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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.

March 2025

Base rate cut to 4.5%

Is this the start of a run of cuts?

The Bank of England reduced their base rate to 4.5% last month, as had been widely expected in the days leading up to the decision.

The decision was made by a 7-2 majority. The minority of two members were looking for the rate to be reduced to 4.25%.

Could this suggest a run throughout 2025 of rate cuts? Let's have a look at some of the factors involved.

Inflation forecasts

The Consumer Price Index (CPI) was 2.5% for the last quarter of 2024 and these were the latest official figures available prior to the Bank's decision.

However, figures for January 2025 that were released later in the month show that inflation increased to 3.0%. This was a surprising jump, largely prompted by transport and food and non-alcoholic beverages costs.

Interestingly, the Bank had already said they expected CPI inflation to increase to 3.7% by autumn 2025 due to higher global energy costs and regulated price changes. However, it seems unlikely they were expecting it to climb so soon.

Looking at the longer term, the Bank's view at the time they made their decision is that pressures on inflation at a domestic level are moderating and will wane further as 2025 progresses. So, they expect CPI inflation to fall back to 2% from the end of 2025.

Whether this view will be modified by the latest inflation figures is unknown yet.

Growth forecasts

The Bank expects GDP growth to pick up from the middle of this year. They believe that the economy's ability to produce goods and services has grown more slowly than previously estimated.

So, while they've noted a slowdown in demand, they judge that only a small amount of unused capacity has been created in the economy. Their view on this allowed them to cut the rate to 4.5%

Will there be future rate cuts?

Looking forward to future potential rate cuts, the Bank has said "a gradual and careful approach to the further withdrawal of monetary policy restraint is appropriate." They stressed that there are ongoing uncertainties around demand and supply in the economy.

Their approach is likely to be even more cautious if the January 2025 inflation figures suggest an unexpected shift in the economy.

Looking at the global economic picture, the Bank have also highlighted the global economic uncertainty and a pickup in financial market volatility due to the recent announcements in the US on trade tariffs and subsequent retaliatory measures.

Content accurate as at 21.02.25

As it becomes clearer how these issues are developing, we may see adjustments to the Bank's view of how the UK economy will be affected.

For the time being it seems the only certainty is uncertainty!

Should you be paying tax on your side hustle?

Make sure you avoid any nasty surprises

Conventional approaches to work and earning an income are changing and with the cost of living ever rising, many now use various ways to make some extra cash outside of their main job. If that's true of you then you may wonder whether you need to pay tax on those earnings.

HM Revenue & Customs (HMRC) have launched a new campaign aimed at demystifying whether you need to tell them about your side hustle earnings so you can avoid any nasty surprises.

The guidance looks at five different types of hustle. Here we briefly review them and what you need to know.

1. I'm buying or making things to sell

If you sell things you make (including digital creative products), upcycle furniture to sell, or buy items to resell at a higher price, then HMRC would consider you to be trading.

2. I've got a side gig

Side gigs vary but might include providing car repairs, making deliveries, dog walking, gardening or tutoring.

Although this work may be done in your spare time, if it's regular and carries on for a few months, HMRC would consider it to be trading.

3. I work for myself doing multiple jobs

If you're earning a living from doing several different jobs, then you could be trading and need to register as a sole trader.

4. I'm a content creator or influencer

What may have started as a hobby could have become an earner for you. For instance, if you get paid to do sponsored social posts for a brand, or you get ad income from your online videos or blog, then HMRC will consider you to be trading.

How much can you earn from trading before you need to tell HMRC?

If you earn £1,000 or less in a tax year, then you won't pay any tax on it. However, if you earn more than £1,000 you need to tell HMRC and may need to pay tax.

Note that this £1,000 limit is a single allowance that applies to your combined trading income. You don't unfortunately get an allowance for each type of income.

Some may suggest that if you sell less than 30 items a year you do not need to pay tax, however this is not correct. Online platforms are required to share some information with HMRC if you sell more than 30 items in a year, but that doesn't mean you necessarily need to pay tax. You may also be due to pay tax if you sell less than 30 items. The key question is whether you have earned more than £1,000.

