Spring Newsletter

Keeping you informed

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INTRODUCTION

Our Spring 2025 newsletter has a summary of the further changes the Chancellor has announced in her Spring Statement.

There does seem to be a desire to stimulate growth and ease cost of living pressures, but global events are conspiring to make life difficult for our policy makers.

As always, we have included a number of articles to assist with tax and business planning and would request that you contact us if you need more information on any of the topics covered.

GENERAL

Spring Statement Summary - March 2025

What Business Owners Need to Know
Chancellor Rachel Reeves delivered the Spring Statement on 26 March 2025, setting out the government's current economic position and plans for tax and spending. While there were no headline-grabbing changes, several points are worth noting for business owners, landlords, and the self-employed.

One disappointment for many was the decision not to reverse the upcoming rise in Employers' National Insurance Contributions, despite lobbying from business groups.

Here's a quick rundown of the key updates that may affect your business or personal finances.

Economic Outlook: Growth Slows, Borrowing Rises
The Office for Budget Responsibility (OBR) has lowered its 2025 growth forecast to just over 1%, down from 2% last autumn. Government borrowing costs are up, and tax receipts are lagging. No new taxes or major spending cuts were announced, but the Chancellor emphasised the need for long-term fiscal discipline and debt reduction.

No New Tax Rates – But Reforms on the Way
There were no changes to income tax, corporation tax, or VAT rates. However, Reeves indicated that future tax policy would focus more on modernisation and improving compliance than raising rates.

Key Tax and Compliance Measures

Making Tax Digital (MTD) – Delayed Again
MTD for Income Tax will now start in April 2028 for self-employed individuals and landlords with income over £20,000.

- You'll need to use compatible software to maintain records and submit quarterly updates.
- HMRC promises extra support for those who struggle with digital tools.

What this means: It's delayed but not cancelled – make sure your systems are moving in the right direction.

Tougher Rules on Tax Avoidance
A consultation is underway to give HMRC more power to crack down on promoters of avoidance schemes. This includes:

- Penalties for serial promoters
- Earlier naming and shaming
- The ability to shut schemes down during planning

What this means: Avoid aggressive schemes and stick to reputable advisers.

Reform of Behavioural Penalties
HMRC is reviewing how it applies penalties for errors and late declarations. The aim is a system that reflects intent and behaviour more fairly.

What this means: This could be good news for honest taxpayers, but expect HMRC to demand greater accuracy in return.

Advance Clearance for R&D Tax Relief
The government is considering an advance clearance process for R&D claims, allowing businesses to check project eligibility before applying.

What this means: This could bring more certainty and fewer delays for businesses claiming relief.

More Use of Third-Party Data
HMRC wants to expand the use of data from banks, platforms, and agents. The data will help:

- Pre-fill tax returns
- Spot errors or omissions
- Cut down on manual submissions

What this means: HMRC will have a clearer picture of your income – especially for those with rental or platform-based income.

Broader Economic and Policy Announcements

£3.25 Billion for Public Sector Tech
A new investment package will upgrade government digital infrastructure, with a focus on AI, automation, and productivity. This may eventually improve HMRC systems and services used by businesses.

Welfare and Employment Changes
The government is tightening eligibility for Personal Independence Payment (PIP) and making Universal Credit changes to encourage work. There's also £1 billion for employment support and retraining.

What this means: Stronger expectations around job-seeking and work readiness are on the horizon.

Defence Spending Rises
Defence will rise to 2.5% of GDP by 2027, funded partly by reallocating international aid budgets. The government sees this as essential due to global tensions.

Childcare Support – More to Come
No new updates were given, but plans to expand free childcare remain in development, with announcements

expected later this year.

Final Thoughts
This Spring Statement was steady and cautious. The government is avoiding major tax changes for now but clearly focusing on compliance, digital transformation, and future-proofing the tax system. In summary:

- MTD is still coming, just a bit later
- HMRC is doubling down on data and compliance
- There will be more opportunities for pre-approval, but also more scrutiny

If you're unsure how these changes might affect your business or want help preparing for digital reporting or R&D claims, feel free to get in touch – we're happy to help.

BUSINESS

Should you incorporate your business?

Deciding whether to incorporate your business in the UK involves evaluating several key factors:

Limited Liability Protection
Incorporating as a limited company creates a separate legal entity, safeguarding your personal assets from business debts and liabilities. This means your personal finances remain protected if the business faces financial difficulties.

Tax Implications
Operating as a limited company can offer tax advantages. Companies pay Corporation Tax on all trading profits at a maximum rate of 25%; for smaller companies, this rate can be as low as 19%. Additionally, dividends distributed to shareholders are not subject to National Insurance, potentially providing a more tax-efficient method of remuneration.

