TAX YEAR-END

Planning Tips for Business Owners

TAX YEAR-END 5TH APRIL 2025 ★ MAKE IT COUNT ★ TAX YEAR-END 5TH APRIL 2025

Wellesley

As we approach a new tax year in April 2025, many tax changes from the last budget will come into play that will impact you as a small business owner. If you are wondering how you are going to navigate this and more importantly keep on track towards reaching your personal financial goals, below are a list of risks and opportunities that you should be thinking about.

1 Make the most of your tax allowances and exemptions

Despite changes to pensions and inheritance tax, pensions are still a tax-efficient way for business owners to save for retirement. Using allowances like pension annual limits, ISAs, dividend allowances, R&D tax credits, and capital allowances is even more essential as taxes increase.

2 Understand the impact of the increase in minimum wage and employer NICs

Be aware of rising costs from higher minimum wage and employer NICs. From April 2025, employer NICs will rise from 13.8% to 15%, with the threshold dropping from £9,100 to £5,000. The minimum wage will also increase by 6.7%, from £11.44 to £12.21 for those aged 21 and over. These changes could significantly impact business costs, so SME owners should assess their effect on staffing and pricing.

3 Be aware of changes to Business Relief (BR)

Starting April 2026, a 20% inheritance tax will apply to BR assets above £1 million, reducing the full exemption previously available. For businesses over this threshold, lifetime gifting may become an important strategy.

4 Reconsider your remuneration strategy

The last few years have seen a number of tax changes which potentially impact the most efficient means of drawing money from companies. This has changed again with an increase in Employer NICs from April 2025.

Seeking advice from your accountant regarding your remuneration strategy, prior to the 2025 changes, is important.

5 Understand the impact of the Capital Gains Tax (CGT) changes

The main rates of CGT, for non-residential property, have increased from 10% and 20% to 18% and 24%. In addition, Business Asset Disposal Relief (BADR) rates are increasing to 14% in 2025 and 18% in 2026.

Where appropriate, advancing exits from a business may become attractive due to the CGT increases.

6 Reconsider your drawdown strategy

With pension funds becoming liable for inheritance tax from April 2027, drawing retirement income from pensions may become more attractive if you face IHT liability. Building a tax-efficient drawdown strategy is now crucial.

Many of these changes will increase the level of taxation for small business owners and this may mean fundamental changes need to be made to achieve your financial goals.

We can help you to put a plan in place or help you to bring your current plan back on track.

To find out more about what this means for you and your business get in touch today and speak to a Wellesley adviser.

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than the amount invested.

The levels and bases of taxation and reliefs from taxation can change at any time. Tax relief is dependent on individual circumstances.