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Business News England

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Guide to the General Election 2024: Tax implications for your business

As a business owner, you'll likely be wondering how the upcoming general election on 4 July 2024 is likely to affect your business. A new government can mean significant legislative changes and tax upheavals that can impact your business operations and financial planning.

The parties have issued their manifestos, so let's break down what they've said about tax.

What Labour and the Conservatives have said about tax

Here is a comparison table of what Labour and the Conservatives say in their manifestos about tax.

	LABOUR	CONSERVATIVE
Taxes		
Income Tax		
Comparison: Same/similar	The basic, higher and additional rates of income tax will not be increased.	Income tax rates will not be increased.
	Pension reforms will be adopted alongside a review of the pensions landscape.	The tax-free allowance for pensioners to be brought into a new 'Triple Lock Plus.' This pledges a rise equal to the highest of inflation, earnings or 2.5% by way of a new age-related personal allowance. This will apply from April 2025. The tax-free (or personal) allowance is currently frozen at £12,570 for all taxpayers until 6 April 2028.
		No new taxes on pensions. Marginal rate relief and the 25% tax free lump sum will both be maintained.

	No mention of the High Income Child Benefit Charge	The High Income Child Benefit Charge to be assessed on a household basis, with the charge only starting to apply when combined income reaches £120,000. The charge would only reach the full amount of Child Benefit when household income exceeds £160,000. It is currently based on the highest earner in the household and whether their income exceeds £60,000.
National Insurance Contributions (NIC)		
Comparison: The Conservative Party are pledging reductions	National Insurance will not be increased.	A further 2p reduction in the main rate of employees' NIC. This is currently 8% and the Manifesto promises to cut this to 6% by April 2027. NIC will not be extended to employer pension contributions.
Business Tax		
Comparison: The Conservative party are pledging reductions.	A roadmap for business taxation for the next parliament will be published, enabling confident investment planning.	Further reductions in the main rate of self-employed Class 4 NIC. This is currently 6% and the Manifesto promises to abolish it altogether by the end of the next Parliament (no later than July 2029).
	Full expensing and the annual investment allowance to be retained. There will be greater clarity on qualification criteria, to aid investment.	Extension of full expensing for expenditure on brand new plant and machinery, including in cases where the asset is leased to a third party. This will apply 'once fiscal conditions allow'.
Corporation Tax		
Comparison: Possible increases coming for smaller companies under Labour.	Corporation tax will be capped at the current main rate of 25% for the whole parliament. This	No increase in corporation tax.

	perhaps hints at increases for companies with annual profits of less than £250,000 (as divided by the number of associated companies), i.e. those currently benefiting from the small profits rate or marginal relief.	
VAT		
Comparison: Same/similar albeit Labour's private school plans are significant for some.	The rate of VAT will not be increased. VAT will however be applied to private school fees.	The rate of VAT will not be increased. The VAT registration threshold will be kept under review with options explored to smooth the cliff edge at the current £90,000 level.
Capital Gains Tax (CGT)		
Comparison: Possible increases coming for investors under Labour. Certain increases within private equity.	No specific mention of CGT rates or reliefs. The 'carried interest tax loophole' will be closed. This relates to private equity executives that receive a stake in the funds they manage, rather than traditional remuneration.	CGT will not be increased. Business Asset Disposal Relief will be retained. Private Residence Relief will be maintained. A new temporary 2 year CGT relief will be offered to landlords who sell their properties to their existing tenants.
Inheritance Tax		
Comparison: Labour to impose IHT on offshore trusts.	No specific mention of IHT rates or reliefs. The use of offshore trusts to avoid inheritance tax will be ended.	No specific mention of IHT rates or reliefs. Agricultural Property Relief and Business Relief will be retained.
Stamp Duty Land Tax		
Comparison: Increases under Labour for non-residents and possibly, down the line, for UK residents as well.	SDLT on purchases of residential property by non-UK residents will increase by 1%. This will increase the existing surcharge from 2% to 3%.	Rates and levels of SDLT will not be increased. The first-time buyer threshold to be set permanently at £425,000. This is due to revert to £300,000 on 1 April 2025.
Specific Tax Issues		
Non-domiciled individuals		
Comparison: Likely same/similar	The non-domiciled status will be abolished and	Interestingly, no mention is made of the previously

