Prismatic Wealth Limited, Prismatic House,
26 Falcon Court, Preston Farm Business Park,
Stockton on Tees, TS18 3TX

Tel: 01642 661600
Email: enquiries@prismaticwealth.co.uk
Web: www.prismaticwealth.co.uk

BUSINESS REVIEW

Spotlight on issues affecting business



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- UK TRADE SHOWS SIGNS OF STABILISING
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AUGUST 2025

BUSINESS REVIEW

Survey shows business optimism remains buoyant

The Lloyds Bank Business Barometer continues to report strong levels of business confidence with last month's headline index hitting a 10-year high.

The bank's latest survey was conducted between 1–15 July with the headline confidence metric rising one percentage point to +52%, the third consecutive monthly increase. Lloyds noted that this upward trend reflected a growing sense of cautious optimism across the UK economy, with the uplift driven by both stronger trading prospects and growing optimism in the broader economic outlook.

Hann-Ju Ho, Senior Economist at Lloyds said, *"Despite ongoing cost pressures, firms are positioning for growth, particularly in services where hiring and investment plans are accelerating. Overall business confidence remains buoyant, with firms well placed to take advantage of opportunities such as new markets, adopting new technology and workforce expansion amid evolving market conditions."*

Other recent surveys, however, have painted a more gloomy picture. Data published last month by the Federation of Small Businesses (FSB), for instance, showed that the proportion of small firms bracing for contraction, sale or closure is currently greater than those expecting to grow; this is the first time in the survey's history that more firms expect to shrink than expand.

UK trade shows signs of stabilising

The British Chambers of Commerce (BCC) recently noted signs that UK trade has started to stabilise, although it also warned that the imminent imposition of US duties on low-value goods represents another blow to exporters.

Analysis of the most recently released official UK trade data conducted last month by the BCC found *'signs of stabilising'* in May's figures, as the initial impact of higher US tariffs began to subside. The BCC said that, in total, the volume of goods exported increased by a month-on-month rate of 3.1%.

This growth was largely driven by stronger exports to the EU, which posted a 4.2% rise, while exports to the rest of the world increased by 1.9%. It was also noted that goods exports to the US did rise in May, although the BCC stated that the overall level remained significantly below where it was six months ago.

Late last month, however, President Trump signed an Executive Order imposing import duties on low-value goods from 29 August; as a result, all items worth $800 or less entering the US from the UK will no longer be exempt from US tariffs from that date. The BCC described this development as *'a major blow to UK exporters.'*

Government plans to revamp high streets

An overhaul of planning and licensing rules has been announced to rejuvenate the nation's town centres by encouraging more hospitality venues to open in place of disused shops.

The government's proposed new National Licensing Policy Framework will aim to modernise the current outdated patchwork of local rules that can delay or deter small businesses from opening new cafés, bars and music venues. The reforms are designed to cut the cost, complexity and time it takes to open venues and thereby breathe new life into high streets across the country.

Dedicated *'hospitality zones'* will also be introduced where permissions for alfresco dining, street parties and extended opening hours will be fast-tracked. This, it is hoped, will help bring vibrancy and footfall back to UK town centres.

Commenting on the announcement, Business and Trade Secretary Jonathan Reynolds said, *"Red tape has stood in the way of people's business ideas for too long. We're slashing those barriers to giving small business owners the freedom to flourish. From faster café openings to easier alfresco dining, our Plan for Change will put the buzz back into our town centres and money back into the pockets of local entrepreneurs, because when small businesses thrive, communities come alive."*

QUIRKY QUOTE:

You don't need planning permission to build castles in the sky'

— Banksy

Just a fifth of workers stick to core hours

Research conducted by Robert Walters suggests many workers are currently putting in extra hours as they struggle to cope with deadlines and excessive workloads.

According to the study, only 20% of UK professionals stick to their core office hours; instead, 37% said they either start early or finish late every day, while 43% said their hours varied depending on work demands. The most cited reason respondents gave for working extra hours was to catch up on work or meet deadlines, although a significant minority also said they worked late in order to communicate with teams in different time zones.

Data from Microsoft's Work Trend Index also recently highlighted a growing trend towards the *'infinite workday'*, with 40% of professional workers saying they check emails at 6am in a bid to manage busy inboxes. In addition, 29% admitted to logging back on at 10pm, while 20% said they check work emails at the weekend too.

Lucy Bisset, Director at Robert Walters commented, *"Despite rising costs affecting hiring plans, many employers still expect the same productivity and output, putting pressure on existing staff. Our research indicates that many UK workers are working longer hours to meet demands or connect with colleagues in different time zones."*

HMRC unveils new online PAYE service

Last month, HMRC launched its Transformation Roadmap which sets out the tax authority's ambitious plans to become a digital first organisation by 2030.

