INSIDER

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BANK OF ENGLAND RAISES INTEREST RATE TO 4%

The Bank of England (BoE) has raised its interest rate by 0.5% to 4% following a monetary policy committee (MPC) meeting on 2 February.

This is the tenth consecutive time the Bank has increased interest rates, resulting in the highest base rate in 14 years.

The MPC voted by a majority of 7-2 to increase the bank rate. According to the BoE, this decision will help meet the 2% inflation target in a way that “sustains growth and employment” in the medium term.

High energy prices and a tight labour market continue to affect inflation. However, the Bank suggests it is likely to have peaked in the UK and that any upcoming recession may be shorter and less severe than feared.

There is likely to be a further increase in interest rates later this year, with the Bank planning to raise the base rate to 4.5% before the summer.

Commenting on the decision, the BoE said:

“The MPC will continue to monitor indications of persistent inflationary pressures, including the tightness of labour market conditions and the behaviour of wage growth and services inflation.

“If there were to be evidence of more persistent pressures, then further tightening in monetary policy would be required.”

Talk to us about your finances.

OVER 300,000 TAXPAYERS MISS SELF-ASSESSMENT DEADLINE

Despite a record 11.7 million people submitting their tax returns on time, over 300,000 taxpayers missed the self-assessment deadline.

On 31 January, 861,085 taxpayers filed online to meet the deadline, some with minutes to spare – 36,767 individuals filed in the last hour before the deadline.

The peak filing hour on the day was between 16:00 and 16:59 when 68,462 taxpayers submitted their tax returns.

In total, 11,733,465 (97.3%) returns were received before the deadline, meaning an estimated 327,407 taxpayers missed the deadline – equating to £32m in late penalties for HMRC.

Around 10.9m (94.5%) of returns were filed online, with 385,296 (3.4%) filed on paper following adjustments.

HMRC urges customers who missed the deadline to submit theirs as soon as possible or risk facing a penalty.

Myrtle Lloyd, HMRC’s director general for customer service, said:

“Thank you to the millions of customers and agents who got their tax returns in on time.

“Customers who have yet to file and who are concerned that they will not be able to pay in full may be able to spread the cost of what they owe with a payment plan.”

Contact us to talk about your tax returns.

CHANCELLOR OUTLINES FOUR 'ES' FOR ECONOMIC GROWTH

Speaking at Bloomberg's European HQ in London on 27 January, Chancellor Jeremy Hunt outlined plans to grow the UK economy and turn the country into "one of the most prosperous countries in Europe".

Hunt set out four 'pillars' for growth, including 'enterprise', 'education', 'employment' and 'everywhere'.

Ideas include turning the UK into the next 'silicon valley' for tech innovation; wider access to university; bringing more people who are economically inactive into the workforce, and "levelling up" the country.

Hunt signalled that tax cuts would only come "when the time is right", focusing instead on reducing inflation, which he described as the "best tax cut" the Government could offer right now.

Hunt said:

"Our plan for this year remains to halve inflation, grow the economy and get debt falling. But all three are essential building blocks for much bigger ambitions for the years beyond."

The Confederation of British Industry (CBI) was optimistic about the Chancellor's focus on growth.

Tony Danker, director general of the CBI, said:

"It's only by improving the UK's languishing performance on productivity that we can realise the huge economic potential in every corner of the country.

"There is much to get behind here with the Chancellor's emphasis on using innovation as the foundation of the UK's future economy and championing the strengths of the UK tech sector."

However, the Institute of Directors (IoD) slammed Hunt's speech, writing the Chancellor "should add a fifth E for 'empty' to his vision for the economy".

Chief economist of the IoD Kitty Ussher said:

"Business needs government action to counteract the negative mood, for example, through a continuation of the capital investment super-deduction, through tax credits for employers who invest in skill shortage areas and a plan to incentivise the net-zero transition for the SME sector."

Get in touch to discuss your business.

CALLS FOR R&D REFORMS TO BE PAUSED

The Association of Taxation Technicians (ATT) welcomes a report by the House of Lords expressing concern over proposed reforms to the R&D scheme.

The report, published on 31 January, highlights the need to pause any upcoming changes to the SME and R&D expenditure credit (RDEC) schemes. Some of the changes are due to come into effect this year, while other, more significant reforms are set for April 2024.

Elsewhere in the report, both the ATT and Finance Bill sub-committee underline the risk of fraud and error in the current R&D schemes but conclude that any proposed rule changes will be ineffective in isolation.

The proposed changes due to come into effect in April 2023 include the following:

- A reduction in the rate of relief available under the SME regime.
- Additional administrative requirements, including providing additional information when making a claim and pre-notifying of an intention to claim where no claim has been made in the past three years.

HMRC launched a consultation at the start of January, which proposes merging the RDEC and the SME R&D schemes, set to launch in April 2024.

The Government says it aims to change the way R&D works to "ensure taxpayers' money is spent as effectively as possible".

Those who wish to comment on the proposal can do so until 2pm on 13 March.

Senga Prior, chair of the ATT steering committee, said:

"We do not consider that restricting the level of relief available to all SMEs is a proportionate way to target abuse.

"We agree with the House of Lords report that the administrative changes proposed will not, on their own, reduce the level of fraud and abuse in the R&D relief scheme. Instead, we think that, in many cases, they will merely increase administrative burdens for businesses."

Speak to us about claiming R&D relief.