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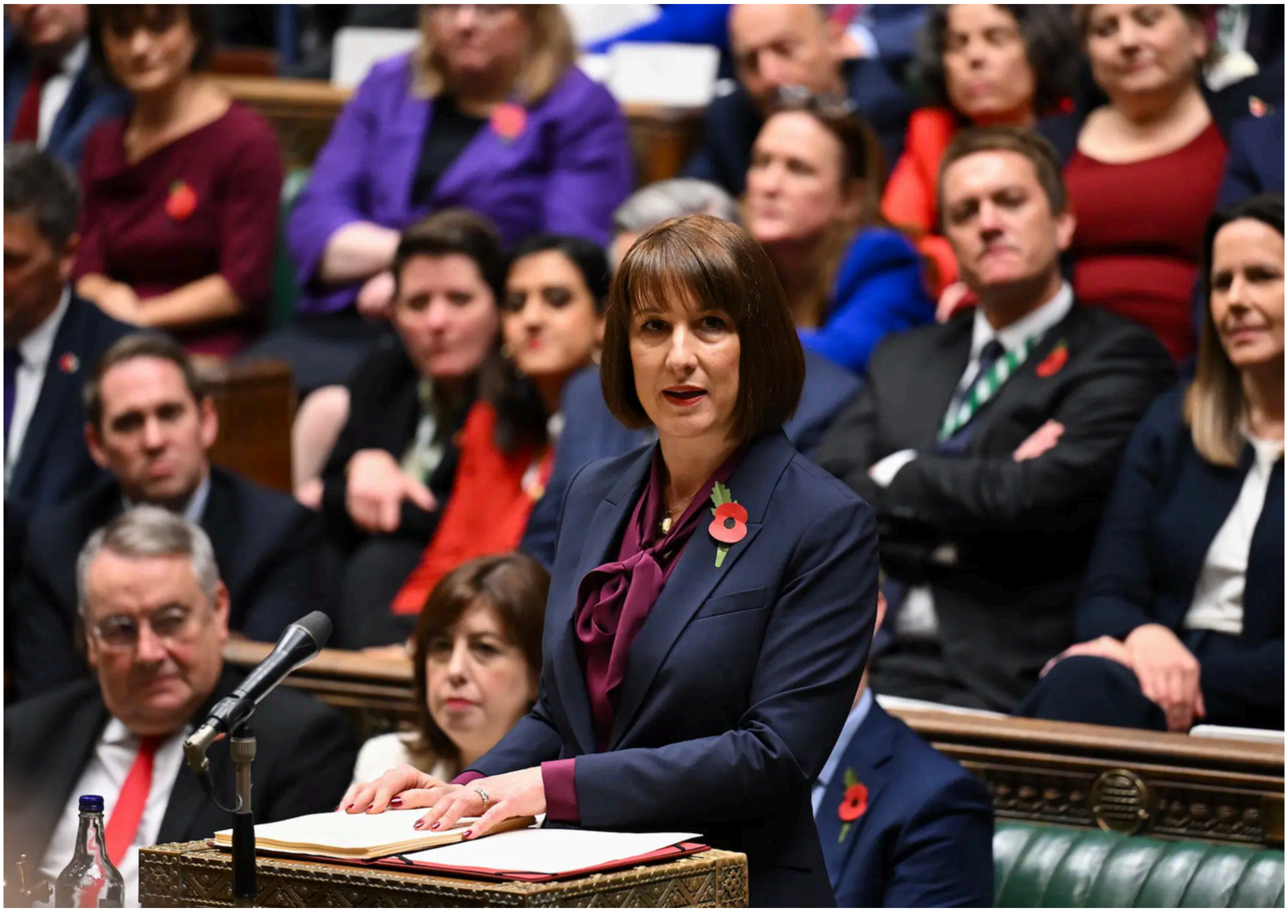
TAXTANGLE

Newsletter 4/11/24


# to this weeks newsletter

This is 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!

contact us



# Autumn 2024 Budget speech: History in the making?

On 30 October 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.

