

Welcome



We are delighted to welcome you to this year's Commercial Newsletter, keeping you up to date with the latest developments in accounting, tax, and business advisory services.

It's been a year of exciting growth and transformation at Ward & Co. As a firm, we're evolving with a fresh, dynamic approach, blending deep-rooted experience with a modern, tech-savvy outlook. I'm incredibly proud to be leading our talented team, alongside a

strong foundation of seasoned professionals, including my father, John Ward, Ian Smale, Cathy Barrow and our newest senior addition, Matthew Gard—formerly MD of another local firm. Their wealth of knowledge and strategic insight perfectly complement the energy and innovative mindset that defines our younger team members.

With technology at the heart of everything we do, we continue to enhance the way we support our clients. Our team is highly IT-literate, and we're leveraging cutting-edge digital solutions to

streamline processes, improve efficiency, and deliver real-time, data-driven insights.

This year has also seen us welcome a wave of ambitious new recruits, including ACCA and AAT trainees who are progressing through their qualifications, ensuring that our future remains strong and forward-thinking. Their enthusiasm and fresh perspectives, combined with the expertise of our senior team, make Ward & Co a firm that truly bridges tradition with innovation.

Looking ahead, we recognise the ongoing economic uncertainties, from fluctuating interest rates to the ever-changing tax landscape. Our focus remains on providing clear, proactive advice to help businesses and individuals navigate these challenges with confidence. Now more than ever, financial resilience and smart planning are key, and we are here to guide you every step of the way.

We hope you find this newsletter insightful and valuable. If you have any questions or need tailored advice, our team is always on hand to help.

Rebecca Ward — February 2025

Employers Allowance and Employers National Insurance Contribution Changes—how will it affect you ?



The new rules from 6th April, 2025 will only penalise employers with higher staff numbers. Small employers will in the main be better off! The cut off for an employer with staff being paid an average of say £30,000 per annum is 7 employees i.e. at 6 they will be better off by £312 per annum and with 7 they will be worse off

by £552 per annum!

Technical changes:

- **Employers' Allowance Increase:** Rising from £5,000 to £10,500 annually. All businesses can now claim Employers Allowance regardless of their employers NI liability.
- **NI Contribution Rate Increase:** Employers' NI contributions will increase from 13.8% to 15%.
- **Secondary Threshold Reduction:** The earnings level at which employers begin paying NI will decrease from £9,100 to £5,000.

Implications for Employers

- Very small employers may find the increased Employers' Allowance offsets additional NI costs. This can soon change in terms of cost where employee numbers rise.

Examples:

- A business with **5 employees** earning £30,000 each will see a reduction in Employers' NI costs of £1,177 per year.
- A business with **20 employees** earning £30,000 each will see an increase in Employers NI costs of £11,792 per year.
- A business with **50 employees** earning £30,000 each will face an additional Employers NI cost of £37,730 per year.

Our payroll team is available to help assess how these changes may affect your business. For assistance with Employers' Allowance eligibility or to calculate projected NI costs for the upcoming tax year, visit our website to access our Employers' NI Calculator on the payroll services tab. Alternatively please call me for a chat.

Harry Watt

Inheritance Tax Changes

The proposed changes that were introduced in the October 2024 budget have caused considerable discussion in the business community. We could write at length on the angles here and even suggest changes, but instead think it's in everyone's interests at the moment to concentrate on the facts. Suggesting changes to the Government could backfire !

Changes to the capital taxes system were suggested in 2020 by the All-Party Parliamentary group for Inheritance & Intergenerational Fairness (APPG) and these appear to form the basis of the budget changes. We also have a "mini-budget" update statement on 26th March which may shed more light on the Government's current thinking. There is speculation that some of the APPG's recommendations—such as introducing a gift tax of 10% to 20%—could be implemented in this update. Where appropriate, we are recommending making gifts before 26th March. If this is a concern, please contact us urgently if you haven't already.

