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TREASURY DELAYS MTD FOR ITSA UNTIL 2026

The Treasury has confirmed that Making Tax Digital for income tax self-assessment (MTD for ITSA) will be delayed a further two years until April 2026.

According to First Secretary to the Treasury Victoria Atkins, this phased approach will give businesses more time to prepare and adapt to new ways of working.

The minimum reporting level for businesses, self-employed individuals and landlords will be increased from £10,000 to £50,000, with those earning over £30,000 not needing to comply with MTD rules until 2027.

The Government will also launch a review into how MTD for ITSA can better serve the needs of smaller businesses, particularly those earning less than £30,000 a year.

Partnerships will not be brought into MTD for ITSA in 2025 as previously planned, and will instead be mandated to join the scheme at a later date.

Furthermore, a points-based system aimed at making penalties fairer and simpler will come into effect for taxpayers when they join MTD for ITSA.

In a statement on 19 December 2022, Victoria Atkins said:

"It is right to take the time needed to work together to maximise those benefits of MTD for small business by implementing it gradually."

Talk to us for advice on MTD.

ECONOMIC OUTLOOK REMAINS BLEAK DESPITE RISE IN GDP

Monthly GDP grew by around 0.5% in October 2022, following 0.6% drop in September, according to the Office for National Statistics (ONS).

Despite the recovery in monthly figures, the UK economy nevertheless contracted by 0.3% in the three months to October.

The rise in GDP in October follows a 0.6% fall in September, which "was affected by the additional bank holiday for the State Funeral of HM Queen Elizabeth II", according to the ONS.

October saw the services sector grow by 0.6% after falling by 0.8% in September, largely driven by a 1.9% rise in the wholesale and retail trade including the repair of motor vehicles and motorcycles..

Meanwhile, output in consumer-facing services grew by 1.2% in October – but only after falling by 1.7% in September and 1.6% in August.

Commenting on the figures, economics director at the Institute of Chartered Accountants in England and Wales (ICAEW), Suren Thiru said:

"October's rebound is a false dawn for the economy, as it mostly reflects the favourable comparison with September.

"The positive start to the fourth quarter may not prevent recession with the growing squeeze on incomes likely to drive falls in GDP in November and December."

Talk to us about your business.

SMES OWED £23.4BN IN LATE PAYMENTS

Large businesses owe their small suppliers £23.4 billion in late payments, according to the Government,sparking a review by the Department for Business, Energy and Industrial Strategy (BEIS).

Business Secretary Grant Schapps said he would launch the review to scrutinise payment practices and "prevent small firms from being ripped off by larger companies".

The review will also "consider the progress made in specific sectors of the economy in combating late payment and will include an examination of current payment reporting regulations and the prompt payment code", according to the BEIS.

Schapps said:

"The UK's 5.5m small businesses are an integral part not just of our economy, but of our communities too, and this Government is firmly on their side.

"That many small firms are routinely paid late is intolerable and presents a real barrier to productivity, the creation of high-skilled jobs and ultimately economic growth."

According to research carried out by cloud accounting software provider Xero, payments to small businesses were an average of 8.2 days late in September, the highest late payment time since August 2020.

Calling for tougher penalties for larger businesses that fail to meet agreed payment terms, managing director of Xero, Alex von Schirmeister said the previous Government's mini-budget has "left small businesses in limbo at a time when they need stability".

Simon Gray, head of business at the Institute of Chartered Accountants for Wales and England (ICAEW), said:

"We've been here before, but it's really starting to become a problem again. Businesses are facing pressures; costs are rising, and domestic sales are falling.

"As a result, there's a squeeze in the middle on working capital, and one of the ways you manage working capital is you chase debt faster and pay your suppliers slower."

Talk to us about your late payments.

ENERGY PRICE CAP REMOVES RISK FOR ONE IN FOUR BUSINESSES

One in four business leaders (24%) believe the Government's energy bill relief scheme (EBRS) has removed a "serious risk" to their business, according to a poll by the Institute of Directors (IoD).

Of the surveyed 500 or so directors whose energy bills made up more than 5% of their costs, 11% stated they have been able to keep their premises open for longer due to the scheme.

A further 35% said that having the energy price cap in place over the winter has made it easier for their business to plan for the future.

Meanwhile, 5% said they would have stopped trading altogether if the Government had not stepped in to help businesses with energy bills.

However, the majority of directors (75%) disagreed with the idea that they would have had to stop trading if it were not for the energy price cap this winter, while 19% neither agreed nor disagreed.

The EBRS scheme is available to everyone on a non-domestic contract including:

- businesses
- voluntary sector organisations, such as charities
- public sector organisations such as schools, hospitals and care homes.

For all non-domestic energy users in Great Britain and Northern Ireland, the Government supported price has been set at:

- electricity - £211 per megawatt hour (MWh)/ 21.1p per kilowatt hour (KWh)
- gas - £75 per MWh/ 7.5p per KWh.

Alex Hall-Chen, senior policy advisor at the IoD, said:

"Our data shows that the Government's energy bill relief scheme has been a crucial intervention, removing a serious risk to around a quarter of businesses.

"We therefore urge the government to continue the EBRS for sectors of the economy particularly vulnerable to current fluctuations in international energy markets.

"To this end, we are concerned that no provision was made for the extension of the scheme beyond March 2023 in the policy costings that accompanied the Autumn Statement."

Talk to us about your energy bills.