Administrative Responsibilities
Incorporation brings increased administrative duties, including:

- **Regulatory Compliance**: Registering with Companies House, filing annual accounts, and submitting confirmation

statements are mandatory.
- **Record Keeping**: Maintaining detailed financial records is essential to meet legal obligations.
- **Costs**: Expenses include registration fees and potential professional services for compliance.

Professional Image and Credibility
A limited company structure can enhance your business's credibility, potentially attracting more clients and investors. This formal structure often instils greater confidence among stakeholders.

Business Growth and Investment
Incorporation facilitates business expansion by allowing:

- **Equity Sharing**: Issuing shares to raise capital from investors.
- **Succession Planning**: Simplifying ownership transfer, ensuring business continuity.

Conclusion
Incorporating your business offers benefits like limited liability and potential tax efficiencies but comes with added administrative responsibilities. It's crucial to assess your specific circumstances, financial goals, and the current economic environment. Please call if you need help considering your options.

Crew-cabs – cars or vans?

From 6 April 2025, HMRC will no longer align its interpretation of the terms “car” and “van” for tax purposes with the definitions used for VAT purposes. Under the VAT approach double cab pickups are classified based on payload capacity, with anything under one tonne classified as a car, and anything a tonne and over as a van. This rule was replicated as a pragmatic way of resolving the primary suitability and classification of double cab pickups.

This delicately balanced test is at odds with the Court of Appeal ruling in Payne & Ors (Coca-Cola) v R & C Commrs (2020), which clarified the correct application of the “primary suitability” test. The ruling established that decisions should not be based on a narrow margin and that cases where no clear predominant suitability for carrying goods can be identified, the default should be that they are cars.

Going forward, classification of double cab pickups (including variants such as extended, extra, king and super cab pickups etc) will therefore need to be determined by assessing the vehicle as a whole at the point that it is made available to determine whether the vehicle construction has a primary suitability.

Consequently, in many cases, from 6 April 2025 most double cab pickups are expected to be classified as cars when calculating the benefit charge. This is because typically these vehicles are equally suited to convey passengers and goods and have no predominant suitability.

The VAT input tax position remains unchanged.

Readers who are considering the purchase of a crew-cab after 5 April 2025, should seek professional advice to clarify the VAT and tax status of their intended purchase. As usual, HMRC and the courts have made the determination of whether a crew-cab is a van or car rather more difficult to decide.

The Benefits of Benchmarking

Benchmarking financial results involves comparing a business’s financial performance against industry standards or competitors. This process offers numerous benefits, helping businesses identify strengths, weaknesses, and opportunities for improvement.

Firstly, benchmarking provides a clear understanding of a company’s position in the market. By comparing key financial metrics such as profit margins, costs, and revenue growth with peers, businesses can identify performance gaps and areas needing attention.

Secondly, it aids strategic planning. With insights from benchmarking, businesses can set realistic targets and develop informed strategies to enhance profitability and efficiency. For example, if a competitor achieves higher profitability through lower overheads, a business might explore cost-reduction strategies.

Moreover, benchmarking promotes continuous improvement. Regular comparisons highlight trends and potential risks, enabling proactive decision-making. It fosters a culture of learning, as businesses adopt best practices from industry leaders.

Lastly, benchmarking can enhance investor confidence. Demonstrating performance in line with or better than industry standards reassures stakeholders of a business's stability and growth potential.

Overall, benchmarking financial results is a powerful tool for driving competitiveness, efficiency, and long-term success in today's dynamic business environment.

NIC & PENSIONS

National Insurance and Benefits in Kind (BiKs)

Class 1A National Insurance Contributions (NICs) are an important part of the UK's tax system, primarily affecting employers rather than employees. These contributions are payable on certain benefits provided to employees, ensuring that non-cash perks are subject to similar taxation as salaries.

What Are Class 1A NICs?
Class 1A NICs are employer-only contributions that apply to most taxable benefits-in-kind provided to employees. These include company cars, private medical insurance, and similar benefits. The contributions are designed to ensure that employers pay NICs on benefits that provide financial value to employees, even though they are not paid as direct

wages.

When Are Class 1A NICs Payable?
Employers must pay Class 1A NICs if they provide taxable benefits that are subject to income tax under the PAYE system. The liability is calculated based on the cash equivalent of the benefit, as determined by HMRC rules. The rate of Class 1A NICs aligns with the employer's Class 1 NICs rate, which is currently 13.8% (but increasing to 15% from April 2025).