	replaced with a modern scheme for people genuinely in the country for a short period.	announced plans to curb non-domiciled individuals' use of the remittance basis from April 2025.
Furnished holiday lets		
Comparison: Likely same/similar	No indication given.	Councils will be given the powers needed to 'manage the uncontrolled growth of holiday lets'. Beyond this, no further detail is given on the planned April 2025 reform to limit tax benefits.
SME growth initiatives		
Comparison: Likely same/similar although no commitment from Labour.	No indication given.	The Enterprise Investment Scheme (EIS), Seed Enterprise Investment Scheme (SEIS) and Venture Capital Trusts (VCT) regimes will be retained.
Research & Development (R&D) and Creative tax reliefs		
Comparison: Likely same/similar although no commitment from Labour.	No indication given.	R&D tax reliefs will be maintained. Priority will be given to cutting edge farming technology such as fertiliser and vertical farming. Creative sector tax incentives to remain competitive.
HMRC resources		
Comparison: Likely same/similar although Labour appear to be budgeting less to tackle avoidance	A promise to modernise HMRC and change the law to tackle tax avoidance. A £855 million investment to reduce tax avoidance. Registration and reporting requirements will increase and HMRC's powers will be strengthened. There will be investment in technology to build capacity within HMRC. There will be a renewed focus on tax avoidance by	A further £6 billion a year will be raised by tackling tax avoidance and evasion over the next Parliament. There is no specific commentary on funding for HMRC although there are pledges to double digital and AI expertise within the wider civil service.

	large businesses and the wealthy.	
Taxpayer digitalisation		
Comparison: Likely same/similar	The Making Tax Digital (MTD) initiative does not get a mention in the manifesto.	The Making Tax Digital (MTD) initiative does not get a mention in the manifesto.
Other associated pledges		
Comparison: Minimum wage cost increases under Labour.	A commitment to one major fiscal event a year, giving families and businesses due warning of tax and spending policies. The minimum wage will be a genuine living wage and the age bands will be removed. England's business rates system to be replaced with a fairer model, levelling the playing field between the high-street and online 'giants'. Business rates to apply to private schools. A new plan to 'Make Work Pay' will overhaul HR practices. A new windfall tax on oil and gas 'giants'.	The National Living Wage will be maintained at two-thirds of median earnings. A business rates support package worth £4.3 billion over the next 5 years. More freeport and business rate retention zones will be created. Investment zones will continue to be backed.

What the other parties have said about tax

The Liberal Democrats, under their manifesto "For a Fair Deal," are proposing a fairer tax system. They're looking at:

- increasing the global minimum corporation tax rate to 21%. This looks like an increase to the current UK small profits rate of 19%.
- raising the personal income tax allowance when public finances allow.

The Green Party's "Real Hope. Real Change" manifesto is quite ambitious. They're advocating for:

- a £15 per hour National Minimum Wage but allowing small businesses to reduce their National Insurance payments as an offset.
- a wealth tax for those with assets above £10 million.
- aligning Capital Gains Tax (CGT) rates with income tax rates.

- aligning the tax rates on investment income with the combined income and NIC rates paid on employment income.
- removing the NIC upper earnings limit, which will mean higher earning employees paying NICs on all their employment earnings at the main rates.

Reform UK, with their "Britain Needs Reform" manifesto, includes proposals like:

- increasing the personal allowance to £20,000 and the higher rate threshold to £70,000.
- cutting residential Stamp Duty Land Tax (SDLT) to 0% for properties below £750,000 and 2% for properties costing £750,000 - £1.5m.
- reestablishing the VAT refund scheme for tourist shopping.
- abolishing Inheritance Tax (IHT) for estates under £2 million and bringing the rate for estates worth more than that down to 20%.
- lifting the small profits threshold for corporation tax to £100,000.
- lowering the main rate of corporation tax from 25% to 15% over three years.
- abolishing IR35 rules.
- increasing the VAT registration threshold to £150,000.
- no VAT and a 20% income tax relief on school fees
- reducing UK tax legislation from 21,000 pages to nearer 500.

Plaid Cymru, in their “For Fairness, For Ambition, For Wales” manifesto:

- Believe that Wales should have full control of economic levers and want the Senedd to have powers to set income tax bands and thresholds, as is the case in Scotland.
- Pledge to campaign for capital gains tax to be equalised with income tax.
- Pledges to investigate increasing NICs, introduce a wealth tax, further crack down on evasion and avoidance and to abolish loopholes for non-domiciled individuals.

The SNP’s manifesto, “A future made in Scotland” includes:

- The demand for the full devolution of tax powers, including over National Insurance, windfall taxation for companies and to crack down on tax avoidance and evasion.
- Support for the reform of VAT to address imbalances in the rating system, including ending the VAT exemption for private schools.
- A pledge to introduce a lower VAT rate for hospitality and tourism sectors.

<u>Can you rely on these manifesto pledges?</u>

A government is not legally held to its manifesto or required to stick to the promises they have made. Circumstances change and even a fully intentioned promise made now may or may not be suitable in 2029. So, while it’s reasonable to think that at least some pledges will turn into reality, there is no guarantee.

Whether or not these pledges are actually affordable when it comes down to it is of course another question.

Will we have another budget?

