

Written by 21 July 2025

Business News England

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!

UK Economy: Growth Falters, Inflation Rises – Practical Takeaways for Business Owners

Business owners across the UK are facing an increasingly complex economic picture. Inflation has crept up again and recent figures show the economy has contracted for two months in a row. So, what's really going on - and what should you be doing as a business owner?

Inflation rises again

The latest figures from the Office for National Statistics show inflation rose to 3.6% in the year to June, up from 3.4% in May. This is the sharpest increase since January 2024 and was driven mainly by rising motor fuel and food prices. Food price inflation has increased for the third consecutive month.

The Bank of England expects inflation to peak around 3.7% in the summer before easing towards its 2% target later in the year. But for now, rising prices are continuing to put pressure on households and businesses alike.

Economic growth faltering

The economy shrank by 0.1% in May, following a 0.1% fall in April. These figures were worse than expected and are mainly down to a drop in manufacturing and weak retail sales. While the economy saw strong growth earlier in the year, that now looks like a temporary boost - partly due to changes in US tariffs and the end of the UK stamp duty break.

Although the economy isn't technically in recession, it is clearly struggling. Business confidence and activity in some sectors remain fragile, and growth may be modest in the months ahead.

Interest rate cuts on the horizon

There may be some relief ahead in the form of lower interest rates. Bank of England governor Andrew Bailey has said he believes the path for rates is "downward", and many economists expect a rate cut at the next review in August.

Rates currently sit at 4.25%. A rate cut would reduce the cost of borrowing and could help ease pressure on mortgages, loans and credit. The Bank is being cautious because inflation is above target. However, Mr Bailey indicated that if the job market is showing signs of cooling down the Bank will be prepared to make cuts.

There are signs of that happening. The number of job vacancies has fallen to its lowest level since 2021, and more people are now available for work.

Many employers are struggling to absorb increased payroll costs due to the government's recent increase in National Insurance for employers as well as the National Living Wage. As an example, National Trust cited these as reasons for its plan to cut 550 jobs from its payroll over the next few weeks.

What are the takeaways for your business

Here are some key takeaways and practical tips for navigating the current climate:

1. Keep an eye on costs: With inflation on the rise again, review your costs - especially around fuel, food and other goods affected by price increases. If you can, negotiate supplier contracts early to lock in rates.
2. Plan for potential interest rate cuts: If your business has borrowing (loans, overdrafts or credit lines), a rate cut in August could reduce your costs. Consider reviewing repayment terms or refinancing if you expect rates to drop further later in the year.
3. Watch your cashflow: If the economy is stalling, demand in some sectors may weaken. Make sure you have a clear view of your cashflow over the next 3-6 months. Adjust your spending plans if needed and chase payments due from your customers promptly.
4. Take care with hiring decisions: Given slower economic growth and higher employer NICs, it's sensible to be cautious with recruitment. Consider flexible or temporary options if you're unsure about long-term demand.
5. Exporting? Look abroad for growth: Some UK businesses are still thriving by focusing on overseas markets. If your product or service can be exported, this may be a way to grow even if domestic demand softens.
6. Be ready for tax changes at the Autumn Budget: The Chancellor will face difficult choices later this year, and some are anticipating further tax changes. We'll be keeping you updated as we learn more.

Final thoughts

It's a challenging environment, but not without opportunities. If you stay alert, control what you can, and keep your plans flexible you're likely to be well placed to keep your business resilient as the economic picture develops.

If you need help reviewing your costs, cashflow or hiring strategy in light of these changes, we're here to help.

Are You Making Use of the Employment Allowance?

The Tax Faculty of the Institute of Chartered Accountants in England and Wales (ICAEW) is encouraging employers to take a fresh look at the Employment Allowance. If you have a payroll and are not already claiming this allowance, it could reduce your employer national insurance contributions (NICs) by up to £10,500 for the 2025/26 tax year.

It's a simple, practical incentive that's already widely used – over 1.2 million employers claimed it in 2024/25 – but some businesses are still missing out, especially newer or smaller employers unfamiliar with the scheme.

What is the Employment Allowance?

The allowance reduces an employer's Class 1 NIC liability, and is applied through your payroll, meaning you feel the benefit in real time.

- The allowance reduces the employer's NIC liability, not an employee's.
- It's worth up to £10,500 in 2025/26.

Who can claim?

The ICAEW's Tax Faculty point out that all employers, including businesses, charities and individuals employing a care or support worker can claim, with the following exceptions:

- Public authorities (who do 50% or more of their work in the public sector) other than charities.
- Single-director companies where the director is the only paid employee.

One restriction to note is that if you employ someone whose earnings are subject to the off-payroll working rules, or a nanny or gardener or someone else providing personal household or domestic work (and they're not a carer or support worker), then the allowance can't be used to offset the Employers NIC due on their specific wages.

Also, if your business operates multiple payrolls or is connected to other companies (e.g. within a family business structure), you can only claim once. Determining whether companies are connected isn't always straightforward to work out, so it's best to get advice if you're unsure.

What's new for 2025/26?

- The maximum allowance has risen to £10,500 (previously £5,000).
- Restrictions that previously blocked many larger employers from claiming have been lifted.
- It no longer counts as de minimis state aid, simplifying compliance for many.

Can you claim for previous years?

Yes - you can go back four tax years. Which means if you were eligible but didn't claim Employment Allowance for the 2021/22 tax year, you still have until 5 April 2026 to make a claim.

The eligibility requirements can vary for different tax years, so the ICAEW advises that you check the specific eligibility rules for each year before making a retrospective claim.