Some basic fundamentals are important to note:-

1. We still have Nil Rate Bands of £325,000 each, transferrable between spouses on first death.
2. We still have Residential Nil Rate Bands of £175,000 each where houses are left to lineal descendants on death where net asset values before reliefs are less than £2m with a sliding scale from £2m to £2.35m.
3. Each individual has £1m in 100% Business or Agricultural Property Reliefs and then 50% relief on values in excess of this. It is not proposed to allow this to be transferred, between spouses. These reliefs are given before the exemptions in 1 and 2 above. The 100% and 50% reliefs apply to business property and also include the value of trading stock and machinery.
4. Each individual can have up to £2m in business assets that can be exempt subject to other assets provided they are left in Wills to someone other than each other. For a couple this can be up to £4m.
5. Pension funds are taxable from 6th April, 2027.
6. The new rules apply on deaths after 6th April, 2026.
7. If you gift business assets which would include an interest in a partnership or shares in limited company where they are trading and don't reserve a benefit on them, the relief eligible portion of the gift falls out immediately, while the remaining chargeable element will fall out of your estate after 7 years. After 3 years there is a sliding scale on the tax due on the value gifted and chargeable in excess of £325,000.
8. Gifts made prior to the October 2024 budget have the old rules applying normally with the 100% reliefs where qualifying. The above changes apply on gifts after October 2024 and where the assets or a replacement asset is still held.

Key Planning Points

Various options exist and some key points are as follows:-

Without Gifting

1. Consider altering Wills to leave assets directly to children on first death to use the £1m 100% exemption, or alternatively leave assets into a Discretionary Will Trust (apart from farm-houses maybe that may qualify for the Residential Nil Rate band) whereby your spouse can be a potential beneficiary. Please note this step saves tax of up to £200,000 (£1m x 50% x 40%).
2. As a fallback a deed of variation after first death can achieve the same as in 1 above whilst the rules permitting deeds of variation to Wills aren't altered !
3. Considerable discussion can take place on the above as it is advancing about the end game instead of holding everything between husband and wife.
4. Where business property is owned by just one spouse and the other spouse is not involved introducing the other spouse can help gain a £1m 100% exemption. There are often other factors to consider.
5. Review your assets and business structure carefully.
6. Consider life cover. Clients who are in their 30s, 40s and 50s with high asset values can often take out low cost fixed term, first or second death life assurance policies over 20,30 or 40 years to buy themselves thinking time on estate planning. Cover over 7 years where making gifts at any age can also reduce the risks. Health and lifestyle can of course affect premiums. Quotes for premiums are easy to obtain and we have strong working relationships with local IFAs.
7. Consider long term Tenancies where property is held personally and used by the business. Discounts on value can be substantial and are useful where clients are not as fit and healthy.

Gifting

Gifts into trust or directly to individuals will drop out of your estate after 7 years. Care is needed to avoid a Gift with Reservation of Benefit (a "GROB") but this is normally avoidable. We have internal procedures and templates in place at Ward and Co to consider ongoing problems with this. You cannot gift assets away and just keep the income to be effective for Inheritance Tax! Where gifts are being considered it is also important to consider Capital Gains Tax. Gifts between connected parties other than spouses are assessed at market value. On retirement Business Asset Disposal Relief can apply up to gains of £1m each and 10% tax payable on transfers before 5th April 2025. This then rises to 14% and then 18% after 5th April, 2027. The main option is to claim holdover relief whereby the donee takes on the donor's base cost to avoid the gain being assessed. If an individual intends to retain the asset long term this can be fine but if on the death of the donor it is intended to sell the assets the capital gains tax payable on the gain charged then could be higher than the 20% Inheritance Tax on death!

Gifts to connected parties can also discount the value of the assets retained in the estate to allow for joint ownership.