Employers report and pay Class 1A NICs annually through the **P11D(b) form**, with payment due by **22 July** following the end of the tax year (or **19 July** if paying by cheque).

Recent Changes and Digital Reporting
From 6 April 2026, HMRC is introducing mandatory payrolling of benefits, meaning employers will calculate and report benefits through payroll rather than using P11Ds. This change will streamline administration and ensure timely collection of tax and NICs.

Understanding Class 1A NICs is essential for businesses to comply with HMRC regulations and avoid penalties.

Exploring National Insurance Credits

Even if you have never been employed, you might have been eligible for NI credits without realizing it. For example, if you have been a carer for a sick or disabled person for at least 20 hours a week, you could have claimed Carer's Credit. Similarly, if you have been receiving certain benefits, such as Jobseeker's Allowance or Employment and Support Allowance, you might have automatically received NI credits.

It's a good idea to review your personal history to see if there are any periods where you might have been eligible for NI credits. If you identify such periods, you can contact HMRC to see if your NI record can be updated accordingly.

Paying Voluntary Contributions
If you are below the State Pension age and have gaps in your NI record, you can choose to pay voluntary contributions to boost your State Pension entitlement. This can be particularly beneficial if you have some qualifying years but not enough to reach the 10-year minimum.

Before deciding to pay voluntary contributions, it's important to:

- **Check Your National Insurance Record**: This will show you any gaps in your contributions and how they affect your State Pension forecast.
- **Evaluate the Cost**: Voluntary contributions come at a cost, so you'll need to assess whether the potential increase in your State Pension is worth the expense.
- **Consider Your Health and Life Expectancy**: If you're in poor health, it might not be financially beneficial to make voluntary contributions.

You can find more information on paying voluntary NI contributions on the GOV.UK website.

VAT & DUTIES

VAT retail schemes

VAT Retail Schemes are designed to help businesses simplify VAT calculations when selling to consumers. Instead of calculating VAT separately on each sale, retailers can use a scheme that estimates VAT liability based on a proportion of total sales. These schemes are particularly useful for businesses dealing with high volumes of low-value transactions.

Eligibility and Suitability
Retail schemes are available to businesses that sell mainly to the public rather than to other VAT-registered businesses. They are optional but can reduce administrative burdens, making

VAT reporting easier. Different schemes apply based on business size, turnover, and the type of goods sold.

Types of Retail Schemes
The **Point of Sale Scheme** calculates VAT at the time of sale. This works best for businesses that have clear VAT rates on products and a reliable till system that records VAT at different rates.

The **Apportionment Scheme** is used by retailers who buy goods at different VAT rates and sell them together, such as mixed-rate grocery retailers. VAT is calculated based on the proportion of purchases made at each VAT rate.

The **Direct Calculation Scheme** estimates VAT based on sales figures rather than purchase costs. This is useful for businesses with consistent pricing structures where a set percentage of sales falls under specific VAT rates.

Reporting and Compliance
Businesses using retail schemes must still submit VAT returns as usual but with simplified calculations. Records of sales, purchases, and calculations must be maintained to justify VAT figures. Choosing the right scheme depends on business size and transaction patterns. Seeking professional advice can help ensure compliance and maximise efficiency in VAT reporting.

VAT and mileage claims

Claiming Back VAT on Employee Mileage Expenses
Businesses can reclaim VAT on fuel costs when reimbursing employees for business travel based on a mileage rate. However, VAT can only be reclaimed on the fuel portion of the mileage allowance, not on other costs such as insurance or wear and tear.

Using Advisory Fuel Rates
To calculate the VAT reclaimable, businesses must use HMRC's advisory fuel rates. These rates, updated quarterly, specify the fuel cost per mile for different engine sizes and fuel types. The VAT element is included within these rates.

For example, if an employee claims 45p per mile under the approved mileage allowance and the advisory fuel rate for their vehicle is 14p per mile, VAT can only be reclaimed on the 14p per mile fuel portion, not the full 45p.

Keeping Proper Records
To reclaim VAT, businesses must keep proper records, including mileage logs detailing dates, destinations, business purposes, and distances travelled. Additionally, VAT receipts for fuel must be retained to support the claim.

Reclaiming VAT on the VAT Return
The VAT reclaim is included on the business's VAT return as input VAT. Ensuring accurate calculations and proper record-keeping is essential to meet HMRC requirements and avoid potential issues during an audit.

EMPLOYMENT & PAYROLL

Repaying employer for private fuel costs

If you have a company car and your employer picks up the tab for all your fuel, including weekend getaways, you might think you are onto a good thing. Unfortunately, this perk comes with a taxable fuel benefit charge that can sometimes cost more than the fuel itself. So, let's see why reimbursing your employer for that private fuel might actually keep more pounds in your pocket.

