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BUSINESS NEWS

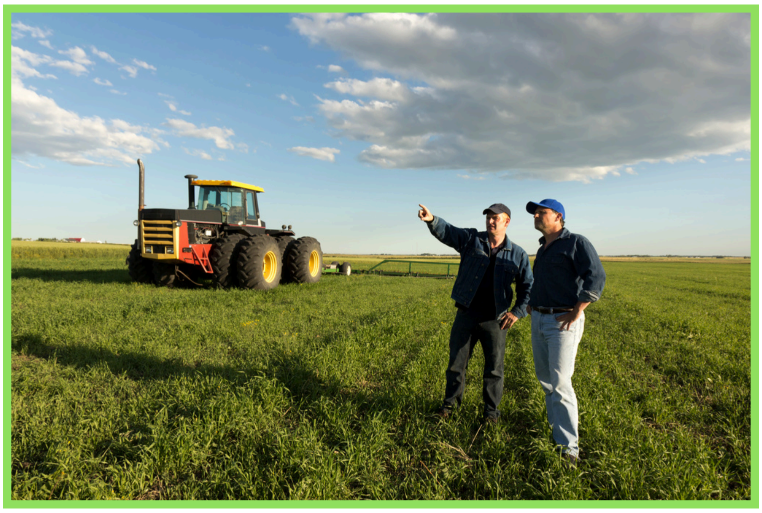
DECEMBER 2024

Welcome to the November edition of Business News!
We hope that you find our selection of business tips and updates useful!
To discuss any of the topics in more detail, please do get in touch.

AGRICULTURAL AND BUSINESS PROPERTY RELIEF

What happened in the Budget?

Changes to inheritance tax were announced in the Budget that have caused consternation and resulted in protests by farmers and business owners across the UK. What exactly is changing and what could this mean for you?



What are agricultural and business property relief?

Agricultural property relief (APR) is a type of inheritance tax relief that helps reduce the amount of tax that is paid when farmland is being passed down to the next generation. Currently, the relief has no financial limit, meaning that regardless of the value of the farmland, it could be passed on with no inheritance tax payable.

TOPICS

- AGRICULTURAL AND BUSINESS PROPERTY RELIEF
- SELF-ASSESSMENT TAX RETURNS
- OUR SERVICES
- HELP FOR THE HIGH STREET
- INFLATION ON THE RISE
- FUNDING GRANTED TO SMALL BUSINESSES
- ADDRESSING UK CONSTRUCTION CHALLENGES
- MAKE WORK PAY

ENJOY READING!

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Business property relief (BPR) is similar but relates to business assets included in a person's estate. Again, this relief currently applies without any financial limit to the relief.

Clearly, both reliefs have played an important role in families being able to pass on agricultural and business assets without having to worry about inheritance tax.

What changed in the budget?

Based on the Autumn Budget announcement, there will be a new £1 million limit where 100% relief will be given. The relief will then reduce to 50% on the value that exceeds £1 million.

It is important to note that the £1 million allowance is a combined one for APR and BPR purposes. An estate that has both qualifying business and agricultural assets will only have a single £1 million allowance to use.

In addition, (quoted) shares that are designated as "not listed" on the markets of recognised stock exchanges, such as AIM, will only ever get 50% relief regardless of whether they would otherwise qualify as agricultural or business assets.

When will the change take effect?

The intention is that this change will take effect from 6 April 2026. So, these changes do not take immediate effect and mean that there could be some scope for planning or transferring of assets that will minimise your exposure to inheritance tax when the new limits come into force.

If I have agricultural assets valued at more than £1 million, will I have to pay inheritance tax?

Not necessarily. Inheritance tax is calculated by first deducting any reliefs (such as APR and BPR) and then deducting any allowances that apply. Each individual has a nil rate allowance, currently £325,000, and there is a residence nil-rate band limit of £175,000.

What should I do now?