However, if you casually sell some unwanted belongings from time to time, then it's unlikely you will need to pay any tax on this.

There is one other type of side hustle income that you might need to tell HMRC about, but this has some different rules to consider.

5. I rent out my property

It could be that you run a holiday let, rent a spare room, or rent out a property through an app.

For renting out spare rooms, then that may be covered by the £7,500 rent a room scheme allowance.

If it's a property that you don't live in that you rent out, then you also have a property allowance of £1,000. If the income you receive is more than that then you may need to pay tax on it.

It's worth noting that you can use the £1,000 trading allowance as well as the rent a room scheme and property allowance.

If you need help working out whether you need to pay tax on your side hustle, please give us a call. We would be happy to help you!

An update on economic growth measures

Key speech from the Chancellor

The Chancellor of the Exchequer, Rachel Reeves, delivered a key speech recently that served as an update on the government's plans for delivering economic growth.

The plan largely focused on developments proposed around Oxford and Cambridge as well as a third runway at Heathrow. Here are some of the highlights from the speech.

Oxford and Cambridge Growth Corridor

The Chancellor highlighted the potential growth available in the area between Oxford and Cambridge and feels this could become Europe's answer to Silicon Valley. Currently, slow transport links and a lack of affordable housing have been identified as holding this potential back.

She spoke about specific improvement to rail transport links and road upgrades for the area. Improvements to infrastructure in the area are also being prioritised, with a new hospital and reservoir being planned and additional housing and new schools and business premises being approved.

A new AI Growth Zone in Culham is intended to speed up planning approvals for rapid build-out of data centres. And Cambridge University are planning a new flagship innovation hub in the centre of Cambridge, partly to attract investment and partly to help with building an innovation-focused community.

Third runway at Heathrow

While a third runway has already been previously approved, plans are stepping up to bring this to reality. The government has invited proposals to be brought forward by the summer and will then take forward a full assessment through the Airport National Policy Statement.

The Chancellor reported that a third runway could increase GDP by 0.43% and create 100,000 jobs.

Other highlights

A number of other developments were discussed in the speech including proposed reforms to the employment system, pensions system, regulatory system and planning.

Investments by the National Wealth Fund in businesses and investments in infrastructure across the country were also highlighted.

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To read the Chancellor's speech in full, see here

Are gloomy predictions getting you and your team down?

How to stay positive

According to a survey of 2,000 businesses carried out by the Chartered Institute of Personnel and Development (CIPD), just over a third are planning redundancies or to recruit fewer people ahead of National Insurance and Minimum Wage rises this April.

42% of those surveyed have said they will increase prices to cover the increased costs. 25% are looking at cancelling or downscaling plans for investing or expanding their business.

The chief executive of the CIPD, Peter Cheese, said these were the "most significant downward changes in employer sentiment we've seen in the last 10 years, outside of the pandemic."

In separately conducted research, the Federation of Small Business also found that confidence among small businesses has dropped to its lowest point in 10 years when the Covid pandemic is excluded.

These surveys join a growing chorus of concern from businesses. The British Chamber of Commerce reported last month that a survey of almost 5,000 members suggested that confidence is at its lowest level for two years.

Amidst such a pessimistic view, how can you and your team maintain confidence? Here are 5 suggestions:

1. Foster a resilient mindset: Remind yourself and your team that challenges like these are temporary and part of business cycles. Reflect on past challenges you've overcome to build confidence in your ability to adapt.

2. Focus on strengths: Highlight what's working well in your business. Celebrate small wins and keep your team motivated by focusing on successes.

3. Transparent communication: Share challenges and opportunities with your team openly. Transparency builds trust, fosters collaboration, and keeps morale high.

4. Embrace innovation: Approach challenges as opportunities for growth. Shifting perspectives from survival mode to innovation mode can inspire new ideas and solutions.

5. Long-term vision: Keep your eyes on the bigger picture. Remember, tough economic conditions are often temporary, and businesses that stay positive and forward-thinking tend to emerge stronger.

By focusing on optimism, resilience and adaptability, you can maintain your confidence and inspire your team to thrive, even in uncertain times.