If a new party comes into power on 4 July, then they will likely set out their initial plans in an ‘emergency’ budget. Since the Office of Budget Responsibility (OBR) will need 10 weeks to prepare independent forecasts, this is unlikely to happen until September or October.

Regardless of the election outcome, we are here to support you through any changes. Following the election and the announcement of any budget, we’ll let you know and we’ll be happy to provide you with personalised advice if you want it.

Please feel free to reach out to discuss any concerns or to schedule a consultation. Together, we can navigate these changes!

Inflation falls to 2%

Figures released by the Office of National Statistics show that the Consumer Prices Index (CPI) for May 2024 was 2%. This is a reduction from the 2.3% assessed in April and means that inflation has hit the Bank of England’s target rate for the first time in nearly 3 years.

The main reason for the drop is food, where prices are falling now but were rising a year ago. However, it is worth noting that food prices are generally still 25% higher than they were at the beginning of 2022.

The main upward pressure on inflation currently is coming from petrol since prices are rising whereas they were falling a year ago.

The fall in inflation doesn’t mean that prices overall are coming down, just that they are rising more slowly.

The Bank of England met on Thursday last week to discuss their interest base rate. This has been set at 5.25% since August 2023 and they decided to maintain that rate. This means no relief yet for borrowers, but in view of the inflation news, a reduction in the base rate is expected within the next few months.

See:
https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/latest

New rules on distributing tips: Understanding the Employment (Allocation of Tips) Act 2023

On 1 October 2024, the Employment (Allocation of Tips) Act 2023 will come into effect, introducing significant changes to how tips are managed and distributed in the hospitality industry.

This legislation aims to improve fairness by mandating that all tips, gratuities, and service charges are allocated fairly among employees. The new rules address longstanding concerns about the retention and distribution of tips by employers, ensuring transparency and fairness.

Summary of the New Rules

1. Fair Distribution: Employers must distribute all tips, gratuities, and service charges fairly and equitably among workers. This includes both cash and card tips. The distribution has to be fair and transparent with due regard to a Code of Practice and can include a tronc arrangement.

2. No Deductions: Employers are prohibited from making any deductions from tips, including administrative fees. The only exceptions are those required by law (e.g., tax).

3. Transparency: Employers must clearly communicate their tipping policies to employees and customers, ensuring transparency in how tips are allocated.

4. Record-Keeping: Employers are required to keep detailed records of all tips received and distributed for a period of three years. These records must be made available to employees upon request.

5. Written Policy: A written policy outlining the distribution of tips must be in place and accessible to all staff members.

6. Service Charges: Any service charges added to bills must be treated as tips and distributed accordingly.

Impact on Employers

If you are an employer affected by the rules, you will likely need to make some changes in how you manage tips. It will be crucial that you comply with these regulations to avoid potential penalties and to maintain a fair working environment.

Here are the key impacts with some suggestions for procedures that affected employers will need to consider:

1. Review and Update Tipping Policies: Employers will need to review their current tipping policies and make sure they line up with the new rules. They will need to establish a clear and equitable distribution method that is communicated to all employees.

2. Implement Transparent Systems: Employers should implement transparent systems for tracking and distributing tips. This might involve using software solutions that automatically record and allocate tips based on predefined criteria.

3. Employee Training: Training sessions should be conducted to inform employees about the new rules and how tips will be managed. This ensures everyone is aware of their rights and the procedures in place.

4. Maintain Accurate Records: Employers must establish robust record-keeping practices to document all tips received and distributed. These records should be maintained for at least three years and be readily accessible for inspection by employees or regulatory bodies.

5. Communicate with Customers: Clearly communicate tipping policies to customers, possibly through notices on menus or at the point of sale. This transparency helps manage customer expectations and ensures they understand how their tips will be used.

6. Regular Audits: Conduct regular audits to ensure compliance with the Act. This helps identify and rectify any discrepancies or non-compliance issues promptly.

By implementing these procedures, employers can not only comply with the new rules but also foster a fairer and more transparent working environment. This can enhance employee satisfaction and trust, ultimately benefiting the overall business.

If you need any help with the new rules or applying the Code of Practice, please feel free to get in touch and we will be happy to help you.

See: https://www.gov.uk/government/consultations/distributing-tips-fairly-draft-statutory-code-of-practice/draft-code-of-practice-on-fair-and-transparent-distribution-of-tips-html-version

Don’t be caught by false claims on business rates appeal deadlines

The Valuation Office Agency (VOA) has issued a warning about false claims being made about the deadline for appealing the 2023 list for business rates.

Some are claiming that the deadline is 30 June, however this is not true. Generally, you are able to appeal your property valuation on the 2023 list at any time until March 2026.

