

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.

December 2024

Agricultural and business property relief

What happened in the Budget?

Changes to inheritance tax were announced in the Budget that have caused consternation and resulted in protests by farmers and business owners across the UK. What exactly is changing and what could this mean for you?

What are agricultural and business property relief?

Agricultural property relief (APR) is a type of inheritance tax relief that helps reduce the amount of tax that is paid when farmland is being passed down to the next generation. Currently, the relief has no financial limit, meaning that regardless of the value of the farmland, it could be passed on with no inheritance tax payable.

Business property relief (BPR) is similar but relates to business assets included in a person's estate. Again, this relief currently applies without any financial limit to the relief.

Clearly, both reliefs have played an important role in families being able to pass on agricultural and business assets without having to worry about inheritance tax.

What changed in the budget?

Based on the Autumn Budget announcement, there will be a new £1 million limit where 100% relief will be given. The relief will then reduce to 50% on the value that exceeds £1 million.

It is important to note that the £1 million allowance is a combined one for APR and BPR purposes. An estate that has both qualifying business and agricultural assets will only have a single £1 million allowance to use.

In addition, (quoted) shares that are designated as "not listed" on the markets of recognised stock exchanges, such as AIM, will only ever get 50% relief regardless of whether they would otherwise qualify as agricultural or business assets.

When will the change take effect?

The intention is that this change will take effect from 6 April 2026. So, these changes do not take immediate effect and mean that there could be some scope for planning or transferring of assets that will minimise your exposure to inheritance tax when the new limits come into force.

If I have agricultural assets valued at more than £1 million, will I have to pay inheritance tax?

Not necessarily. Inheritance tax is calculated by first deducting any reliefs (such as APR and BPR) and then deducting any allowances that apply. Each individual has a nil rate allowance, currently £325,000, and there is a residence nil-rate band limit of £175,000.

What should I do now?

If your estate is likely to be subject to inheritance tax, then it can pay to consider using some estate planning strategies to reduce your exposure to inheritance tax. As a starting point, it is a good idea to assess the current value and makeup of your estate.

Please get in touch with us if you would like any help with doing this, or if you would like to discuss whether there are any estate planning strategies that are open to you. We would be happy to help you!

Employers must take “reasonable steps” to prevent sexual harassment

New legal duty in force

Employers now have 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>

Inflation on the rise again

What the latest figures mean for businesses

The latest inflation figures from the Office for National Statistics (ONS) reveal that the Consumer Prices Index (CPI) for October 2024 rose to 2.3%, up from 1.7% in September. This marks the first increase in inflation since July, and it has sparked interest among business owners, economists, and policymakers alike.

The rise in inflation was widely anticipated and as a result, the Bank of England have already signalled that any future cuts to the base rate will happen gradually. However, the latest CPI figures make it unlikely that the Bank will reduce rates any further when they meet in December.

What's driving the numbers?

According to the ONS, the rise in inflation for October was largely driven by higher energy costs. However, other factors helped to balance the increase:

- Falling ticket prices: Live music and theatre ticket prices dropped.
- Lower business costs: Raw material costs for businesses have been falling.

Despite these offsets, some sectors faced steeper price increases:

- Services inflation: Inflation in the services sector, which includes services like haircuts, hotels, and airfares, rose to 5%.
- Alcohol and tobacco: Prices for these items rose sharply. Encouragingly though, food inflation remained unchanged from September.

What does this mean for your business?

The rise in inflation, though modest, signals shifts that businesses may need to navigate carefully:

- Energy costs: You should revisit your energy usage and consider whether you might be able to reduce costs, either through using energy more efficiently, or considering whether a different supplier or price plan could meet your needs at a lower cost.
- Pricing strategies: Businesses in the services sector should prepare for potential challenges as rising costs affect consumer spending patterns. Balancing price increases with value will be key to maintaining customer loyalty.
- Cost control: With raw material costs easing, this may be a good time for manufacturers and retailers to lock in supply contracts or reassess margins.

A broader economic context

While inflation has ticked upwards, this is in line with the Bank of England's forecast that inflation will temporarily rise again before reducing in 2025. For now, businesses can take heart that interest rates are unlikely to rise sharply in the near term. However, with base rate cuts now likely to come more slowly than had been hoped earlier in the year, borrowing costs will remain a factor for planning and investment.

Also, while October's figures suggest only a modest uptick, sector-specific changes—particularly in services and energy—highlight the importance of staying agile in your pricing and how your business operates. This period of mild inflationary growth is an opportunity for forward-thinking businesses to fine-tune their strategies for the months ahead.

Stress awareness reminders for employers

Could more stress awareness lead to productivity gains?

During Stress Awareness Week 2024, held during November, the Health and Safety Executive (HSE) used the occasion to remind employers of their need to carry out their legal duty to prevent work-related stress and support good mental health at work.

According to HSE figures, 17.1 million working days were lost to work-related stress in 2022/23. An average employee suffering from work-related stress, depression or anxiety takes an average of 19.6 days off work a year, almost the equivalent of a working month.

Clearly, it is in an employer's interest to do what it can to reduce and minimise stress in the workplace.

Employers have a legal duty to:

- Carry out risk assessments for stress and then act on them.
- Take steps to prevent work-related stress.
- Write down the risk assessment if there are five or more employees. (It is still recommended to write it down if you have fewer employees.)

The HSE provides free online learning, a risk assessment template and a 'talking toolkit' that can help structure your conversations with staff. See the resources available [here](#). Could being more aware of stress in your business lead to more productivity?

Businesses count the cost of increases to Employers National Insurance

What will it mean for your payroll?

It's already been a month since the Autumn Budget, but the significant changes the Chancellor, Rachel Reeves, made to the Employers National Insurance (NI) rate and threshold are still sinking in with businesses across the country.

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.

Acting as a concession towards smaller businesses, 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, increases to the National Living Wage and Minimum Wage rates from 1 April 2025 mean that all businesses are likely to experience increased payroll costs from next April.

There was a small bonus for larger businesses in the Budget though. Previously the Employment Allowance could only be claimed by an employer if their Employers NI liability was less than £100,000 in the previous tax year. This restriction will be removed so that all employers that otherwise qualify will be able to reduce their national insurance liability by £10,500.

Many businesses may now be wondering whether they can afford to hire additional staff, and may be looking at increasing prices to cover the extra costs. When you are planning your headcount and budgeting payroll costs for next year you will need to factor in the national insurance and minimum wage increases. If you need any help with calculating and budgeting for these, please do not hesitate to give us a call.