



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.

July 2025

## Government Targets £7.5 Billion in Unpaid Tax

### Focus on Business Compliance

The government has announced plans to raise an additional £7.5 billion by stepping up efforts to close the tax gap - the difference between the tax HMRC expects to collect and what is actually paid.

Figures published on 19 June show that £46.8 billion in tax went unpaid in the 2023-24 tax year. That's 5.3% of the total tax due, slightly up from previous estimates.

### Small Businesses Under the Spotlight

The data reveals that small business non-compliance accounts for 60% of the total tax gap, with Corporation Tax accounting for 40%. The most common causes are:

- Failure to take reasonable care (31%)
- Error (15%)
- Tax evasion (14%)

As a result, HMRC is intensifying compliance work - particularly within the small business sector - with a clear aim to improve accuracy, reduce mistakes, and clamp down on evasion.

### What's Changing?

The government has committed £1.7 billion over four years to fund more HMRC staff, including 5,500 compliance officers and 2,400 debt management roles.

Meanwhile, HMRC's Making Tax Digital (MTD) programme continues to expand. It's expected to generate £4 billion in additional VAT over the next four years by reducing errors. MTD for Income Tax comes into force from April 2026, and this is forecast to raise £1.95 billion in additional tax revenue by 2030.

### What This Means for Your Business

With HMRC stepping up compliance efforts, now is the time to make sure your business accounts and tax affairs are in order.

One of the biggest changes on the horizon is Making Tax Digital (MTD) for Income Tax, due to start in April 2026. Initially, it will affect anyone who earns over £50,000 from self-employment or property income. However, in future years this limit will drop to £30,000 and then £20,000 by April 2028.

Under MTD, you'll need to:

- Keep digital records of your income and expenses
- Submit quarterly updates to HMRC using MTD-compatible software
- File an annual final declaration

This is a major shift in how tax is reported - and planning ahead is essential to avoid disruption.

While HMRC says the majority of taxpayers pay what they owe, the pressure is clearly growing to close gaps and improve standards - particularly among smaller businesses.

If you're unsure whether your current systems and processes meet HMRC's expectations or want to get ahead of the MTD changes coming in 2026, please give us a call. We would be happy to help you!

## Chancellor Releases 2025 Spending Review

### Takeaway Points for Your Business

The Chancellor unveiled her Spending Review in June setting out how government departments will allocate money over the coming years. While much of the focus was on large-scale public services like the NHS and schools, there are some important signals here for businesses to take note of - both in terms of opportunity and outlook.

#### Zero-based Review

A theme of the review was scrutiny. The Chancellor described the exercise as a "zero-based" review - meaning department budgets were built from scratch, rather than from making changes to what was already in place. The aim, according to the government, was to focus spending only where it delivers value for money.

This may strike a chord with you as a business owner. As you plan for upcoming months, there's something to be said for taking a zero-based approach yourself.

You could do this by questioning whether each cost is still serving the business. This may help you see areas where reallocating funds could help the business grow or be more efficient.

#### Everyone is Under Pressure with Costs

Public sector pay rises in education and healthcare are being part-funded through expectations of increased "productivity" in those sectors.

This provides a reminder that cost pressures are widespread and efficiency will be a watchword in public contracts and procurement. If you supply to public sector organisation, you may need to be prepared for closer scrutiny of your prices and performance.

#### Increases in Capital Investment

Elsewhere, the review confirms increased capital investment in areas like transport infrastructure and social housing. Over time, this may bring new opportunities for construction and related industries. However, spending will be spread over a long period.

Similarly, investment in AI, tech and scientific infrastructure (including a new supercomputer in Edinburgh) could create demand for highly specialised services, but the benefits may take time to filter through.

#### Speeding Up Infrastructure Projects

The Chancellor also flagged changes to the way the Treasury evaluates infrastructure projects, promising a more modern approach. This might affect which types of projects get greenlit and how quickly - something worth watching if you're bidding for public contracts or working in the built environment.

#### Final Thoughts

While headlines may focus on big numbers and high-level priorities, the underlying message of this Spending Review is relevant for businesses of all sizes: pressure on budgets, rising expectations of value, and a focus on getting more from what's already being spent.

If you'd like help reviewing your own budgets or planning for the year ahead, we're here to support you.

## FSB Updates Guidance on Employers' Liability Insurance

### Help in checking your insurance arrangements

The Federation of Small Businesses (FSB) has recently updated its guidance on Employers' Liability insurance – a useful reminder of the rules and risks around a business insurance that is legally required in the UK.

The guidance explains that if you employ anyone – including part-time, temporary, or even volunteer staff – you are likely required by law to have this cover in place. It's there to protect businesses if an employee becomes ill or injured because of their work and the employer is found legally responsible.

