

Written by 11 March 2024

Business News Scotland

Welcome to our round up of the latest business news for our clients. Please contact us if you want to talk about how these updates affect your business. We are here to support you!

Spring Budget – A budget for long-term growth?

Jeremy Hunt, Chancellor of the Exchequer, delivered his Spring Budget 2024 speech on 6 March 2024. This potentially is the last budget before the next general election, which will need to be held before 28 January 2025. The Budget was designed to emphasise the government's good achievements as well as to appear to lower taxes and curry favour with voters.

There was a strong emphasis towards making work pay and most headlines have focused on the cuts in National Insurance contributions for both the employed and self-employed. The Chancellor reiterated his view that lower taxes lead to growth and a more vibrant economy.

Efforts were also made to stimulate movement in the housing market with a reduction in capital gains tax for higher earners disposing of residential property. The government hopes that this may incentivise those with second homes and other residential properties to sell them and create additional housing supply for those looking to move home or get on to the property market.

However, it was not all good news for taxpayers and the Budget signalled the end of some long-standing tax reliefs for furnished holiday lettings and those who currently have non-domiciled tax status.

In their appraisal of the Budget, the Office for Budget Responsibility (OBR) has reported that while economic growth has been disappointing since November, they expect a steeper than expected fall in inflation and interest rates to lead to a strong recovery.

The OBR note that the cut in national insurance will be partly recouped through other tax rises. They also note that there is no longer an increase in public services spending and so they feel that the Budget plans allow the Chancellor to meet the government's financial aims on debt, but with only a small margin to spare.

If you are concerned about any aspect of the Budget and how it may affect your situation, please get in touch with us at any time. We will be happy to help!

Spring Budget - National insurance cuts – what they mean to you as an employer

The national insurance cuts in the Spring Budget have made most of the Budget-related headlines. So, what is the effect of this on you as an employer?

Your employees benefit

In last year's autumn statement, employee's national insurance was cut by 2 percentage points from 12% to 10%. This change went into effect on 6 January 2024.

The Spring Budget extended this further by reducing the employee national insurance contribution by a further 2 percentage points, bringing the rate down to 8% from 6 April 2024.

If you were planning to pay staff bonuses in your March payroll, then there may be some mileage in seeing if staff would like these payments deferred to April so that they benefit from the lower national insurance rate and keep more of the bonus.

No change to employer's national insurance

This reduction only affects the rate of national insurance paid by employees though. The rate of employer's national insurance remains unchanged at 13.8% for any wages you pay in excess of £9,100 a year (£175 per week). So for an employer, unfortunately there is no immediate financial benefit from the cut to the employee rate.

Payroll software

As an employer, you will need to be sure that your payroll software is updated for the change in rate prior to 6 April 2024. It is likely that most major providers of payroll software will be ready, but it would be a good idea to check this and that you are running the latest version.

If the payroll is not updated, then you will deduct the wrong amount of national insurance and will need to correct this later, which may not be straightforward.

Employment allowance

As has been the case in recent years, eligible employers can still claim an employment allowance in 2024/25, worth £5,000 per year as a reduction on their total National Insurance liability. Please speak to us if you are not sure how to claim this.

If you need any help with making sure that your payroll software is updated, please feel free to contact us. We will be happy to help you!

Spring Budget – National insurance cuts – what they mean to you as a self-employed business

The Spring Budget further extended the national insurance cuts first announced in last year's Autumn Statement, bringing good news to all self-employed businesses.

The rate of class 4 national insurance, which is added as part of your tax bill at the year end, has been further reduced with effect from 6 April 2024. It will now drop

from 9% to 6% for profits between £12,570 and £50,270. The rate for profits over £50,270 will continue to be 2%.

If your trade profits for the 2024/25 tax year were £50,000, this rate reduction would give you a saving of £1,302 compared to the 2023/24 tax year. Of course, you will not necessarily feel this saving until you make your 2024/25 self assessment balancing payment on or before 31 January 2026.

As announced in last year's Autumn Statement and further confirmed by the Spring Budget, class 2 national insurance will effectively be abolished. This will save £179.40 a year.

You do not need to do anything to benefit from either of these national insurance cuts. The reductions will be automatically applied to the calculation of your tax when your tax return is submitted.