Example

	£	£
Value of business assets		4,000,000
Less: two 100% exemptions		<u>(2,000,000)</u>
		2,000,000
Less: 50% relief		<u>(1,000,000)</u>
		1,000,000
Less: Nil Rate Bands		
Husband	(325,000)	
Wife	<u>(325,000)</u>	(650,000)
Less: Residential Nil Rate Bands		
Husband	(175,000)	
Wife	<u>(175,000)</u>	<u>(350,000)</u>
Taxable Estate		<u>Nil</u>

Assumptions:

- Assumes husband and wife partnership with assets
- Wills leave assets to children on first death
- No other assets, past gifts

Currently, gifting business and agricultural assets that qualify for full Business Property Relief (BPR) or Agricultural Property Relief (APR) removes them from the estate for Inheritance Tax (IHT) purposes subject to qualifying conditions being met by the donee if the donor dies within 7 years. Both BPR and APR can apply to agricultural assets, but BPR generally applies to a broader range of business assets, including shares in family-run trading limited company businesses and machinery, whereas APR specifically applies to agricultural land, buildings, and machinery used in agricultural operations.

However, under the proposed changes announced in the October 2024 Budget, gifts made on or after 30 October 2024 will be subject to new rules if the donor passes away on or after 6 April 2026. From this date, only the first £1 million of relief will be at 100%, with any excess receiving only 50% relief. Crucially, for lifetime gifts if the donor does not survive 7 years from the gift this would mean assets that only qualify for 50% relief as the £1million limit was exceeded would be chargeable whereas previously 100% relief would have been available! The impact of this will depend on your overall estate and available exemptions. This makes early planning essential to maximise tax efficiency. There is a sliding scale on any tax payable on gifts between 3 and 7 years.

There are of course lots of other factors involved with gifting assets in terms of family dynamics and risks. We can normally help reduce these with specialist input on different aspects such as control clauses within partnership agreements.

Trusts

The rules here are being reviewed. Our trust team can help advise and support you through the rules.

Summary

It is important to take advice as every client has different circumstances.

Both myself and Ian Smale have been working on the above since the late 1970's and early 1980's and work closely with Rebecca Ward, Cathy Barrow and Matthew Gard and other members of the team.

John Ward



Final Opportunity: Furnished Holiday Let Tax Benefits Ending 6th April 2025

Significant tax changes for furnished holiday lets (FHLs) take effect on 6th April 2025, after which FHLs will be taxed as rental properties. Assess your situation to determine if action is needed to optimise your tax position.

Key Actions Before 6th April 2025:

- **Selling Your Property?** If you've owned and operated your FHL for at least two years, selling before 6th April 2025 may qualify you for a **10% Capital Gains Tax rate under Business Asset Disposal Relief (BADR)**, compared to the standard 24% rate thereafter. Additionally, sales before this date might be eligible for **rollover relief** if proceeds are reinvested in new business assets within three years.
- **Considering Gifting?** Transfers made before 6th April 2025 can benefit from **holdover relief**, deferring immediate Capital Gains Tax liability. After this date, holdover relief will only apply to transfers into trusts.
- **Transferring to a Company?** Moving your FHL to a company structure before 6th April 2025 allows for **Capital Gains Tax holdover relief**.
- After 6th April 2025, **mortgage interest relief** will be limited to 20%, potentially impacting higher-rate taxpayers.

Key Points:

- **Capital Allowances:** Existing allowances remain valid, but new expenditures after 6th April 2025 will adhere to standard rental property tax rules. In particular relief on integral fixtures and fittings will be restricted.
- **Losses Carried Forward:** Losses from FHLs as of 5th April 2025 can offset future rental profits.

These changes may not affect everyone, but if they are relevant to your circumstances, consider taking appropriate action. Contact us today to discuss your options and ensure you are maximising your tax benefits before the deadline.

Matthew Gard



Stamp Duty Land Tax (SDLT) rates

From 1 April 2025, several changes in relation to SDLT rates will come into effect.