If your estate is likely to be subject to inheritance tax, then it can pay to consider using some estate planning strategies to reduce your exposure to inheritance tax. As a starting point, it is a good idea to assess the current value and makeup of your estate.

Please get in touch with us if you would like any help with doing this, or if you would like to discuss whether there are any estate planning strategies that are open to you. We would be happy to help you!

SELF-ASSESSMENT TAX RETURNS: COUNTING DOWN TO 31 JANUARY

HM Revenue and Customs (HMRC) have begun reminding taxpayers that time is ticking for getting self-assessment tax returns filed in time for the 31 January 2025 deadline.

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More than 3.5 million tax returns have already been submitted, however HMRC are anticipating more than 12 million in total needing to be filed by the end of January. So, HMRC are encouraging people to submit their return as early as possible.

Filing earlier does have some advantages, such as avoiding a last-minute panic, and knowing how much any tax payment will be in time to be able to budget for it.

If you need to complete a self-assessment tax return this year but haven't completed one before, then you will need to register first before you can sent your tax return. The registration process can take a few days so it is best to start this in good time before the end of January.

If you would like any help with completing your tax return, please feel free to contact us at any time and we would be happy to help you.

BE WARY OF SELF ASSESSMENT SCAMS

If you have been contacted by someone claiming to be from HMRC and feel unsure whether it is a scam, or you would like to check whether you are due a tax refund, call us at any time and we would be happy to help you.

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HELP FOR THE HIGH STREET: NEW POWERS FOR COUNCILS

Next month, councils across England will be given new powers to transform high streets by tackling long-term empty shops. Starting from 2 December, High Street Rental Auctions (HSRAs) powers will allow local authorities to auction leases for persistently vacant commercial properties, a move that is hoped will bring new businesses and community groups back to once-busy centres.

Through HSRAs, councils can take action if a property remains empty for more than 365 days within a two-year period. By auctioning leases for up to five years, this policy aims to prevent disengaged landlords from sitting on empty properties, which contribute to the decline of high streets. Local authorities will need to first try to engage with the landlord to resolve the vacancy before putting a property to rental auction.

According to data quoted by the government, one in seven high street shops are currently closed. So, this initiative could provide a helpful boost, creating jobs and driving foot traffic back to town centres.

Local Growth Minister Alex Norris emphasised the importance of reviving high streets, saying: “High streets are the beating heart of our communities. But for too long, too many have been neglected, with more and more empty lots and boarded-up shopfronts.” He added that HSRAs put “local communities first, re-energising town centres and driving local opportunities and growth.”

Additional support for high street businesses

There is currently plenty of talk at government level about how to revitalise high streets. During the Autumn Budget it was announced that the small business rates multiplier has been frozen for next year. Plans were also revealed to permanently lower business rates for retail, hospitality and leisure properties. £250 million was also committed for 2025-26 to the British Business Bank’s small business loans programme. The government has also announced its intention to publish a new Small Business Strategy next year. This will set out further measures to support SMEs and, according to the government announcement, supporting small businesses on the high street will be at the centre of this.

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INFLATION ON THE RISE AGAIN

The latest inflation figures from the Office for National Statistics (ONS) reveal that the Consumer Prices Index (CPI) for October 2024 rose to 2.3%, up from 1.7% in September. This marks the first increase in inflation since July, and it has sparked interest among business owners, economists, and policymakers alike. The rise in inflation was widely anticipated and as a result, the Bank of England have already signalled that any future cuts to the base rate will happen gradually. However, the latest CPI figures make it unlikely that the Bank will reduce rates any further when they meet in December.

What's driving the numbers?

According to the ONS, the rise in inflation for October was largely driven by higher energy costs. However, other factors helped to balance the increase:

- Falling ticket prices: Live music and theatre ticket prices dropped.
- Lower business costs: Raw material costs for businesses have been falling.

