for companies, 6th for individuals), HMRC will no longer apply the payload test and instead consider the vehicle's primary suitability when it was constructed. As DCPUs are 'dual-purpose' they are not primarily suited to carrying goods or burden and so will be classed as cars.

Transitional arrangements are in place, so if you are considering purchasing a DCPU, bear in mind that ordering a DCPU prior to 6 April 2025 could ensure that the more attractive benefit in kind tax treatment that applies to goods vehicles is available for a few more years. For capital allowances purposes, entering into a contract to purchase a DCPU prior to 1/6 April 2025 will secure the beneficial capital allowances treatment for goods vehicles, provided the date the obligation to pay for the DCPU is before 1 October 2025.

EMPLOYMENT EXPENSES

It is possible to claim Income Tax relief on eligible employment expenses that have not been reimbursed by your employer. If you file a self assessment tax return, relief must be claimed on the employment pages, but for employees who do not file a self assessment, it is possible to claim tax relief using an online form (P87). This follows a period during which HMRC had temporarily suspended the online form process due to a high number of ineligible claims being made. When making a claim it will be necessary to provide evidence of the expenses incurred.

Expenses on which tax relief can be claimed include:

- Working from home (if your employment contract requires you to do so).
- Repairing or replacing a uniform or small

tools.

- Travel for business journeys (not journeys to or from work).
- Professional fees and subscriptions.

VAT ON FOOD AND DRINK

In 2024 we saw a lot of legal cases that examined the VAT rating of food and drink and it appears this trend is continuing into 2025! The VAT rating of food and drink has always been a contentious topic but in the case of Global By Nature Ltd v HMRC (TC09396) we can see the first time that a tribunal or court has examined the VAT law covering ‘sports drinks’.

VAT legislation allows food and drink (other than catering) to be zero-rated but there is quite a long list of foods and drinks that are exceptions to the zero-rating and so are subject to VAT at 20%. One such exception is “Sports drinks that are advertised or marketed as products designed to enhance physical performance, accelerate recovery after exercise or build bulk” and this includes powders or syrups that are used to make such drinks.

In the Tribunal, HMRC argued that the above legal wording provides a definition of ‘sports drinks’, in that they are drinks that are “advertised or marketed as products designed to enhance physical performance, accelerate recovery after exercise or build bulk”. They said that Global By Nature Ltd’s drink powders were sports drinks, they were marketed as such, and were standard rated.

Global by Nature Ltd (GBN) argued that their powders, whilst intended to be consumed as a drink, were not ‘sports drinks’ and, even if they were, they were not marketed as such.

The Tribunal agreed with GBN in that two tests should be used to determine whether a product met the conditions in the legislation:

- Is the product a sports drink?
- If so, is it advertised or marketed as products designed to enhance physical performance, accelerate recovery after exercise or build bulk?

‘Sports drink’ is not defined anywhere in law, so after examining various dictionary definitions and uses of the phrase, the tribunal decided that GBN’s powders did not contain enough carbohydrate to be considered sports drinks. As they were not sports drinks, how they were advertised or marketed did not need to be considered – they did not fall within the exception and could be zero rated.

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.

<u>Capital allowances</u>

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.

<u>Pension contributions</u>

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.

<u>R&D activities</u>

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?

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

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.

DIARY OF MAIN TAX EVENTS

FEBRUARY / MARCH 2025

Date	What's Due
1 February	Corporation Tax for year to 30/04/2024, unless quarterly instalments apply.
19 February	PAYE & NIC deductions, and CIS return and tax, for month to 05/02/2025 (due 22/02 if you pay electronically).
1 March	Corporation Tax for year to 31/05/2024, unless quarterly instalments apply.
19 March	PAYE & NIC deductions, and CIS return and tax, for month to 05/03/2025 (due 22/03 if you pay electronically).
26 March	Spring Forecast: The Chancellor of the Exchequer, Rachel Reeves, will present her Spring forecast.