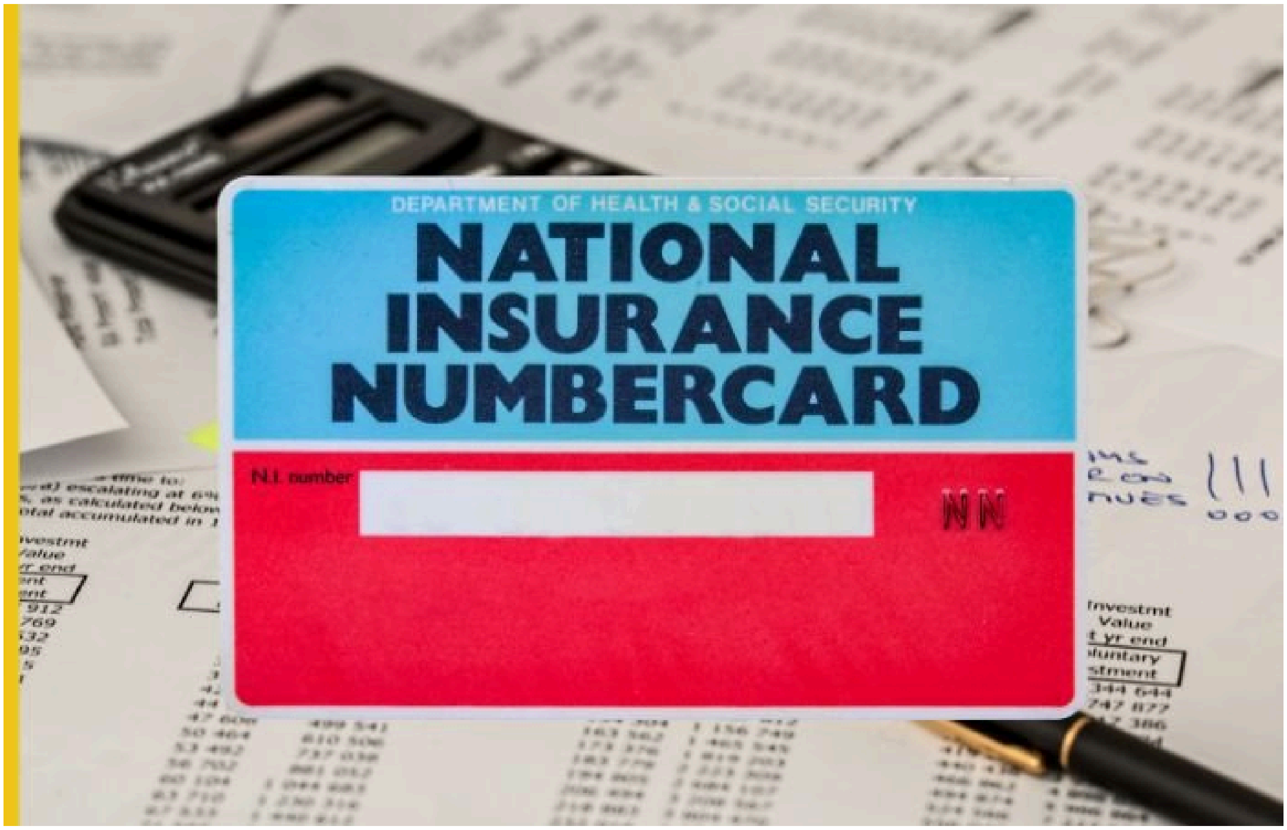
However, businesses were one of the big losers in the Budget, largely through the aforementioned Employers NI increases as well as increases to the minimum wage rates, which are both explored in the two articles below.

Retail, hospitality and leisure (RHL) businesses received some support through continued business rates relief. For the 2025/26 tax year, RHL businesses will be given 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. These are interim measures as the government intends to introduce permanently lower tax rates for RHL properties with rateable values under £500,000 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.




## Businesses count the cost of increases to Employers National Insurance

As has been widely expected in the last few weeks, the Chancellor, Rachel Reeves, made some significant changes to the Employers National Insurance (NI) rate and threshold in the Autumn Budget.

From 1 April 2025, the rate for Employers National Insurance (NI) will increase from 13.8% to 15%. At the same time, the level at which employers start paying national insurance on each employee's salary will be reduced from £9,100 per year to £5,000. The combination of these two changes means a potentially significant increase in payroll costs for businesses.

To counteract this, the employment allowance will be increased from its current £5,000 to £10,500. The Chancellor claimed that this would mean that "865,000 employers won't pay any National Insurance at all next year and over 1 million will pay the same or less than they did previously."

An employer who employs 4 full time (35 hours per week) employees at the National Living Wage rate will not have to pay NI on their wages.