Understanding the Fuel Benefit Charge
The fuel benefit charge is a tax applied when your employer pays for the cost of fuel for your personal journeys, generally, in a company car. HMRC sets a fixed multiplier each tax year to calculate this charge. For the 2024-25 tax year, this multiplier is £27,800. And please note, from April 2025 this multiplier will increase to £28,200.

Your car's Benefit-in-Kind (BIK) percentage, determined by its CO_2 emissions, is then applied to this multiplier. The formula looks like this:

Fuel Benefit Charge = £27,800 × Car's BIK Rate × Your Income Tax Rate (20% or 40%)

For example, if your car has a BIK rate of 30% and you are in the higher tax bracket (40%), the calculation would be:

£27,800 × 30% = £8,340 (taxable benefit)

Then, applying your tax rate:

£8,340 × 40% = £3,336 per year

So, your tax car fuel benefit charge would be £3,336 for that "free" private fuel provided by your employer.

Crunching the Numbers: Fuel Use vs. Tax Charge
Let's say your private journeys cost up to £1,500 worth of fuel each year. If you don't reimburse your employer, you would be paying £3,336 in tax—over double the actual fuel cost. By reimbursing the £1,500, you eliminate the fuel benefit charge, effectively saving £1,836.

Making the Decision
To see if this repayment strategy would benefit you:

1. Estimate Your Annual Private Fuel Consumption: Keep tabs on your personal mileage and fuel costs.
2. Calculate the Fuel Benefit Charge: Use the formula above with your car's BIK rate and your highest income tax rate.
3. Compare the two amounts: If the tax charge exceeds your actual fuel costs, consider reimbursing your employer.

Additional Considerations:

- Record-Keeping: Maintain accurate logs of your private mileage to substantiate your reimbursements.
- Employer Policies: Discuss with your employer about setting up a reimbursement arrangement.
- Alternative Solutions: Some companies

offer fuel cards or allowances that might be more tax-efficient.

Note: Repayments for the tax year 2024-25 need to be made on or before 6 July 2025.
In a nutshell, while having your employer cover all your fuel costs sounds convenient, the associated tax charges can be hefty. By reimbursing your employer for private fuel use, you could sidestep the fuel benefit charge and keep more of your hard-earned money.

Year-end payroll chores 2024-25

As the UK tax year ends on 5 April, employers must complete several key payroll tasks to stay compliant with HMRC. Processing the final payroll run is essential, ensuring all pay, deductions, and benefits are correctly recorded. The final Full Payment Submission (FPS) must be sent to HMRC on or before the last payday, along with an Employer Payment Summary (EPS) if required.

Employers must provide P60s to all employees who were on payroll at the year-end by 31 May 2025. These summarise total earnings and deductions, and employees rely on them for tax returns or financial applications. It's also crucial to ensure all P45s have been issued correctly for any leavers.

If benefits like company cars or private healthcare were provided, these must be reported via P11D forms by 6 July 2025. Employers also need to pay Class 1A National Insurance on benefits by 22 July 2025. For those using payrolling benefits, all records must be accurately maintained.

Ensuring that PAYE and National Insurance Contributions (NICs) are up to date is crucial, with final payments for the tax year due by 22 April 2025. Updating employee tax codes for the new tax year is equally important, as HMRC issues revised codes on 6 April. Payroll software should be updated to reflect changes in tax thresholds, National Insurance bands, and minimum wage rates.

Submitting a final Employer Payment Summary (EPS) by 19 April 2025 is necessary if reclaiming statutory payments. Employers should also conduct a payroll audit to verify employee details and deductions. Staying aware of legislative changes in the new tax year, including updates to income tax thresholds and statutory pay rates, ensures compliance and smooth payroll processing.

PERSONAL

Why Landlords Need to Digitise Their Property Business

The UK rental market is evolving rapidly, with increasing regulations, tenant expectations, and operational challenges. Digitisation helps landlords streamline processes, ensure compliance, and improve profitability.

One of the biggest reasons to embrace digital tools is compliance. The introduction of Making Tax Digital (MTD) means landlords must keep digital records for property income and file tax returns online. Digital platforms also help track gas safety checks, EPC renewals, and Right to Rent verifications, ensuring landlords stay on top of legal requirements and avoid fines.

Managing property finances manually is inefficient and prone to errors. Digital accounting tools automate rent collection, categorise income and expenses, and generate reports for tax filing. Platforms like Xero, QuickBooks, and certain specialist landlord software integrate with HMRC's MTD requirements, making bookkeeping easier and reducing administrative burdens.