Bottom Line

If you're not already taking advantage of it, the Employment Allowance offers real cash-flow benefits. If you would like help in making a claim or checking if you are eligible, please get in touch and we would be happy to help you.

See: <https://www.icaew.com/insights/tax-news/2025/jul-2025/how-to-make-the-employment-allowance-work-for-you>

Windows 10 Is Ending: Are You Ready?

The UK's National Cyber Security Centre (NCSC) is urging businesses to prepare for the fact that Windows 10 will no longer be supported from 14 October 2025.

If your business still uses Windows 10 on its computers, it's time to start planning your next steps.

Why does this matter?

Once Windows 10 support ends, it won't receive any more security updates. That means if hackers discover a weakness, they can use it to break into your systems - and there won't be a fix. This is exactly what happened in the past with older versions of Windows, leading to major cyberattacks that caused chaos for businesses.

Why aren't businesses upgrading?

One reason is that Windows 10 still feels modern. It still works well for many people and so it's easy to forget it's over 10 years old.

Another issue is that the newer version - Windows 11 - has stricter hardware requirements. In simple terms, many older computers can't run it. If your devices don't meet the minimum standards, you won't be able to upgrade without replacing them.

Why upgrading is worth it

If something's working well for you then there's no doubt that replacing it may seem an unnecessary hassle. There are some advantages to Windows 11 though that may make the effort and money worthwhile.

Windows 11 is designed to be much more secure from the start. It includes built-in features that help protect your business from viruses, hacking attempts, and stolen passwords - often without needing any extra effort from you.

What the NCSC recommends

Although there are still a few months before support for Windows 10 ends, NCSC is recommending that you start planning to move to Windows 11 as soon as possible.

This gives you time to review which computers may need replacing and make the switch without disruption to your business

If you're not sure where to start, speak to your IT provider or support team. The earlier you act, the smoother (and safer) the transition will be.

See: <https://www.ncsc.gov.uk/blog-post/getting-your-organisation-ready-for-windows-11-upgrade-before-autumn-2025>

Smoother UK Trading Ahead: Reforms to Internal Market Act Planned

New government reforms to the UK Internal Market Act aim to make it easier for businesses to trade across England, Scotland, Wales and Northern Ireland - with less friction and more certainty.

Following feedback from businesses, the changes are designed to simplify the rules that apply when trading across the UK's four nations, while still allowing each devolved government to reflect local priorities.

What's changing?

- Clearer and more consistent rules across the UK to help avoid confusion and unexpected costs when doing business across borders.
- Fewer trade barriers – particularly when rules in one nation differ slightly but don't have major economic impacts.
- Greater transparency and engagement in how new rules are developed, with opportunities for businesses to get involved made easier.
- Devolved governments will still be able to make decisions that suit their regions, but the process will be more collaborative and business-focused.

Why it matters

The UK's internal market supports over £129 billion of trade each year – a lifeline for many small and medium-sized firms, especially those in Scotland, Wales and Northern Ireland, where sales to the rest of the UK often make up over half their external trade.

What business owners should consider

- If you trade across borders within the UK, you may find processes more straightforward in future, with less chance of being caught out by diverging regulations.
- Keep an eye on consultations and rule changes, particularly in sectors like manufacturing, chemicals, food, and retail – areas likely to see more aligned rules.
- Use the breathing room to plan – clearer rules mean more confidence in pricing, logistics and investment decisions.

This could be a positive step for UK-wide trade, particularly for businesses that operate across more than one nation. If that's you, it's worth reviewing how these reforms could help you.

See: <https://www.gov.uk/government/news/improved-trade-rules-to-boost-business-and-growth-across-the-uk>

Starbucks Tightens Office Rules – Should Your Business Follow?

Starbucks is telling its corporate staff to return to the office four days a week – or take a one-off payment and leave. From October, employees in the US and Canada must be in between Monday and Thursday, up from three days.

The company's CEO, Brian Niccol, says the change is part of a broader turnaround plan to revive sales and performance. In-person working, he argues, is essential to rebuild collaboration and company culture.

This move follows similar decisions from firms like Amazon and JP Morgan. Research shows about one-third of remote-capable workers in the US are now back in the office full-time, while around 45% follow a hybrid model.

Is this something you should think about?

In the UK, hybrid working is still common – but some employers are starting to rethink how flexible they want to be.

Here are some points to consider:

- Review what your business needs: If you're trying to drive growth or change, more in-person time may help. If things are stable, hybrid may still work well.
- Be clear and consistent: Whatever model you choose, make sure expectations are understood by your team.
- Focus on results: If remote staff are delivering, think carefully before requiring more office time without a strong reason.

- Stay alert to staff needs: The right balance may shift over time. Keep communication open with your team.
- Flexibility still matters: In a tight labour market, hybrid working remains a big draw for attracting and keeping talent.

Starbucks' move won't be right for everyone - but it's a sign that some firms are pushing back against remote work. It may be time to review your own policy and ask: is it still working for the business?

See: <https://www.bbc.co.uk/news/articles/ce9xpdvgv8vo>

Choosing a Business Rates Agent: New Advice Available

New guidance on using an agent to manage your business rates has been published by the Valuation Office Agency (VOA).

Many business owners choose to make their own business rates, but others prefer the convenience of appointing an agent to help them. The VOA are keen to make sure that business owners exercise care in choosing an agent. They say that while the majority of business rates agents are reputable and provide a good service, there are a small minority that act in bad faith.

The VOA's new guidance encourages the following:

- Do your research
- Beware of big promises
- Understand your contract
- Follow best practice in appointing an agent and monitoring their work afterwards.

To review the advice in full, see: <https://www.gov.uk/government/news/how-to-choose-a-business-rates-agent>