Despite these offsets, some sectors faced steeper price increases:

- Services inflation: Inflation in the services sector, which includes services like haircuts, hotels, and airfares, rose to 5%.
- Alcohol and tobacco: Prices for these items rose sharply. Encouragingly though, food inflation remained unchanged from September.

What does this mean for your business?

The rise in inflation, though modest, signals shifts that businesses may need to navigate carefully:

- Energy costs: You should revisit your energy usage and consider whether you might be able to reduce costs, either through using energy more efficiently, or considering whether a different supplier or price plan could meet your needs at a lower cost.
- Pricing strategies: Businesses in the services sector should prepare for potential challenges as rising costs affect consumer spending patterns. Balancing price increases with value will be key to maintaining customer loyalty.
- Cost control: With raw material costs easing, this may be a good time for manufacturers and retailers to lock in supply contracts or reassess margins.

A broader economic context

While inflation has ticked upwards, this is in line with the Bank of England's forecast that inflation will temporarily rise again before reducing in 2025. For now, businesses can take heart that interest rates are unlikely to rise sharply in the near term. However, with base rate cuts now likely to come more slowly than had been hoped earlier in the year, borrowing costs will remain a factor for planning and investment.

Also, while October's figures suggest only a modest uptick, sector-specific changes—particularly in services and energy—highlight the importance of staying agile in your pricing and how your business operates. This period of mild inflationary growth is an opportunity for forward-thinking businesses to fine-tune their strategies for the months ahead.
We're here to help you do just that.

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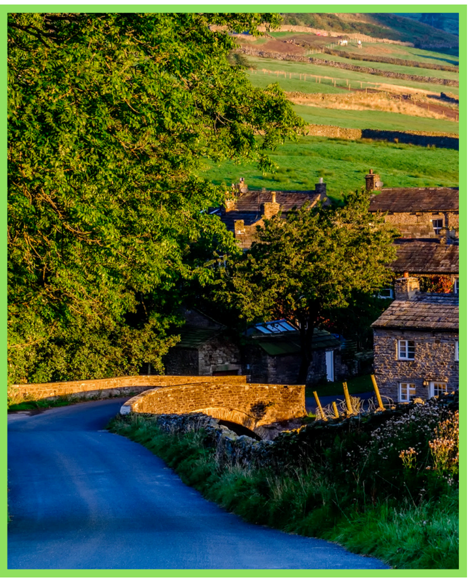
FUNDING GRANTED TO SMALL BUSINESSES ON RURAL TRANSPORT PROJECTS



The UK government has awarded £1.2 million in funding to small businesses for projects to boost transport links in rural areas.

Through the Rural Transport Accelerator Fund, eight small businesses have received £150,000 each to develop digital tools and other innovations that will improve connectivity for rural communities. By partnering with local authorities, these projects will support rural jobs, community wellbeing, and local economies, with trials beginning in areas from Norfolk to Scotland.

Among the winning projects are digital solutions to address the specific needs of rural residents. For instance, You.Smart.Thing will trial a demand-responsive tool in Warwickshire to help residents without access to a car find shared or community transport options. Another project by UrbanTide will map patient journeys to NHS hospitals in Fife, helping healthcare providers address gaps in transport for those needing hospital services. Additional projects will focus on predictive tools for rural transport needs and creating safer cycling routes using recycled car tyres. Future of Roads Minister Lilian Greenwood highlighted the unique transport challenges faced by rural residents, emphasising that these projects will allow easier access to essential services, from grocery shopping to hospital appointments.

STRESS AWARENESS WEEK REMINDERS FROM HSE

Last week was Stress Awareness Week 2024. The Health and Safety Executive (HSE) used the occasion to remind employers of their need to carry out their legal duty to prevent work-related stress and support good mental health at work. According to HSE figures, 17.1 million working days were lost to work-related stress in 2022/23. An average employee suffering from work-related stress, depression or anxiety takes an average of 19.6 days off work a year, almost the equivalent of a working month.