If you are self-employed, your class 2 national insurance payments have been ensuring that you accrue entitlement to a range of state benefits, including the state pension. If your profits exceed £6,725 in 2024/25 you will continue to accrue entitlement to state benefits despite not paying class 2 national insurance. If your profits are less than £6,725, or you make a loss, you have the option of making class 2 contributions voluntarily, at £3.45 per week, so that you maintain your state benefit entitlement.

The government has announced that it will consult on how it will deliver the final abolition of class 2 national insurance contributions later this year. Once this happens there will likely be a new method or criteria for accruing state benefit entitlements.

If you are unsure how these national insurance changes affect you personally, please feel free to get in touch and we will be happy to run through the changes with you.

Spring Budget - Furnished Holiday Lettings regime to be abolished

If you run a holiday let, then you are likely well aware of the useful tax advantages that holiday lets have had for many years. Because furnished holiday lets can be treated as a trade rather than as a rental property, there are more generous deductions against income available. Also, there has been a significant advantage in property capital gains tax when selling a furnished holiday let.

During the Spring Budget, the Chancellor Jeremy Hunt announced that the Furnished Holiday Lettings regime is to be abolished with effect from 6 April 2025.

This means that your holiday let profits will need to be calculated and taxed based on the same tax laws as other rental property profits. Unfortunately, that will mean that if your holiday let income remains the same you are likely to see an increase in the amount of tax payable.

Particularly disappointing is that if you sell your holiday let after 6 April 2025, Business Asset Disposal Relief, with its potentially low 10% capital gains tax rate, will not be available.

While there is another year yet before the abolition happens, there will be measures in place from 6 March 2024 (the day of the Budget announcement) to prevent tax planning steps that may try to manipulate the sale date of a holiday let so that it appears to occur before 6 April 2025.

Detailed legislation covering the change has not been released yet, but if you are thinking about selling your holiday let it may be worth giving some early thought to the timing of the sale so that you do not pay more tax than necessary. Of course, as with all tax planning, you should also consider your overall tax situation, any potential downsides, and your personal priorities.

We can prepare a personalised analysis of how the withdrawal of the furnished holiday letting regime will affect you. Please get in touch and will be happy to talk this through with you.

Spring Budget – High-Income Child Benefit Charge changes mean benefits for more

The High Income Child Benefit Charge (HICBC) has attracted a lot of criticism since its introduction because of the way it penalises couples that have a single high earner.

Currently, a couple where the two parents both earn £49,000 each are unaffected by the HICBC. However, another couple where one parent earns £60,000 while the other parent doesn't work lose their entire child benefit amount.

To reduce this unfairness, the Spring Budget increased the 'high-income' threshold from £50,000 to £60,000 with effect from 6 April 2024.

Not only that but the HICBC will now be calculated at 1% of the child benefit received for every £200 of income above the threshold. This is a slower rate of clawback than in the 2023/24 tax year and now means that child benefit is only fully clawed back where the income exceeds £80,000, rather than £60,000 in 2023/24.

This change means that many more couples will be able to keep their child benefit.

The Chancellor, Jeremy Hunt, also announced plans to change the HICBC so that it applies to household rather than individual income. This is expected to happen by April 2026.

Spring Budget – VAT registration threshold increases

The thresholds for VAT registration and deregistration have remained static for the last 7 years, however an increase in the thresholds was announced in the Spring Budget.

The new registration threshold is now £90,000, increased from £85,000. The deregistration threshold has also increased to £88,000 (from £83,000).

VAT registration becomes compulsory if by the end of any month, your business's VAT taxable turnover for the previous 12 months goes above the threshold. This needs to be looked at on a rolling monthly basis, and not just at your accounting year end.

It is possible to apply for a registration 'exception' if you believe that you are only temporarily going above the threshold, for instance, because of winning a large one-off project. Provided you can show evidence as to why your turnover will be below the deregistration threshold in the next 12 months then HM Revenue and Customs are willing to consider making an exception.

In view of the rate of inflation since the thresholds were last revised, the latest increase seems to be a token gesture. However, it may help you to stay out of VAT and the administrative work that it brings with it.

If you think your business turnover is nearing the threshold amounts, please do get in touch with us. We will be happy to confirm whether you need to register and can help you with the process of getting set up for VAT.

Spring Budget – Reduction in capital gains tax higher rate

A couple of changes were made to capital gains tax (CGT) allowances and tax rates in the Spring Budget that will be of particular interest to anyone that owns residential property in addition to their own home.

