

INSIDER

SEPTEMBER 2022



BSG Valentine
CHARTERED ACCOUNTANTS

BANK OF ENGLAND RAISES INTEREST RATES TO 1.75%

The Bank of England (BoE) has increased interest rates to 1.75%, the first rise of half a per cent in over 20 years.

The latest increase is the fifth rise since December 2021, with the BoE arguing that rate rises are needed to tackle soaring inflation.

Inflation as measured by the consumer price index (CPI) is expected to rise more than previously predicted, from 9.4% in June to just over 13% in Q4 2022. The Bank still hopes CPI will fall to its 2% target in 2024.

The Bank's monetary policy council (MPC) voted eight to one in favour of the rise. Andrew Bailey, governor of the BoE, said:

"The real risk we're responding to is that inflation becomes embedded, and it doesn't come down in the way that we would otherwise expect.

"We've had a domestic shock. We've had shrinkage in the labour force over the last two years or so."

Chairman of the Federation of Small Businesses, Martin McTague, said:

"Many commercial, personal and professional loans that small businesses and sole traders hold are not protected by fixed rates and will move in line with the increase."

The BoE's deputy governor, Dave Ramsden, said the Bank will decide whether rates will be increased as the year progresses.

📧 Get in touch to discuss your business.

ENERGY BILL SUPPORT TO BE SPLIT OVER SIX PAYMENTS

The Government has announced a £400 energy bill grant will be paid to customers over six payments to help households cope with the cost of living crisis.

As part of an £11.7 billion energy support package, some 29 million households will receive grants to help pay for their energy bills this winter, starting in October.

The money will be credited to bills by energy providers in six payments of £66 for October and November, then £67 from December to March.

Business Secretary Kwasi Kwarteng said:

"While no Government can control global gas prices, we have a responsibility to step in where we can and this significant £400 discount on energy bills we're providing will go some way to help millions of families in the colder months."

The grants will also apply to tenants renting properties with domestic electricity contracts from landlords, where energy costs are included in their rent.

However, charities and campaigners expressed concern that more than two million prepayment meter customers may have difficulty accessing the support.

Customers who use 'non-smart' prepayment meters will not receive the support automatically but will instead have to redeem a discount voucher.

It's said that 1% of households will not be eligible for the grant, mainly those without an electricity meter or a direct relationship with an energy supplier.

📧 Contact us for advice on your finances.

HELP TO GROW SCHEME EXTENDS TO SMALLEST BUSINESSES

The Government's 'help to grow: digital' scheme has now expanded to include businesses with fewer than five employees.

Over a million more businesses will now be eligible for the scheme, which has also been expanded to include one-to-one advice and additional software.

Launched in January this year, the scheme was established to help small to medium-sized businesses purchase software and digital technologies to help them grow.

Eligible businesses can get up to 50% off approved technologies, worth up to £5,000 in related costs under the scheme.

Previously, only businesses with more than five employees were eligible, but businesses with 1 to 249 employees can now access the discounts.

The scheme now also covers eCommerce software for the first time.

Alan Mak, exchequer secretary to the Treasury, said:

"Extending our help to grow: digital scheme will enable thousands more SMEs to become more innovative, competitive, and profitable."

The Federation of Small Businesses (FSB) said lowering the threshold will help SMEs grow and build the economy.

The national chair for the FSB, Martin McTague, said:

"Reducing the threshold to one employee makes a difference in this space.

"Together with ecommerce software and one-to-one advice for SMEs on technology adoption, this will enable more small businesses to fulfil their growth ambitions."

Help to grow: digital includes advice on the latest digital technologies, how to use them and how to decide on which may best serve a business. People who register also have access to case studies on businesses that have adopted new software and how it has worked for them.

Businesses that wish to apply for the help to grow scheme can do so via the Government website.

After a business decides on the software they wish to use, they will have 30 days to apply for a Government discount from the date of issue. Anything after the 30 days requires re-registering.

📩 Talk to us about your business.

CAPITAL GAINS TAX RULES FOR DIVORCED COUPLES EASE

The Government has announced plans to relax capital gains tax (CGT) rules in divorce settlements, giving spouses and civil partners more time to transfer assets without incurring CGT charges.

If the new rules are approved, they will come into effect from 6 April 2023.

Newly separated couples are currently given until the end of the tax year to transfer assets without incurring CGT, a period known as 'no gains, no loss'.

However, if the transfer takes place in the tax year after their separation, but before they are legally divorced, the assets are transferred at deemed market value, and CGT could be due.

The main issue with CGT during divorce proceedings is that it incurs another charge when money is already being spent on the divorce itself, so cash may be low for each individual.

If approved, the changes will mean that separating spouses or civil partners will be given up to three years after the year they cease to live together to make a no gain, no loss transfer.

Otherwise, they will have until the decree absolute is granted, provided the transfer is made in accordance with a formal divorce agreement or court order.

Any person who holds an interest in the former matrimonial home will be given a chance to claim private residence relief up to the point of sale, even if this is many years into the future.

However, the property must be empty because of the divorce for this to apply.

This is also true where partners have transferred their interest in the former matrimonial home to their ex-spouse or partner but retain the right to a share of any future proceeds.

Any changes will not affect the CGT on sold assets as part of the divorce proceedings, and people will still have to pay CGT within 60 days of the sale, if it relates to property which is not their primary residence.

📩 Ask us about your CGT obligations.