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DNT Chartered Accountants

Monthly Newswire

Welcome to our latest monthly newswire. We hope you enjoy reading this newsletter and find it useful. Please contact us if you wish to discuss any issues further.

April 2025

Spring Statement and OBR Forecasts

How is your business affected?

The Chancellor of the Exchequer, Rachel Reeves, delivered her Spring Statement last week in which she outlined the government's economic plans, including spending decisions, tax policies and efforts to boost growth while managing public finances.

What did the statement tell us about public finances and the economy?

The Statement came on the back of the latest forecasts prepared by the Office for Budget Responsibility (OBR). The forecasts showed a more challenging outlook than was the case last autumn. The OBR cited falls in business and consumer confidence, rising European energy costs, increased government borrowing costs and global uncertainties from issues such as the war in Ukraine and trade tariffs.

As a result, the OBR have downgraded their forecast of GDP growth to 1% for this year. Last autumn they predicted growth of 2%, so this is a significant adjustment in their expectations. However, their projections of growth in the next four years have been upgraded, suggesting that they see the long-term more positively.

The OBR have forecast inflation to average 3.2% this year, up from 2.6% in their previous estimate. They predict that inflation will fall to 2.1% in 2026 and 2% in 2027.

The forecasts also showed that without intervention, public finances would fall short of the targets set at the Autumn Budget.

What has the chancellor done about it?

Much has been made in recent weeks of the Chancellor's self-imposed stability and investment rules, and whether she will be able to maintain them in the face of the aforementioned challenges.

However, the Spring Statement confirmed the Chancellor's commitment to the rules. Governments often use these fiscal rules to provide credibility to financial markets.

This decision meant there was pressure on the Chancellor to either raise taxes or reduce spending to cover the forecast shortfall.

In good news for businesses, the Chancellor made no direct increases to taxes. She confirmed her intention to have only one major fiscal event a year and so further tax changes will wait until the 2025 Autumn Budget.

Instead, the Statement outlines a number of plans to reduce public spending, including welfare reforms, and reduced day-to-day spending in government departments. In addition, it is clear the Chancellor has adopted a policy of growing the economy and is looking at ways to promote that, including by supporting increased homebuilding activity. Economic growth is aimed at 'putting more money in people's pockets', but it also indirectly boosts the revenues the government receives.

The OBR have confirmed that the policies outlined in the Spring Statement largely restore the public finance targets set last Autumn.

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Will there be any effects on my business from policies announced in the Statement?

Here's some quick highlights of measures that may affect your business.

Making Tax Digital

The Spring Statement confirmed that Making Tax Digital for Income Tax (MTD for IT) will be further extended to bring in sole traders and property landlords with income of £20,000 or more.

Read our separate article on MTD for IT to see how and when your business might be affected.

Business rates reform

The government has been consulting on longer-term measures to support high street businesses. The Spring Statement confirmed that an interim report on the future of the business rates system will be published in the summer. Further policy detail will follow in the autumn.

Additional clarity on R&D reliefs

Due to the complexity of the rules around R&D reliefs, many companies do not know at the point of making an R&D investment whether the costs will qualify for R&D relief. This can lead to no claim being made, or a claim being made that doesn't qualify.

HMRC already offer voluntary advance assurances to businesses to help them have more certainty about their claim. However, this service is not commonly used.

The government is consulting on widening the use of 'advance clearances' to try and make them more useful and reduce errors and fraud. One aspect being considered is whether to make assurances mandatory in certain areas – particularly those where HMRC feels the risk of an incorrect claim is high.

The consultation also considers whether there should be a minimum expenditure threshold before R&D relief can be claimed. In the past, a £25,000 threshold has been used.

Phoenixism to be tackled

'Phoenixism' is where company directors go insolvent to evade tax and write off debts owed to others, and then start a new business.

HMRC, Companies House and the Insolvency Service will be delivering a joint plan to better tackle those abusing the insolvency regime. This will include making more directors personally liable for the taxes of their company and increasing the number of enforcement sanctions.

One aspect that could affect newly formed companies is that HMRC may ask for an upfront payment of tax as security.

Final thought

Some may have hoped the Spring Statement would bring some relief from the Employers NI changes due to go into effect in April, however the Spring Statement mainly focused on government policies related to public, welfare and defence spending. Announcement of any further tax changes will now wait until the 2025 Autumn Budget.

If you are concerned about how any aspect of the Spring Statement may affect you, please get in touch with us. We would be happy to provide you with personalised advice.

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Making Tax Digital for Income Tax regime extended to smaller businesses

How will the changes affect you?

The Spring Statement announced that the Making Tax Digital for Income Tax (MTD for IT) regime will be further extended to smaller businesses.

Read on to see how and when your business might be affected.

What is MTD for IT?

Making Tax Digital for Income Tax (MTD for IT) is a government initiative that requires self-employed individuals and landlords with income over a certain limit to keep digital records and submit quarterly tax updates to HM Revenue and Customs (HMRC) using compatible software.