Annual exemption

Each individual has a CGT annual exemption – an amount of capital gain that you can make without paying any tax on it. This is being reduced for 2024/25 to £3,000 (currently £6,000). This means that anyone selling capital assets, such as property or shares, will pay more tax.

Since we still have a few weeks before the start of the new tax year, if you are currently planning to sell any of your capital assets (and are able to do so before 6 April) then it may be worth giving some thought to the timing of when you do that. Please contact us and we will be happy to give you a personalised recommendation based on your overall tax situation.

Rates

The main rates of CGT remain at 10% if your gains fall into your unused basic rate band, or if you are disposing of a business that qualifies for Business Asset Disposal Relief. It is then 20% in most other cases, with the exception of residential property sales.

If you sell your own private residence then no CGT will be due, however if you sell a residential property that is not your own private residence then increased CGT rates

will apply. From 6 April 2024, the residential property CGT rate will remain at 18% for gains falling into your unused basic rate band but will reduce to 24% (from 28%) for any residential property gains that fall outside of an individual's basic rate tax band.

The government are hoping that this reduction will encourage more activity in the property market, benefiting those looking to move home or get on the property ladder.

If you are wondering how these changes could affect you, please feel free to contact us at any time and we will be pleased to give you a personalised analysis.

Remember too that where CGT applies to a property disposal there can be tax payment and reporting requirements that need to be dealt with within 60 days of the completion date. So, please be sure to get advice in plenty of time.

Salary sacrifice: Potentially a win-win strategy for your business and your employees

Business and employees are both constantly looking for ways to optimise their financial strategies. One often overlooked strategy in doing this is salary sacrifice.

Salary sacrifice involves an agreement between an employee and their employer to reduce the employee's salary in exchange for certain non-cash benefits. While it may seem counterintuitive at first glance, salary sacrifice can be a useful tool for saving taxes for both parties involved.

Benefits for the business

For a business, implementing salary sacrifice schemes can lead to good tax savings. For instance, offering non-cash benefits such as pension contributions or cycle-to-work schemes in exchange for salary can reduce employers' National Insurance contributions. This lowers the overall tax burden for the business.

The benefits to the business are not just confined to the tax savings though. Offering attractive benefits through salary sacrifice can enhance feelings of job satisfaction for employees and improve staff retention.

Benefits for the employee

From an employee perspective, salary sacrifice offers a number of tax-saving opportunities. By opting to receive non-cash benefits instead of additional salary, employees can reduce their taxable income and so reduce the tax they pay.

For instance, contributions to a workplace pension are deducted from the employee's gross salary before tax is applied. Therefore, if an employee sacrifices some of their salary to make additional pension contributions, the amount of tax they pay will reduce.

Furthermore, salary sacrifice arrangements can enable employees to access valuable benefits that they might not otherwise be able to afford.

Are there any downsides?

While salary sacrifice can be a good tax saving strategy, it is not suitable for every situation.

Many salary sacrifice schemes are caught by tax regulations or have set requirements, so it pays to understand these and make sure a scheme will be suitable for your business. Employees too need to carefully assess their individual financial circumstances and priorities before entering into salary sacrifice agreements.

In conclusion, salary sacrifice can be a win-win for both businesses and employees. Business can use non-cash benefits to reduce their tax liabilities while enhancing employee satisfaction and retention. Meanwhile, employees can enjoy tax savings and access benefits they find valuable and that contribute to their overall well-being. With careful planning and implementation, salary sacrifice can be a powerful tool for businesses and their employees.

We have tools that can help you calculate the tax consequences and any potential savings from salary sacrifice arrangements involving company cars, pensions, and bikes. Please feel free to get in touch and we will be happy to help you!

Construction industry steps up efforts to combat work-related stress

The Health and Safety Executive (HSE) sponsored Working Minds campaign has announced six new partners from the construction industry.

The Contract Flooring Association (CFA), the Chartered Institute of Plumbing and Heating Engineering (CIPHE), Asbestos Removal Contractors Association (ARCA), the National Federation of Demolition Contractors (NFDC), the Electrical Contractors' Association (ECA) and the National Federation of Roofing Contractors (NFRC) have all committed to the campaign.