The table below shows the rates that apply now and from 1st April 2025:

Property value	SDLT rates currently for residential property	SDLT rates from 1 April 2025 for residential property	Commercial Property rates
Up to £125,000	0%	0%	Up to £150,000—0%
£125,001 to £250,000	0%	2%	£150,000 to £250,000—2%
£250,001 to £925,000	5%	5%	Over £250,000—5%
£925,000 to £1.5m	10%	10%	
Over £1.5m	12%	12%	

The SDLT **additional** rates that apply for second home, buy-to-let property purchases or purchases by companies increased from 3% to 5% from 31 October 2024. These rates are added to the percentages above when calculating the SDLT on residential properties. The amount on which first time buyers will pay no SDLT will also reduce from £425,000 to £300,000 from 1st April 2025.

Companies acquiring residential properties worth over £500,000 now face a 17% SDLT rate unless they qualify for exemptions based on the use of the property such as it being part of a rental business.

With the differential in rates it is now more important than ever to consider whether the property would be classified as commercial or residential for SDLT purposes. If you are planning to purchase a property, we would be happy to discuss the SDLT implications and considerations thereon and assist you in maximising any potential savings.

Please note that tax laws are subject to change. The information provided is based on regulations as of February 2025. For the most current advice, please contact us directly.

Enhancing your business efficiency with Xero—Top Tips and Tricks

As chartered accountants committed to supporting your business's financial success, we recognise the importance of utilising efficient accounting software. Xero is a powerful cloud-based platform that can streamline your financial operations and is now used by many clients. Here are some top tips to help you maximise its potential:

1. Customise User Roles

Tailor user permissions to align with your team's responsibilities. Xero allows you to create customised roles, ensuring that each team member has access only to the features they need, enhancing security and efficiency.

2. Utilise the 'Plus' Icon for Quick Entries

The 'plus' icon in Xero provides quick access to functions like creating invoices, bills, or contacts. This feature can save time and streamline your workflow by allowing rapid data entry.

3. Set Up Repeating Invoices and Bills

For regular transactions, Xero's repeating invoices and bills feature automates the process, reducing manual effort and ensuring consistency. This is particularly useful for subscriptions or recurring payments.

4. Utilise the Demo Company Feature

Before making significant changes, use Xero's demo company to test new features or processes without affecting your actual data. This safe environment allows you to experiment and learn without risk of affecting your organisation.

5. Implement Invoice Reminders

Improve your cash flow by setting up automated invoice reminders. Xero can send customisable reminders to clients about upcoming or overdue invoices, helping you get paid faster.

6. Sync with Google Sheets

For advanced data analysis, Xero allows you to export reports directly to Google Sheets. This integration facilitates deeper financial

analysis and reporting customisation. Furthermore, use one of Xero's third-party apps to ensure your reports and data are up to date all the time, using scheduled automatic updates as required. Or if you have multiple organisations, you can consolidate all the data to Google Sheets to ensure you are equipped with a clear and precise overview.

7. Maintain Detailed Notes

Utilise the notes section on invoices, bills, or contacts to keep a record of actions taken and relevant information. This practice enhances communication and provides context for future reference.

8. Customise Your Chart of Accounts

Tailor your chart of accounts to match your business needs, ensuring accurate transaction tracking. A well structured chart of accounts provides clarity and improves financial reporting.

9. Use the Inbuilt Calculator

Xero's inbuilt calculator allows you to perform calculations directly within the quantity, unit price and discount % fields.

10. Publish Reports for a Snapshot in Time

By publishing reports, you can capture and preserve financial data at specific moments, aiding in historical comparisons and audits.

By implementing these tips, you can enhance your accounting processes, improve accuracy, and save valuable time. As always, we're here to assist you in optimising your financial management systems.

Please note that software features and capabilities are subject to change. For the most current information, please refer to Xero's official resources or contact us directly.