A strong tenant experience is key to reducing void periods and turnover. Online portals allow tenants to log maintenance requests, access documents, and communicate with landlords efficiently. Automated messaging helps with rent reminders and tenancy updates, while smart home technology—such as digital locks and remote heating controls—enhances convenience and security.

Property maintenance can be simplified using digital tools. Online systems let tenants report repairs, landlords assign tasks to contractors, and track job progress. Cloud-based storage for safety certificates, warranties, and insurance ensures everything is accessible in one place, reducing paperwork and potential compliance risks.

Marketing rental properties has also changed. Listing on platforms like Rightmove and Zoopla reaches more tenants, while digital tenant referencing speeds up the selection process. Virtual viewings, including 360-degree tours and video walkthroughs, help landlords find tenants faster and minimise void periods.

For landlords managing multiple properties or those who don't live near their rentals, digital tools offer remote access to critical information. Cloud-based property management software centralises tenant communication, financial tracking, and document storage, enabling efficient oversight from anywhere.

Beyond convenience, digitisation delivers cost savings. Automating admin tasks reduces paperwork and overhead costs, while efficient tenant management leads to fewer disputes and vacancies. Though there may be an initial investment in software, the long-term benefits—saved time, reduced errors, and increased tenant retention—make it a worthwhile move.

Landlords who embrace digital transformation will future-proof their business, ensuring they remain compliant, competitive, and efficient in an increasingly regulated market.

FINANCIAL CALENDAR

Every month:

1 Annual Corporation Tax due for companies with a year ending nine months and a day earlier, e.g. tax due 1 October 2025 for year ending 31 December 2024.

14 Quarterly instalment of Corporation Tax due for large companies (depending on accounting year-end).

19 Pay PAYE/NIC and CIS deductions for period ending 5th of the month if not paying electronically. Submit CIS contractors' monthly return.

22 PAYE/NIC and CIS deductions paid electronically should have cleared into HMRC bank account.

30/31 Submit CT600 for a year ending 12 months earlier. Last day to amend CT600 for a year ending 24 months earlier.

If the due date for payment falls on a weekend or Bank Holiday, payment must be made by the previous working day. Electronic payments sent using the Faster Payments Service (FPS) are able to clear into HMRC's account on a non-banking day – a Saturday, Sunday and most Bank Holidays.

File accounts with Companies House for private companies with a year ending nine months earlier and for public companies with a year ending six months earlier.

April 2025

5 Last day of tax year (6 April 2025, first day of new tax year).

14 Due date for CT61 return and CT payment for quarter to 31 March 2025.

May 2025

3 Submit employer forms P46 (car) for quarter to 5 April 2025.

31 Last day to issue 2024/25 P60s to employees.

July 2025

5 Final date to agree 2024/25 PAYE Settlement Agreements (PSA).

6 Last date for returns of expenses and benefits (forms P11D, P9D and P11D(b)) for 2024/25 to reach HMRC. Relevant employees to receive copies of forms P11D and P9D.

6 Last date to submit annual returns for employee share schemes and employment-related securities for 2024/25 (forms 34, 35, 39, 40 and 42).

14 Due date for CT61 return and CT payment for quarter to 30 June 2025.

22 Class 1A NICs for 2024/25 due (19th if paid by cheque).

31 Due date for second payment on account of 2024/25 Income Tax and Class 4 NICs.

31 Last day to pay 2023/24 tax to avoid second automatic 5% surcharge (unless late payment agreed with HMRC).

August 2025

2 Submit employer forms P46 (car) for quarter to 5 July 2025

October 2025

5 Deadline to notify HMRC of chargeability to Income Tax or CGT for 2024/25.

14 Due date for CT61 return and CT payment for quarter to 30 September 2025.

31 Deadline to submit 2024/25 Self Assessment tax return if filed on paper.

November 2025

2 Submit employer forms P46 (car) for quarter to 5 October 2025.

December 2025

30 Last day to submit 2024/25 tax return online to have unpaid tax of up to £17,000 collected through the 2026/27 PAYE code. The amount of debt that can be coded out in a year ranges from £3,000 to £17,000 based on a graduated scale.

January 2026

14 Due date for CT61 return and CT payment for quarter to 31 December 2025.

31 Submit 2024/25 Self Assessment return online. Pay balance of 2024/25 Income Tax and CGT plus first payment on account for 2025/26.

February 2026

2 Submit employer forms P46 (car) for quarter to 5 January 2026.

March 2026

31 Last minute planning for 2025/26 tax year. Make sure to use any CGT and IHT annual allowances and exemptions.

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