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Business News England

Welcome to our round-up of the latest business news for our clients. Please contact us if you want to talk about how these updates affect your business. We are here to support you!

Valuing Your Business: What Buyers Look for and What You Can Do About It

If you are thinking about selling your business, whether that is in six months or six years, one of the first questions you will probably ask yourself is “what’s it worth?”

While there are formulas designed to calculate the value of a business, in the end the answer to that question comes from a judgment call made by a prospective buyer who will be weighing up the risk and return of buying your business.

Many business owners focus on the headline profit figure. Of course, profit does matter, but it is only one part of the picture. Buyers focus on how sustainable those profits are, how dependent the business is on you personally, and how easy it will be for them to step in and run it.

Here we set out some of the main factors that typically affect the value of a business and some practical suggestions on steps you can take to improve your position before you go to market.

How profits are assessed

A common technique for valuing small and medium-sized businesses is based on a multiple of maintainable profits. In practice, this usually calls for adjustments to the operating profits of the business.

The keyword is “maintainable” profits.

If last year’s profit includes a one-off insurance payout or an unusually large contract that has since ended, a buyer will strip that out.

Equally, if you run the business via a limited company and pay yourself a low salary and take the rest as dividends, a common scenario for tax-effective pay, a buyer will factor in the cost of replacing you with a manager who is fully paid on the payroll.

The more normalised and repeatable your profits look, the more confidence a buyer will have that they can repeat the same results if they buy the business.

Quality and predictability of income

Two businesses with identical profit levels can be valued differently depending on the way the businesses generate revenue.

Buyers tend to prefer:

- Recurring income, such as subscriptions, service contracts, and repeat orders.
- A spread of customers rather than one or two large ones.
- Long-term contracts.

They are likely to worry about:

- Reliance on a single major customer.
- Work that must constantly be re-won.
- Handshake agreements rather than written contracts.

This means that a software business with annual licences that are renewed automatically will usually attract a higher multiple than a project-based agency earning the same amount of profit but from one-off jobs.

If a buyer fears that revenue could fall away six months after completing a deal, they will either lower the price or insist on an earn-out.

Reliance on the business owner

This can be one of the biggest killers of value.

If you are the main salesperson, the technical expert, the relationship manager and the final decision-maker, the business will be hard to sell. From a buyer's perspective, they would not be buying a business; they would be buying you.

Questions that a buyer might ask could include:

- What happens if the owner leaves on day one after the sale?
- Are systems documented or are they all in the owner's head?
- Can staff run the business without needing constant input from the owner?

Reducing your business's dependence on you will increase the value of your business in the mind of a buyer.

Strength of the management team and staff

A capable second-tier of management is a major plus for a business. Even having a small leadership team can make a big difference.

Buyers are likely to look at:

- Staff turnover.
- Whether key employees are tied in with contracts.
- Whether knowledge is shared across the business or siloed in departments.

Should the business struggle if one key employee left, then this is going to make a buyer nervous.

Assets and balance sheet health

Some businesses have tangible assets and that adds some comfort to a buyer. For instance, these might include property, specialist equipment, vehicles or valuable stock.

Other businesses may be asset-light. This is fine, but working capital often then becomes more important.

A buyer may want to know:

- How much cash is needed to run the business.
- Whether debtors are slow to pay.
- Whether there are any hidden liabilities, for instance, with tax, warranties or leases.

A balance sheet that shows old customer debts, director loans that go back years or unexplained balances creates uncertainty, which reduces the value of your business in the mind of a buyer.

Legal and regulatory compliance

Buyers and their advisers are likely to want to scrutinise:

- Whether the business is compliant with filing accounts and tax returns.
- VAT and PAYE history.
- Employment contracts.
- Any licences or regulatory approvals.

Should non-compliance in areas be found, this will increase the perceived risk for the buyer and affect how much they are willing to pay.

Steps you can take to improve the value of your business

It is unlikely that you need to transform your business overnight. However, there are some practical steps that can be taken over time that consistently help.

1. Clean up the numbers. Make sure that your accounts are up-to-date, consistent and explainable.

2. Reduce the business's reliance on you. Consider how you can delegate decision-making. Document the processes in your business, even where they seem obvious to you. Introduce your customers or clients to other team members.

3. Secure income where possible. Consider the ways that you could move customers onto contracts, retainers or subscription models.

4. Diversify your customer base. If one of your customers accounts for more than 25-30% of turnover, look at how you could take on more customers before selling the business.