If an agent contacts you trying to pressure you to make a decision or sign a contract; makes claims about ‘unclaimed credits’; says they are acting on behalf of the VOA; or demands large sums of money upfront, then VOA advise you to be cautious.

It is not necessary to use an agent, but if you choose to do so then the VOA provide a checklist you can use to select one.

While the vast majority of agents are reputable and will give you a good service, there are a small minority acting in bad faith.

The VOA advise that if you have any concerns about having been potentially misrepresented by an agent, please send any evidence to ccaservice@voa.gov.uk.

See: https://www.gov.uk/government/news/warning-of-false-claims

Mackerel fishing deal struck with Norway and the Faroe Islands

Last week, the UK agreed a deal with Norway and the Faroe Islands that will help reduce the fishing pressure on mackerel.

The deal gives access to Norway and the Faroe Islands to be able to fish some of their quota in the UK zone. In exchange for this, an annual transfer of some of their quota will be made to the UK.

It is hoped that this deal will be stepping-stone to a more long-term quota-sharing arrangement between the nations fishing these waters.

See: https://www.gov.uk/government/news/uk-agrees-deals-on-mackerel-fishing-with-norway-and-the-faroe-islands

Don't lose out on Child Benefit available to children in further education

Parents of children aged between 16 and 19 years of age and continuing their education or training after their GCSEs can extend the Child Benefit they receive.

If this is true for you, then HM Revenue & Customs (HMRC) should be in the process of writing to remind you about this. On their letter, it will include a QR code. If you scan this and follow the link, you will be directed to a page on GOV.UK that will allow you to easily update your claim.

You should receive this letter by 17 July. If for some reason, you have not received a letter by then, you can also make the claim via GOV.UK yourself or by using the HMRC app. You will need a Government Gateway user ID and password to be able to do this.

Child Benefit can be worth £1,331 a year for your first or only child, and up to £881 a year for each additional child. Payments will automatically stop on 31 August after the child has turned 16 unless the parents take action to renew their claim.

The payments can be extended if your child is studying full time in approved non-advanced education. This includes:

- A levels or Scottish Highers;
- International Baccalaureate;
- Home education – generally only if started before the child turned 16, unless you have a statement of special educational needs that was assessed by your local authority;
- T levels; and
- NVQs, up to level 3.

The following unpaid approved training courses also qualify for extending your claim:

- Wales: Foundation Apprenticeships, Traineeships or the Jobs Growth+ Wales scheme;
- Northern Ireland: PEACEPLUS Youth Programme 3.2, Training for Success or Skills for Life and Work; and

- Scotland: Employability Fund programme and No One Left Behind.

If you have any difficulties with extending your claim or would like help in making the claim, please feel free to contact us. We will be happy to help you!

See: https://www.gov.uk/government/news/dont-lose-out-extend-child-benefit-for-your-16-to-19-year-old

Openreach fined £1.34 million after death of an engineer

The Health and Safety Executive (HSE) announced that they have fined Openreach £1.34 million after investigating the death of an engineer.

The engineer, Alun Owen from Bethesda, tragically died while trying to repair a telephone line that ran across the River Aber in Abergwyngregyn.

A number of engineers had been trying to repair the telephone lines in the area over a 2-month period, working both near and in the river. At the time of the incident, because of flooding, the river was much higher and flowing faster than usual.

Mr Owen had gone into the river and made his way to an island in the middle of the river to try and throw a new telephone cable across to the other side by taping it to a hammer and then throwing the hammer. While he attempted to cross the remaining part of the river, he slipped in a deeper part and the force of the river swept him away.

North Wales Police were involved with HSE in the investigation, which found that there was no safe system of work in place. Mr Owen and others working there had not received any training, information or instruction on safe working on or near water.

Openreach pleaded guilty and have been fined and ordered to pay costs.

HSE have stated that Mr Owen should not have been put in an unsafe working situation. Businesses that have staff who may work on or near water are reminded of the need to have an effective safe system of work in place.

See: https://press.hse.gov.uk/2024/06/05/openreach-fined-following-death-of-engineer

Meta pauses plans to train AI with user data

Meta, the company behind Facebook and Instagram, have had plans to use Facebook and Instagram user date to train generative AI.

The Information Commissioner's Office (ICO), shared concerns with Meta that they had received from users in the UK. The ICO were subsequently pleased to report that Meta have responded by pausing and reviewing their plans.

ICO reported: “In order to get the most out of generative AI and the opportunities it brings, it is crucial that the public can trust that their privacy rights will be respected from the outset.”

ICO have confirmed that they will continue to monitor all the major developers of generative AI to check they have appropriate safeguards in place and make sure that the information rights of UK users are protected.

See: https://ico.org.uk/about-the-ico/media-centre/news-and-blogs/2024/06/statement-in-response-to-metas-plans-to-train-generative-ai-with-user-data/