Stress in the construction industry can be considerable, with long hours and tight deadlines a normal part of working life. Working Minds provides free online learning to help employers in preventing stress and supporting good mental health. The learning tool usually takes less than an hour to complete and helps employers understand what the law requires and how they can comply.

Working Minds has five simple risk assessment based steps, which are:

- **Reach out** and have conversations,
- **Recognise** the signs and cause of stress,
- **Respond** to any risks that have been identified,
- **Reflect** on actions that have been agreed and taken, and
- **Routine** – to make it the norm to talk about stress and how people are feeling and coping on site.

Employers are legally required to protect workers from stress at work by carrying out and acting on a stress risk assessment. The Working Minds online learning can help employers understand and meet this requirement.

The Working Minds website, which includes sector-specific advice for the construction industry and other sectors, can be found here:

<https://workright.campaign.gov.uk/campaigns/working-minds-sectors/>

In a mental health emergency – can you share staff data?

New guidance has been published by the Information Commissioner's Office (ICO) to help employers with whether they can share staff data if they have a mental health emergency.

An employer may become aware that an employee, because of their mental health, is at risk of causing serious harm to others or themselves. In this situation, the ICO advises that they should feel able to share information with the relevant and appropriate emergency services or health professionals without delay.

The guidance helps employers to identify what a mental health emergency is and what they should do, as well as what they could do, in that situation without running the risk of getting into trouble for sharing data.

Since a mental health emergency can happen at any time, the guidance also sets out steps employers can take in advance so that they are prepared.

See the guidance at: <https://ico.org.uk/for-organisations/uk-gdpr-guidance-and-resources/employment/information-sharing-in-mental-health-emergencies-at-work/>

Charities given new guidance on decisions about donations

The Charity Commission has published new guidance designed to help charities when they face decisions over whether to refuse or return a donation.

Generally, the starting point for a charity is to accept donations given to the charity. However, there are certain circumstances where they must refuse a donation and the new guidelines help to make this clearer.

The guidelines set out the type of donations that legally must be refused or returned. These include donations received from illegal sources or come with illegal conditions. An example would be where the donation has come from terrorist or other criminal activity.

Other situations where there is a legal obligation to refuse or return a donation include where the donation:

- has come from someone who does not have the mental ability to decide to donate.
- cannot legally be given to the charity. This might happen if the donor does not actually own what they are donating.
- has terms requiring its return. For instance, a donation might have a term that it must be used within a certain period of time, which would require any unused funds to be returned at that time.

There are, though, other reasons why a charity might be likely to need to refuse or return a donation, and these are discussed in the guidance. The guidance also reviews steps that a charity might be able to take so that it can accept the donation.

The guidelines are available to review here: <https://www.gov.uk/guidance/accepting-refusing-and-returning-donations-to-your-charity#what-we-mean-by-a-donation>

New Companies House powers come into force

New powers for Companies House based on the Economic Crime and Corporate Transparency Act 2023 (ECCT Act) finally came into force last week.

The new measures allow Companies House to combat the criminal acts and money laundering being carried by criminals abusing the company registration system.

The powers include being able to query information and request supporting evidence, make stronger checks on company names, and tackle and remove factually inaccurate information.

It will no longer be possible for a company to use a PO Box as their registered office address, and Companies House now have the ability to share data with other government departments and law enforcement agencies.

The new measures are accompanied by new criminal offences and civil penalties to help with their enforcement.

It is hoped that the new measures will not cause too much additional hassle for genuine businesses.

The ECCT Act also introduces other measures, including identity verification and accounts reform, but these will not be introduced until a later date.

See: <https://www.gov.uk/government/news/companies-house-begins-phased-roll-out-of-new-powers-to-tackle-fraud>

Female business owners confident about the future

Scotland's national business advisory service, Business Gateway, has surveyed 577 women in business around the country. The survey found that 59% of female business owners, when looking at the next three years, are confident about the future of their business.

The survey found that the recent economic climate has negatively affected the business operations of those that took part. Brexit, the cost-of-living, and the COVID-19 pandemic are all attributed as factors.

Councillor Gail Macgregor, who is Chair of the Business Gateway Board said: "It is positive to see confidence remaining strong for women in business, especially against the backdrop of recent years which have created a challenging environment for small businesses."

We couldn't agree more and wish all female business owners continued success in all their endeavours.

See: <https://scottishbusinessnews.net/majority-of-female-business-owners-in-scotland-are-confident-about-their-future-success/>