NEWS ROUND-UP

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BANK OF ENGLAND CUTS INTEREST RATES

The vote to lower the interest rate to 5.0% was close, with five members voting in favour and four against.

In its first cut for four years, the Bank of England (BoE) has reduced interest rates by 0.25%. The BoE was under pressure to make this reduction as inflation had hit its 2% target for the past two months.

Economists had predicted no cut until the next meeting in September. The Bank explained that cutting rates from 5.25%, which had been in place for over a year, was “appropriate to slightly reduce the degree of policy restrictiveness”. It added that “the impact of past external shocks has diminished, and there has been some progress in moderating inflation persistence risks”.

The Bank warned that despite a stronger-than-expected GDP, restrictive monetary policy continues to weigh on real economic activity, leading to a looser labour market and reducing inflationary pressures.

While it did not indicate whether further cuts are forthcoming, the cooler inflation figures suggest it is likely.

The Bank expects the fall in headline inflation and normalisation in many inflation expectation indicators to continue to weaken pay and price-setting factors for businesses.

A 0.25% cut will not significantly impact mortgage holders or businesses with large loans but signals the Bank is moving in the right direction.

The Bank said:

“A margin of slack should emerge in the economy as GDP falls below potential and the labour market eases further.

“Domestic inflationary persistence is expected to fade away over the next few years, owing to the restrictive stance of monetary policy.”

Talk to us about your finances.

CGT TAKE FALLS BY £2.5 BILLION

Only 369,000 taxpayers paid CGT in 2023, resulting in a £2.5bn drop in revenue to £14.4bn.

Only 369,000 taxpayers paid capital gains tax (CGT) in the last tax year, a decrease of 40,000 from the previous year. Despite the overall reduction, CGT from residential property sales rose to £1.6bn.

High-income individuals had a significant impact, with those earning £5 million or more contributing 41% of total CGT payments, despite representing just 1% of all CGT taxpayers. Furthermore, 44% of CGT was paid by people earning over £150,000.

London and the South East continued to dominate, providing 50% of the CGT payments, mirroring trends from previous years. The remaining regions in the UK had a more even distribution of CGT liability.

Age-wise, taxpayers aged 55 to 64 were the most significant contributors, generating £26.7bn in gains and paying £4.7bn in CGT. Notably, a thousand taxpayers aged 15 or younger collectively paid £5m in CGT.

While the total number of taxpayers and gains decreased, specific segments, such as high-income earners and certain age groups, contributed significantly to the CGT revenue.

Get in touch to discuss your taxes.

HMRC CUTS LATE PAYMENT INTEREST RATE

0.25% reduction for late and repayment interests. The Bank of England (BoE) cut the base rate to 5.0% on 1 August, the first reduction in over four years.

HMRC will lower late payment and repayment interest rates for the first time in a year. This change has prompted HMRC to adjust its rates, which are tied to the base rate. The changes will take effect on 20 August.

From 20 August, the late payment interest rate will decrease to 7.5% from 7.75%, where it has remained for the past 12 months. The repayment interest rate will drop to 4.0% from 4.25%.

Late payment interest is set at the base rate plus 2.5%, while repayment interest is set at the base rate minus 1%, with a lower limit of 0.5%.

Additionally, on 12 August, the corporation tax self-assessment interest rate for underpaid quarterly instalments will decrease to 6.0% from 6.25%.

As a result, HMRC will continue to pay lower interest on overpayments, with the rate decreasing to 4.75% from 5.0%.

Similarly, the interest on overpaid quarterly instalments and early payments of corporation tax not due by instalments will also drop to 4.75% from 5.0%.

Talk to us about your business.

BUSINESSES TARGETED FOR NMW COMPLIANCE

Enforcement will focus on 11 specific regions: Belfast, Birmingham, Bradford, Cardiff, Cornwall, Cumbria, East Anglia, Glasgow, Liverpool, the North East, and Watford.

HMRC is cracking down on small and medium-sized businesses (SMEs) in 11 UK regions for potential non-compliance with the National Minimum Wage (NMW). Companies found guilty of underpaying will have to reimburse workers for NMW arrears, and face increased National Insurance Contributions (NICs).

Businesses that refuse HMRC's initial offer of a health check meeting risk financial penalties of up to 200% and public naming and shaming.

Many SMEs might unintentionally breach regulations due to the complexity of NMW rules and common misunderstandings about calculating NMW beyond just an hourly rate.

HMRC has allocated over £27m to address NMW non-compliance, focusing on regional enforcement. Areas were chosen based on data indicating a higher number of workers potentially earning below the required NMW and intelligence from worker complaints.

Over 50% of SMEs in the targeted regions could be affected, facing significant administrative burdens, even if they are compliant. Many businesses have already received letters from HMRC as part of a three-stage process.

Targeted businesses will first receive a nudge letter listing common areas of NMW non-compliance. The next step is a letter offering a free HMRC health check. Ignoring this offer will result in HMRC opening a formal enquiry.

Talk to us about your small business.

WANT TO TALK TO AN EXPERT?

If you've found the topics covered in this report to be of interest or you would like to delve deeper into any of them, we welcome the opportunity to engage in a more detailed discussion with you. Our team of experts is always keen to share insights, and we're confident that a conversation with us can provide valuable perspective.

We are also well-positioned to update you on the latest trends, opportunities and challenges in the business world. As we all know, staying ahead of the curve is vital in today's fast-paced business landscape, and we're here to help you navigate it successfully.

If you're considering getting extra support, we invite you to explore the comprehensive solutions we offer.

To schedule a meeting or to get more information, please don't hesitate to contact us.

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