Who does MTD for IT apply to?

These rules are mandatory and come into effect from 6 April 2026 for sole traders and property landlords who generated trade and rental income of more than £50,000 in the 2024/25 tax year.

This income threshold will then drop so that sole traders and property landlords with income of more than £30,000 in the 2025/26 tax year will be brought into MTD for IT from 6 April 2027.

The Spring Statement has now confirmed that this threshold will be reduced further so that sole traders and property landlords with income over £20,000 in 2026/27 will have to comply with the rules from 6 April 2028.

MTD for IT will also affect how tax returns are submitted

It has also now been confirmed that if you are required to use MTD for IT, your end-of-year tax return must also be submitted using MTD-compatible software. It won't be possible to use a free HMRC online service.

What can you do?

This may be a big adjustment in the way you keep your accounting records. Please feel free to get in touch if so. We would be happy to provide advice, recommendations and training, if needed, so that you can meet this new requirement with the minimum hassle and stress.

Public Procurement Act comes into force

More opportunities for small businesses

The Public Procurement Act 2023, originally set for implementation on 28 October 2024, has now officially come into force. This legislation introduces new rules designed to make it easier for smaller businesses to compete for and win public sector contracts.

Key changes under the Act

The Act establishes clear rules that all public bodies must follow when buying goods and services. One of the most significant updates is the introduction of a Central Digital Platform. This is now available and allows businesses to register their details and access all potential bidding opportunities in one place.

An end to late payments

A particularly welcome change is the introduction of a mandate of 30-day terms for all public sector contracts. This measure is expected to improve cash flow for smaller businesses, which often struggle with delayed payments.

Cabinet Office Minister Georgia Gould highlighted the benefits of the new legislation, stating that the new Procurement Act will "tear down barriers that stop small businesses from winning government work, giving them greater opportunity to access the £400 billion spent on public procurement every year."

New powers to deal with poor suppliers

The Act also introduces new powers to investigate and take action against poorly performing suppliers or those that pose security risks to supply chains. The Procurement Review Unit (PRU) and National Security Unit for Procurement (NSUP) will oversee these investigations. Underperforming suppliers could face exclusion from future contracts or even debarment.

A boost for small businesses

Public sector spending is significant, and this legislation marks a positive step towards creating more opportunities for smaller businesses. By reducing bureaucratic hurdles, ensuring fairer payment terms, and increasing transparency, the Act provides SMEs with a greater chance to secure valuable government contracts.

For small business owners, now is the time to explore these new opportunities and take advantage of the changes aimed at levelling the playing field in public procurement.

Proposals on new energy saving requirements for landlords

Costs to implement could be as much as £15,000

The UK government is consulting on changes that will require private landlords in England and Wales to meet higher energy performance ratings by 2030.

Currently, 48% of all private rented homes have an Energy Performance Certificate (EPC) of C or above. However, under new plans the government is proposing that by 2030 all privately let properties will need to meet a minimum EPC C. Currently the minimum level required is EPC E.

The government estimates the average cost to landlords to comply with the proposals by 2030 would be between £6,100 and £6,800.

The consultation is looking for views from landlords and tenants on the proposals, including:

- Whether landlords should be required to meet a fabric standard through installing measures such as loft insulation, cavity wall insulation or double glazing, before moving onto other options including batteries, solar panels and smart meters.
- A maximum cap of £15,000 per property for landlords, with support schemes such as the Boiler Upgrade Scheme and Warm Homes: Local Grant.
- An affordability exemption that lowers the cost cap to £10,000.
- All landlords being required to meet the new standard by 2030 at the latest.

The consultation closes on 2 May 2025. If you are a landlord and wish to take part the details can be found here.

In view of the potential costs involved, landlords will be following these proposals with interest.

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Are you ready for April 2025

Employers National Insurance and National Minimum Wage increases to take effect

While some may have hoped for some backtracking in the 2025 Spring Statement, the new National Minimum Wage and Employers National Insurance increases will come into force from April 2025 as planned.

For many businesses, the April payroll will represent a sizeable step up in labour costs.

As a reminder, here is a quick recap of the changes.

National Minimum Wage rates

The new minimum wage rates are as follows:

	Hourly Rate
National Living Wage (21 and over)	£12.21
18-20 Year Old Rate	£10.00
16-17 Year Old Rate	£7.55
Apprentice Rate	£7.55
Accommodation Offset	£10.66

Employers National Insurance changes

The percentage rate of Employers' National Insurance (NI) that's paid on an employee's earnings increases to 15% (from 13.8%).

The threshold that an employee needs to be earning before any Employers' NI is due drops to £5,000 a year. Previously this was £9,100.

If you use online payroll software, the new Employers' NI rates should be automatically included. However, please check with your payroll software provider if you are not sure.

If you need any help using the new rates or calculating the amount of minimum wage that is due to a worker, please get in touch. We would be happy to help you!

Content accurate as at 27.03.25