However, there is some encouraging news for larger businesses. Previously the Employment Allowance could only be claimed by an employer if their Employers NI liability was less than £100,000 in the tax year. This restriction will be removed and mean that all employers that otherwise qualify will be able to reduce their national insurance liability by £10,500.

Businesses planning their headcount and budgeting payroll costs for next year will want to factor in the increased national insurance costs. If you need any help with doing this, please do not hesitate to give us a call.

See: https://www.bbc.co.uk/news/articles/c4g7x6p865zo

## National Minimum Wage increases for April 2025 announced

The government has announced the new National Minimum Wage (NMW) rates that will apply from 1 April 2025. These are as follows:

| | **1 April 2025 – 31 March 2026** | **1 April 2024 – 31 March 2025** |
|---|---|---|
| National Living Wage (Age 21 and over) | £12.21 | £11.44 |
| 18-20 Year Old Rate | £10.00 | £8.60 |
| 16-17 Year Old Rate | £7.55 | £6.40 |
| Apprentice Rate | £7.55 | £6.40 |

The National Living Wage rate paid to those who are aged 21 and over has increased by 6.7%. This is a relatively modest increase in comparison to the last 2 years but is still expected to equal two-thirds of median earnings and in real terms be the highest minimum wage has been in its history in the UK.

Baronness Philippa Stroud, Chair of the Low Pay Commission (LPC), appeared to acknowledge the strain the increases in recent years have placed on businesses when she said: “The data shows some signs of employers finding it harder to adapt to minimum wage increases." She also said that while the economy is expected to grow over the next year, "productivity growth remains subdued."

After coming into power, Labour asked the Low Pay Commission, an independent body that recommends what rates are used each year, to work towards removing the age bands so that all adults receive the same minimum wage. As a result, the increases to the 18-20 Year Old, 16-17 Year Old and Apprentice Rates are significant.

While these increases are good news for workers, employers will need to look at affordability when planning their headcount for next year.

See: https://www.gov.uk/government/news/national-living-wage-to-increase-to-1221-in-april-2025

## Bus fare cap to increase to £3

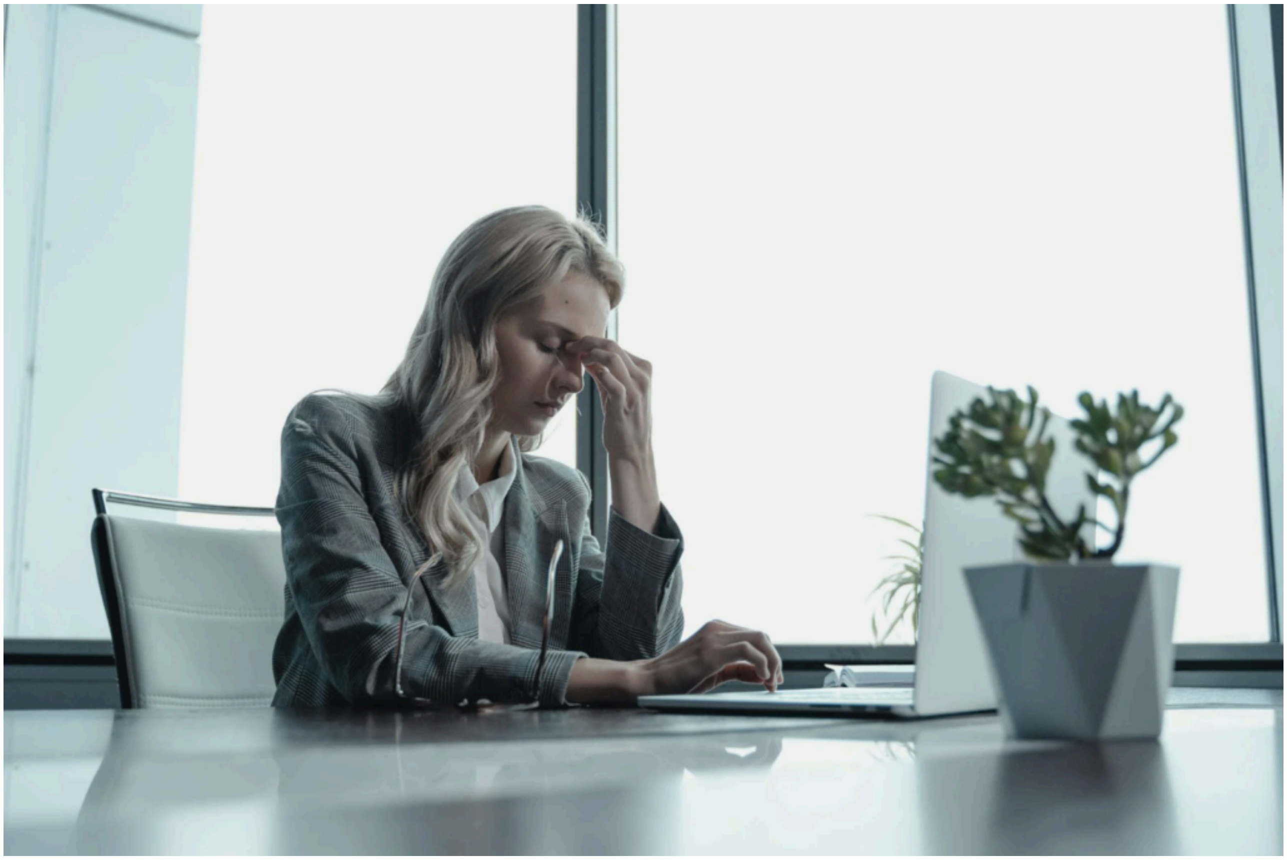
Two days before the Budget, the Prime Minister announced that the cap for single bus fares would be increased to £3 from its current £2.