#### What the FSB Highlights

The updated guidance gives practical examples of when this insurance might apply, such as:

- A worker being injured using machinery
- An office employee developing repetitive strain injury
- A fall on a construction site leading to time off work

The costs of such claims can be significant. As the FSB notes, legal fees and compensation payments can run into tens of thousands of pounds, potentially enough to put a small business under real pressure.

The guidance also clarifies:

- The legal minimum cover is £5 million (though most insurers offer £10 million as standard)
- Fines can reach £2,500 per day if a business is found not to have the required cover
- The insurance certificate must be displayed or made accessible to staff – failure to do so can result in a £1,000 fine

#### Exemptions and Edge Cases

The FSB outlines a few cases where the cover may not be required: for example, some family businesses or sole traders without staff. But these are quite limited and the guidance suggests most businesses with paid staff will need the insurance.

#### Worth Reviewing

The FSB guidance could serve as a useful prompt for you to review your insurance arrangements, particularly if your staffing or business structure has changed recently.

You can find the [full guidance on the FSB website](#).

## No Change for the Bank of England Base Rate

### Inflation Still a Concern

The Monetary Policy Committee (MPC) decided to keep the Bank of England base rate at 4.25% following its latest review on 19 June 2025.

Their decision was not a great surprise. While inflation had reduced in the earlier part of the year, the current figures show that inflationary pressures continue to be felt.

## What's happening with inflation?

According to the latest figures released by the Office for National Statistics, the main rate of inflation decreased from 3.5% in April to 3.4% in the year to May.

Looking at the figures behind the headline rate shows that food prices have increased for the third month in a row. At 4.4%, this represents the highest inflation rate for food since February 2024.

Some feel that these increases are because businesses are passing on the costs of April's increase in employer's national insurance.

However, this is not the only factor at play. Prices for chocolate have increased by 17.7% in the year to May. This is primarily due to bad harvests in areas that produce cocoa meaning that stocks of chocolate have been low and pushing prices up.

The figures showed some good news though in the form of cheaper travel prices.

## What's Next for Inflation and the Economy?

The MPC considers that inflation will now remain at this level for the rest of the year before falling back towards 2% next year.

The MPC also noted their concerns over a softening in the labour market and continued global economic uncertainty, referencing the recent escalation in the conflict in the Middle East.

## What this means for your business

- Borrowing costs remain steady for now. The MPC's comments suggest that further rate cuts could be made later in the year and lenders may respond to that by dropping their rates, even in advance of any future cut.
- No change for returns on savings. You should review any cash reserves you hold to ensure they're earning interest.
- The inflation figures suggest that costs remain a concern, and this is likely to remain the case for the rest of the year. So, it could be important to plan conservatively for the coming months.

The Bank continues to take gradual, cautious steps when it comes to interest rates. The next rate review will take place on 7 August 2025.

If you'd like to review your funding or cash flow strategy, we're happy to help.

## **How to Protect Sensitive Personal Information**

### **New guidance published by NCSC**

The National Cyber Security Centre (NCSC) has published new guidance to help businesses identify and protect against the risks of holding sensitive personal information.

The guidance can help you to understand what sensitive personal information is and identify any that your business holds. It also provides some principles that, if applied, can reduce risks from holding that data.

Here's a brief review of the guidance.

## What is Sensitive Personal Information?

NCSC explains that there is no formal definition of what sensitive personal information (SPI) is. They explain that it's necessary to consider possible risks that are associated with sensitivities in information you hold about individuals. For instance, would a compromise of that information increase the risk of harm, harassment or prejudice to the individual?

Examples might include an individual's profession, their personal life characteristic, or their status.

## Assessing the Risks

The guidance advises that the severity of the impact that could arise from misuse of the data should be used to determine how strong your data protections will be. NCSC cover a few questions that can help you in making your assessment.

## Nine Principles

NCSC provide nine principles that can help protect SPI as well as some example measures you can use. The principles are:

1. Understand what data you have and the risks to it
2. Ensure only appropriate access to sensitive data
3. Ensure you know who is accessing data which contains SPI
4. Make sure access to sensitive data cannot be misused
5. Avoid putting too much sensitive data together
6. When merging data, check if SPI becomes exposed
7. When sharing data, check if SPI becomes exposed
8. Ensure that the records of individuals with SPI do not appear to be stored, processed or handled differently to those without such sensitive data
9. Keep access controls to SPI separate from routine data access controls

## Final Thoughts

Cyberattacks seem to be on the increase and a data breach can have serious consequences to a business. This may particularly be the case if the business is holding sensitive personal information about individuals.

Besides fines and penalties from the Information Commissioner's Office, there is also loss of customer trust, disruption to your business operations, costs of recovery and potential legal claims from customers or clients whose data was compromised.

If you hold sensitive personal information in your business, reviewing [NCSC's new guidance](#) could be well worth your time.