5. Invest in systems. Customer Relationship Management (CRM) systems and job-tracking software, as well as written procedures, can help reduce risk for a buyer and make the handover smoother.

6. Retain key staff. Make sure that you have the right employment contracts in place and consider what incentives might be needed to keep important people in place through a sale.

7. Plan tax early. The structure of the sale (shares v assets) and your and a buyer's personal circumstances can materially affect what you take home and what they have to pay. Considering this early can help you to make sure you know what your options are and how they might affect a potential sale.

Final thoughts

The best outcomes in selling a business tend to come where the owner has started to think like a buyer well in advance of the sale, even if they are not ready to sell yet.

If you would like a realistic view of how your business might be valued or want to identify the specific issues that might affect a future sale, please get in touch. We would be happy to help you in working towards a sale that will be profitable and help you achieve your goals.

Have You Received a Letter from HMRC About MTD?

With Making Tax Digital (MTD) for Income Tax coming into force from 6 April 2026, HM Revenue & Customs (HMRC) have been writing to taxpayers over recent weeks to tell them that they are being mandated into the regime.

MTD became mandatory from 6 April 2026 for sole traders and landlords with a total turnover exceeding £50,000 in the 2025/25 tax year, unless an exemption applies. It involves keeping digital records and submitting quarterly updates to HMRC.

Some taxpayers may have only received their 'mandation' letter a few days before the tax year started.

If you have received a letter, and that was the first you knew about MTD requirements affecting your business, there is no need to panic.

The first MTD filing deadline will not be until 7 August 2026. So, you have time to sign up, decide which software to use and then begin to keep your accounting records digitally. If your digital records are up-to-date for the three months starting in April 2026 by the time you need to file the update, then there will be no problem meeting the deadline.

HMRC will not charge you a penalty for not signing up by 6 April 2026, but the longer it is left, the more difficult the task of record-keeping becomes.

If you would like help with any aspect of MTD, from signing up to keeping digital records and submitting returns, please get in touch. We would be happy to help you!

See: https://www.litrg.org.uk/news/hmrcs-latest-letter-drop-about-making-tax-digital-lands-just-easter-start-date

CBAM Rules: What Importers Need to Know

The government has published further draft legislation on the UK's Carbon Border Adjustment Mechanism (CBAM). This will have consequences for importers bringing certain carbon-intensive goods into the UK.

The latest draft rules cover calculating embodied emissions, which form part of how CBAM is computed, and the monitoring and verification of emissions data. The consultation runs until 21 May 2026.

Alongside the draft legislation, the government has also published a policy summary. This is a useful document for businesses to refer to for an overview of how CBAM is intended to operate.

CBAM is due to come into force on 1 January 2027.

The aim is to place a carbon price on specified goods imported into the UK from sectors that are at risk of "carbon leakage". Carbon leakage is the concern that, as the UK tightens its environmental standards, emissions-heavy production simply moves overseas to countries with looser rules.

In effect, CBAM is designed to level the playing field between UK producers who face carbon costs and overseas producers who may not.

UK businesses that import aluminium, cement, fertilisers, hydrogen, iron and steel and downstream producers that use these goods in their supply chains are likely to be affected by the CBAM rules.

The primary legislation for CBAM is already in place, having been included in Finance Act 2026. The government is now producing secondary legislation that will deal with the practical and administrative details of how the tax works day to day.

The first part of this secondary legislation that deals with the administrative requirements, CBAM rate and carbon price relief, was consulted on during February and March 2027.

See: https://www.gov.uk/government/consultations/draft-regulations-carbon-border-adjustment-mechanism-cbam-emissions-and-verification

New “Right to Try” Legislation Removes a Key Barrier to Work for Disabled People

At the end of April 2026, new legislation will come into force designed to address the fear of losing benefits support if a new job does not work out.

For many disabled people and those with long-term health conditions, the risk of triggering a benefits reassessment can be enough to stop them from even trying employment or volunteering. This leaves people stranded on benefits, despite wanting to work.

New legislation aims to address this problem. From the end of April, starting work will no longer automatically trigger a benefits reassessment for people who receive:

- New-style Employment and Support Allowance.
- Personal Independence Payment.
- The health element of Universal Credit.

The new rules also guarantee that volunteering, which is often a first step back into work, will not trigger a benefits reassessment either.

If you are an employer, the rules may remove a barrier that has previously been filtering out suitable candidates before you have had a chance to meet them.

See: https://www.gov.uk/government/news/barriers-to-work-removed-for-disabled-benefit-claimants-as-landmark-legislation-introduced