The current fare cap is due to expire at the end of 2024. Without intervention, prices for some routes looked set to rise significantly. The new £3 cap will run until the end of 2025.

The cap means that no single bus fare on routes that are included in the scheme can exceed £3. Routes where the fare is less than £3 can only increase in line with inflation.

For workers that are reliant on bus fares, the new cap means an increase in their costs but at least continues to provide some relief.

See: https://www.gov.uk/government/news/over-1-billion-to-boost-bus-services-across-the-country-as-bus-fares-capped-at-3



# Employers now required to take “reasonable steps” to prevent sexual harassment

From 26 October 2024, employers were given a new legal duty to take “reasonable steps” to prevent sexual harassment of employees.

This duty requires employers to anticipate when sexual harassment may occur and take reasonable steps to prevent it. If sexual harassment has already taken place, then an employer would need to take action to stop it from happening again.

It is not possible for an individual to make a claim against their employer for failing to take preventative action. However, if they successfully bring a sexual harassment claim, the employment tribunal will automatically consider whether the employer failed in its duty to prevent the harassment from happening. If they find that the employer was negligent then they can order an uplift in the compensation paid to the employee.

ACAS have provided guidance to employers on what to do, including advising on things that should be included in a sexual harassment policy.

To review the guidance, see: https://www.acas.org.uk/sexual-harassment


# Why staying up-to-date with your accounts is essential: Lessons from a recent insolvency case

In a recent court case, a company director from Bury was sentenced to prison for failing to comply with basic accounting and legal responsibilities. Vezubuhle Ndlovu, the former director of VN Electrics Limited, was jailed for 10 months after he failed to provide the required records when his company went into liquidation, leaving over £200,000 in unpaid taxes.

This case serves as a stark reminder of the consequences for businesses that do not prioritise accurate accounting, particularly when dealing with financial and tax obligations. Let's examine why keeping up-to-date records is so important for businesses of all sizes and sectors.

<u>What happened?</u>

Ndlovu's company, VN Electrics, which operated as a wholesale trade business, was petitioned for liquidation by HM Revenue and Customs (HMRC) in 2019 due to an outstanding tax bill of £221,600.

After the company entered liquidation, Ndlovu was required by law to provide the company's financial records to the Insolvency Service. His failure to do so prevented the Official Receiver from assessing the company's assets, income, and financial position.

Ndlovu repeatedly refused to cooperate. Even after being disqualified as a director for seven years, he still failed to respond or attend interviews requested by the Insolvency Service. Manchester Crown Court have subsequently sentenced him to 10 months in prison.

<u>The legal responsibilities of directors</u>

Company directors have a legal duty to keep accurate financial records and to be transparent with stakeholders, especially in times of financial distress. This case highlights the severe consequences for not complying. Under the Companies Act and Insolvency Act, it is a criminal offence to fail to keep proper accounting records, and persistent failure to cooperate with authorities can result in prison sentences.

The impact on the stability of your business

Maintaining up-to-date accounts is more than just an administrative task; it is a core responsibility that can safeguard the future of a business.