Clearly, it is in an employer’s interest to do what it can to reduce and minimise stress in the workplace.

Employers have a legal duty to:

- Carry out risk assessments for stress and then act on them.
- Take steps to prevent work-related stress.
- Write down the risk assessment if there are five or more employees. (It is still recommended to write it down if you have less employees.)
- The HSE provides free online learning, a risk assessment template and a ‘talking toolkit’ that can help structure your conversations with staff.

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NEW HOMEBUILDING SKILLS HUBS TO TRY AND ADDRESS UK CONSTRUCTION CHALLENGES

5,000 additional construction apprenticeship places are to be made available annually as part of a £140 million initiative aimed at addressing workforce shortages and meeting housebuilding targets. Central to this plan is the establishment of 32 new Homebuilding Skills Hubs, which are designed to accelerate training.

What will the Homebuilding Skills Hubs offer?

The hubs, which will be purpose-built training centres, will aim to provide a fast-track route (12-18months) into key construction trades such as bricklaying, roofing, plastering, scaffolding, and carpentry. These centres will replicate realistic working environments, offering apprentices hands-on experience. This streamlined approach is intended to supply the industry with skilled workers more quickly and hopes to address labour shortages and boost housebuilding efforts. The initiative is a collaborative effort involving the government, the Construction Industry Training Board (CITB), and the National House-Building Council (NHBC). Skills England will also play a key role in identifying areas most in need of workers.

Government and industry perspectives

Housing Minister Matthew Pennycook MP underlined the importance of a skilled workforce for meeting the government's housebuilding target. He said: "A skilled and efficient construction sector is essential to building 1.5 million new homes in this parliament."

Key industry figures have voiced support for the initiative. Roger Morton, Director of NHBC Training Hubs, highlighted the role of the hubs in addressing skill gaps: "Our £100 million investment in a national network of 12 NHBC Multi-Skills Training Hubs will train quality apprentices and help shape the future of UK house building. Our intensive training will produce skilled tradespeople faster, equipping them to hit the ground running from day one."

Challenges and implications for the construction industry

While this initiative represents a significant investment in skills development, the construction sector continues to face several challenges:

- Labour shortages: With an ageing workforce and uncertainty around the availability of skilled workers post-Brexit, it remains to be seen whether these hubs can scale quickly enough to meet demand.
- Economic uncertainty: The broader economic environment, including inflation and interest rates, could impact housing demand and the ability of firms to invest in training and apprenticeships.
- Implementation timeline: With all hubs scheduled to be operational by 2028, there are questions about how quickly they will be able to make a significant contribution to immediate housing needs.

What's next?

Construction firms should monitor developments, particularly in areas where the hubs will be established. You could also consider how fast-track apprenticeships could be integrated into your workforce strategy.

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MAKE WORK PAY: WHAT ARE THE NEXT STEPS

Since coming into power, the Labour government has made its Make Work Pay plan a centrepiece of their policies. As a result, we have already seen a number of changes being proposed and implemented. This includes the new Employment Rights Bill which is currently making its way through Parliamentary processes.

The government's Make Work Pay policy paper makes interesting reading on what it intends to do. The paper outlines how the UK has seen a productivity slowdown in recent years that is more pronounced than other advanced economies. They attribute much of this to issues with the labour market, both in workers feeling insecure and businesses struggling to find the right staff when they need them. The Plan to Make Work Pay is therefore designed to modernise the UK labour market and address the challenges the economy is facing. Principally the plan aims to make work more flexible, more secure and more family-friendly. This will help to support more people to stay in work.

Employment Rights Bill

This key legislation is the first phase of delivering the government's Plan. The changes it will bring about, including 'day 1 rights' of employment, banning exploitative zero-hours contracts and increasing worker protections have been widely discussed in the press.

Consultations are planned to take place in 2025, with the majority of reforms taking effect no earlier than 2026.