The roadmap includes more than 50 IT projects, services and measures designed to transform the UK's tax and customs systems and enable HMRC to deliver a first-class experience that will feel different to their customers. Among the first of the measures to be announced is an online Pay As You Earn (PAYE) service which will make the tax system simpler and easier for around 35 million workers.

HMRC said the service will allow all PAYE taxpayers to check and update their income, allowances, reliefs and expenses, and thereby take greater control of their tax affairs. This new service will be available via Personal Tax Accounts and through the HMRC app.

The commitment to a digital first approach will see HMRC automate tax wherever possible and offer new digital self-serve options across a number of tax regimes. It is also hoped that the modernisation plans will create a tax administration system that will get things right first time and make it easier for taxpayers, businesses and intermediaries to interact with HMRC.

OTHER NEWS

Capital Gains Tax revenue falls

Figures released recently by HMRC have revealed that Capital Gains Tax (CGT) revenue fell by 18% during the 2023/24 tax year, despite an increase in the overall number of CGT taxpayers, due to a reduction in the annual exempt amount. The data showed that the total CGT liability was £12.1bn for 378,000 taxpayers, realised on £65.9bn of gains.

SMEs missing out on potential NICs savings

A survey commissioned by global insurance intermediary group Howden shows that use of salary exchange (also known as salary sacrifice) is relatively low across the small business sector. The research found that only three out of 10 SMEs currently use salary exchange for pensions, which means around seven in 10 small firms are collectively missing out on a potential £2.7bn in employer National Insurance contribution (NIC) savings.

Consultation on tech patents launched

The government is seeking views on measures to improve the functioning of the standard essential patents (SEPs) licensing ecosystem. SEPs protect technologies which are essential to delivering standards like 5G, but the evidence suggests many small tech and digital firms find the system hard to navigate. The consultation, which closes on 7 October, aims to close any knowledge gaps to ensure small businesses can innovate more easily and use the patents with confidence.

TIME TO PAY UP – GOVERNMENT ACTS TO END THE LATE PAYMENT CRISIS

In late July, the government unveiled its most sweeping reforms on late payments in a generation, as part of its Small Business Plan aimed at empowering SMEs.

Highlighting that late payments cost the UK economy around £11bn annually and contribute to roughly 38 business closures every day, the plan pledges to deliver the toughest late-payment laws in the G7.

Key measures in the reforms include –

- Introduction of maximum payment terms, gradually reducing from 60 to 45 days
- Mandatory interest charges for late payers
- Audit committees legally obliged to monitor payment practices at board level, increasing corporate accountability
- Expanded powers for the Small Business Commissioner, including:
  - Authority to carry out spot checks
  - Power to impose substantial fines (potentially millions)
  - Enforcement of a 30-day invoice verification period.

Underscoring the urgency of the issue, Prime Minister Keir Starmer said, *"From builders and electricians to freelance designers and manufacturers – too many hardworking people are being forced to spend precious hours chasing payments instead of doing what they do best – growing their businesses. It's unfair, it's exhausting, and it's holding Britain back. So, our message is clear: it's time to pay up."*



BUSINESS GROUPS REACT

"I'm pleased that FSB and the government have been able to work in lockstep on the bold and ambitious measures needed to tackle the scourge of late payment through legislation, and other pro-growth, pro-small business measures. Today's plan is an encouraging commitment from the government to take the side of small businesses in the great growth challenge ahead."

Tina McKenzie
Policy Chair of the Federation of Small Businesses

"Late payments remain one of the biggest challenges for SME builders, disrupting cashflow, delaying projects and putting many firms at risk. Unlike larger volume builders, small firms work job to job and are far less able to absorb additional costs compared with the larger volume builders. The government's commitment to tackle late payment in the Small Business Plan will be welcomed across the sector, as prompt and fair payment is vital to the sustainability of small builders and the wider economy."

Brian Berry
FMB Chief Executive

"I am thrilled to see the Small Business Plan launched today, putting the nation's smallest businesses at the heart of government strategy where it should be. These job creators and economy builders will benefit from a huge boost to funding through the British Business Bank, a boost to skills, support for high streets and a long hoped for legislative backing for getting paid on time. We will not see economic growth without small business growth, so I am eager to get on and help the government deliver on this agenda - and help small businesses regardless of their background start, grow and thrive."

Michelle Ovens
CBE, Founder of Small Business Britain

All details are correct at the time of writing (11 August 2025)

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