Businesses that regularly review their accounts are better positioned to make informed decisions, identify potential financial issues early on, and avoid the kinds of tax and debt problems that led to VN Electrics' liquidation. Without clear records, even the day-to-day management of cash flow, payroll, and expenses can become difficult to handle, potentially leading to further financial instability.

Protecting relationships with stakeholders

For any business, building trust with creditors, suppliers, and partners is essential. Reliable accounting practices demonstrate that a company is well-managed, financially sound, and transparent in its dealings.

In the case of VN Electrics, the lack of financial transparency not only damaged the company's reputation but also strained relationships with stakeholders who were left uncertain about the company's financial position.

Key takeaways

The case of VN Electrics serves as an important reminder for all business owners and directors:

- Legal accountability: Directors are legally accountable for maintaining accurate records, which must be available to stakeholders and regulators as needed.
- 
- Financial health and oversight: Up-to-date accounts provide a clear picture of a company's financial health, helping to avoid situations where debt builds up unaddressed.
- 
- Stakeholder confidence: Reliable records enhance trust with creditors, suppliers, and partners, making it easier to do business and manage financial obligations.
- 
- Early problem detection: Regular reviews of financial records help identify issues early, allowing businesses to take corrective action before problems become unmanageable.

In a time when economic challenges and tax obligations continue to impact businesses, staying on top of financial records is one of the best ways to protect a company's future, meet legal responsibilities, and ensure transparency with all stakeholders.

If you need advice about or help with your accounts please feel free to get in touch and we would be happy to help you!

See: https://www.gov.uk/government/news/bury-director-jailed-after-failing-to-produce-accounts-for-company-which-owed-more-than-200000-in-tax


## Protecting young people online: The ICO taking action on data privacy for children

In today's digitally connected world, social inclusion has extended into virtual spaces, and young people are increasingly exchanging personal information to stay connected with friends and access social media platforms. This trend has raised significant privacy concerns, especially as recent research by the Information Commissioner's Office (ICO) reveals how critical data handling is for safeguarding children online.

The ICO's Children's Data Lives research has highlighted the importance of enforcing stronger privacy practices to protect young users who may not fully understand the implications of sharing their data.

Data as a form of currency

For many children, personal data has become a form of currency. According to the ICO's findings, young people often feel they must exchange personal details to access apps and social media platforms, which are central to their social lives.

The research emphasises that, while children seek acceptance in digital spaces, they are largely unaware of how their data is being collected or used by companies. Many young users place their trust in well-known platforms, assuming they are safe, but these platforms' designs can obscure data-sharing practices, making it difficult for children to make informed decisions about their privacy.

The ICO's strategy for child privacy protections

In response, the ICO has taken several steps to promote safer digital environments for children. Through its Children's Code strategy, the ICO aims to ensure that online services prioritise the needs and privacy of young users. This initiative holds businesses accountable for implementing privacy practices that protect children's rights and enable them to interact safely online.

The ICO has reviewed the privacy practices of 34 social media and video-sharing platforms as part of the Children's Code strategy. This review assessed issues related to:

1. Default privacy settings: Since many children rely on default settings, the ICO is pushing for these defaults to be set to privacy-friendly options, minimising exposure to unnecessary data sharing from the outset.
2.
3. Geolocation: The ICO is addressing the risks associated with geolocation data, which can reveal a user's location. They advocate for stricter control over location settings to reduce the risk of exposing children's whereabouts unknowingly.
4.
5. Age assurance: Verifying the age of users helps ensure that privacy features are appropriately tailored for children, preventing them from inadvertently sharing personal data in adult-oriented environments.

Holding businesses accountable

As part of their commitment to enforcing the Children's Code, the ICO requested further information from 11 companies to understand how their privacy practices align with child-friendly standards.

While most companies have engaged voluntarily, the ICO had to issue formal information notices to three companies—Fruitlab, Frog, and Imgur—to compel them to provide detailed responses on critical matters such as geolocation, default privacy settings, and age verification. Frog and Imgur have now responded, and the ICO is carefully reviewing their submissions.

A safer online future for children

As digital spaces play an ever-growing role in children's social lives, the ICO remains committed to its Children's Code strategy, and will continue to encourage businesses to adopt stronger, more transparent privacy practices.

See: https://ico.org.uk/about-the-ico/media-centre/news-and-blogs/2024/10/statement-on-ico-s-work-to-protect-children-online/

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