Employment rights and industrial relations are reserved in relation to Scotland and Wales and transferred to Northern Ireland. The UK government intends to work closely with the devolved governments on delivering and implementing their plan so that rights for people across the entire country are strengthened.

Family friendly rights

The government is looking at how to support workers in working while balancing the essential responsibilities of their wider life, including raising children, improving their own wellbeing or looking after a loved one with a long-term health condition.

Some immediate changes are being made to support this. Flexible working will essentially become the default, a new right to bereavement leave is being introduced, paternity and parental leave will become a day 1 right, and protections for pregnant women as well as new mothers returning to work are being strengthened.

The government also intends to review the current parental leave system and the implementation of carer's leave.

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Fair pay

We have already seen an adjustment in how minimum wage rates are set, with the cost of living now factored in. The government's intention is to remove the separate wage rates for different age bands. Instead, there will be one single rate regardless of the worker's age. Statutory Sick Pay is also to be strengthened. The lower earnings limit and the waiting period will be removed. A consultation on how a Fair Pay Agreement process for the adult social care sector should work is also planned.

Ending 'one-sided flexibility'

Where workers have a zero-hours contract or a 'low' number of guaranteed hours but regularly work more than these hours, they will gain the ability to move to guaranteed hours contracts.

Protections from unfair dismissal, which currently have a 2-year qualifying period, will be changed to apply from day 1. Employers will still be able to assess whether someone is right for the job via probationary periods. Currently the government is suggesting a 9 month statutory probationary period where the worker will have certain day 1 rights, but there will be a lighter-touch process that employers can follow to dismiss an employee who is not right for the job.

There is concern amongst businesses that the proposed changes will expose them to increased legal liability and a greater number of unfair dismissal claims. The government is proposing to identify ways to signpost and support employees that will make clear where bringing claims might be unsuccessful.

They have also said that they will consult on limiting compensation awards for successful claims of unfair dismissal during a probationary period.

In addition, there is a commitment that changes to the unfair dismissal rules will not come into effect any sooner than autumn 2026.

Equality at work

The plan includes measures that will help to ensure greater equality in the workplace, including:

- ensuring that outsourcing of services can no longer be used to avoid paying equal pay.
- a regulatory and enforcement unit for equal pay will be implemented.
- larger companies will be required to publish information on their ethnicity and disability pay gaps.
- specialist initiatives to join up employment and health systems to help support disabled people and people with health conditions thrive at work.
- making it unlawful to dismiss a pregnant worker within 6 months of their return to work other than in specific circumstances.
- establishing the Fair Work Agency to bring together existing enforcement functions and introduce the enforcement of holiday pay policy

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The government also intends to consult on the legal framework around trade unions and modernise it to reduce conflicts but provide workers with a voice. Many of these changes will be enacted when the government publishes its Equality (Race and Disability) Bill later in this parliamentary session.

Anything else?

Further reforms are also briefly discussed in the plan that will take place over the longer term. These include consulting on having a single 'worker' status that differentiates between workers and the genuinely self-employed. This would include strengthening protections for the self-employed through a right to a written contract. Health and safety guidance and regulations will also be modernised.

Conclusion

The government's plan could largely be summed up as 'a happy worker is a productive worker'. Therefore, the aim of the changes seems to be to make workers feel more secure and give them more flexibility over their working hours. If more workers remain more productive, this should make businesses more productive and the economy will grow as a result. Of course, this will have to be reconciled with businesses dealing with additional costs and compliance. And you may have a question mark about whether the government's plan will help you to grow your own business, particularly after a Budget that increased employment costs for many businesses.

While many of the proposals still need to be consulted on before they become law and there is time before the Employment Rights Bill will come into force, it is clear that we all need to be ready for changes over the next few years.

Thank you for reading!

We hope you have enjoyed this month's business newsletter.

If you wish to discuss any issues further, please don't hesitate to get in touch!

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