Please contact Sara Smith or Henry Gibbins if you have any questions regarding Xero.

Future proofing your business structure

There can be many reasons for restructuring, such as, setting up a holding company to hold assets to protect them from trading risk, for the tax free sale of your business, family or senior team management buy outs, for succession and inheritance tax purposes and so on.

If you would like to discuss how you might future proof your business structure, please contact us.

Matthew Gard



Asset Finance

Replacing machinery can be an expensive exercise and there are a number of finance arrangements to consider which might fit with your business budgeting and cashflow.

- A. **Outright purchase** - the date of expenditure for capital allowances is the date on which the obligation to pay becomes unconditional. This is normally the date of delivery unless the contract terms differ. If the date payment is required is more than 4 months after the date on which the obligation to pay becomes unconditional that later payment date will be the point at which capital allowances can be claimed.
- B. **Hire purchase** – Typically a larger initial payment say a deposit in the region of say 10% plus the full amount of VAT, followed by monthly instalments but payment schedules can be tailored to align with business cash flow, with a contract typically ranging between 1-7 years. Capital allowances can be claimed on the full purchase price at the outset, while the interest element is claimable as a business expense and the VAT can be reclaimed on initial purchase. The machine is owned, maintained and insured by the purchaser. Tax and timing are important – capital allowances can only be claimed on capital payments that have not been made once the machine is brought into use, so beware with off season HP purchases.
- C. **Loan** - A loan is straightforward and has the benefit of full purchase price capital allowances being available on purchase. However, it may involve offering security so may be more complex than some of the other options and could incur higher arrangement fees and associated costs. The interest element will be allowed as a business expense for tax purposes.
- D. **Finance lease** – No big upfront payment, you pay the VAT as you go on each instalment. The machine appears on the business balance sheet with the obligation to pay shown as a liability and you depreciate the asset in the accounts. The finance payments will include a finance charge and a reduction in the finance liability, with the finance charge being deductible against tax. The lessor (not the user) retains the ownership of the asset and can claim the capital allowances. At the end of the term an annual fee can be paid or the lessee can purchase the asset or can request that the asset is sold to a third party and have the proceeds of sale refunded to them. The lessee is responsible for maintenance and insurance.
- E. **Operating lease** – under this arrangement the machine is not owned by the user (the lessee). Payments are usually monthly to finance the use of the machine and typically would range from 2-5 years. With this option you have a fixed rental over a fixed term and as you will not own the asset there is no resale value risk. You may be able to further fix your costs by adding a maintenance plan to your contract. The lease payments are a business expense for accounting purposes but no capital allowances can be claimed and the machine does not appear on the business balance sheet. VAT charged on the lease payments can be reclaimed.
- F. **Contract hire** - This option is not technically machinery finance but a straight rental for an agreed period of time, usually more short term or seasonal, with servicing and maintenance generally included in the hire charge, although any non standard repairs (eg collision damage) would not be included. Contract hire may provide a good way of fixing your machinery costs without long term commitment but you should check exactly what is covered under the maintenance contract, check for hours or mileage restrictions in the agreement, and be aware that the asset will need to be returned in a good condition and there may be penalties if it has not been looked after.

With all finance options look carefully at the total cost and read the small print to ensure you are aware of interest rates and any additional charges such penalties for terminating early and do contact us if you wish to discuss the different options for your business.

Summary of the tax treatment

Normally under a hire purchase agreement you will obtain relief on the full value if the asset is delivered and brought into use before the year end. If you have paid for the asset you will get relief before the year end but if it is bought on credit the relief will normally be obtained on delivery. The only exception is if you have an unconditional contract signed by the year end that has to be paid within 4 months in which case the relief can be obtained on signing the contract.

With options D to F tax relief will be claimed on the regular payments as they are made.

If you have any questions please do chat to us.

Cathy Barrow



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