Winter Newsletter

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INTRODUCTION

This newsletter follows close on the heels of the Autumn Budget announcements made late November 2025. It was a tax raising Budget and by far the biggest revenue earner was the decision to freeze Income Tax allowances and thresholds for a further period until April 2031. More on this stealth tax in the updates that follow.

We continue to be a highly taxed member of the global community. And planning is becoming a must for many taxpayers.

Increases were announced of two percentage points in Income Tax rates on savings income, property income and dividends received. The dividend changes only apply to the basic and higher rate bands. The UK crept a little closer to a full-blown Mansion Tax as the Budget introduced a Council Tax surcharge for high-value property owners.

Readers are prompted to call if they need more information on any of the topics included in this update, and as we are within a month of the festive season, may you have a Merry Christmas and prosperous New Year.

BUDGET ANNOUNCEMENTS

New council-tax surcharge for high-value properties

In the closest we have seen yet to a Mansions Tax in the UK, the Autumn Budget has introduced a new council tax surcharge for high-value properties.

From April 2028, homes valued at over £2 million will attract a “High Value Council Tax Surcharge”.

The surcharge will be banded: a property worth £2 million to £2.5 million will incur a surcharge of £2,500; properties worth more will pay higher surcharges (up to £7,500 for properties valued over £5 million).

The surcharge will be collected locally (with council tax) but the revenue will go to central government.

4.8m taxpayers pushed into higher rate band

Without doubt, the biggest “tax increase” in the Autumn Budget this year was the decision to extend the present freeze of Income Tax thresholds and the tax-free personal allowance until April 2031. Whilst this does not involve an increase in tax rates, freezing thresholds has the same effect.

Many clients will have noticed that their tax bills feel heavier, even when headline Income Tax rates have not changed. The reason is fiscal drag, which is the steady pulling of taxpayers into higher bands when pay increases, but thresholds remain fixed. It is one of the most significant influences on personal taxation in the current decade, and by April 2031 it is expected to shift about 4.8 million people into the higher rate band. This is a structural change in the tax landscape, and it deserves a clear explanation.

Fiscal drag is simple in principle. When inflation lifts wages, the natural expectation is that thresholds would move with them so that the same proportion of income remains tax free. When thresholds are frozen, the link between pay and tax ceases to function. A pay increase that merely maintains purchasing power unintentionally becomes a trigger for additional tax. Over time this converts what feels like routine salary progression into a real loss of disposable income. Clients may not see it immediately because the process is gradual, but the cumulative impact is substantial.

To understand the effective increase, consider the taxpayer who would have remained within the basic rate band if thresholds had been indexed each year in line with average earnings or price growth. If that threshold had risen annually, it would have been much higher by 2031. Instead, it remains fixed. As earnings rise, more income is taxed at 40% rather than 20%. The shift is often not a matter of becoming a noticeably higher earner. It is simply the outcome of living through a period of wage inflation while the tax system stands still.

For those entering the higher rate band for the first time, the effect is more than symbolic. A basic rate taxpayer who crosses the threshold will now give up an additional twenty pence in tax for each pound above that level. This does not include the tapering of the personal allowance further up the income scale, which functions as a hidden 60% band for some individuals. The headline numbers understate the true cost for anyone who moves into or through that range.

These changes transform a band originally intended for a smaller proportion of taxpayers into a near mainstream rate. The growth is driven not by a deliberate tax rise in the usual sense, but by the freezing of thresholds over a prolonged period. The outcome, however, is identical to a significant rate increase for those affected.

Readers may welcome higher nominal pay, but they may not realise how much of that pay is being absorbed by the shift into a higher band. Income Tax planning is the only way to counter this fiscal drag effect.

Tax planning options following the Autumn Budget

There are a variety of tax changes in the Budget, and we recommend readers consider their planning options in the coming weeks. Without listing all of the changes, here are some of the planning issues that will need consideration:

- The increase in dividend tax rates (from April 2026) means it may benefit owner directors to re-examine how they take remuneration from their companies, in particular, the split between salaries and dividends.
- The two percentage points increase in the taxation of savings income (from April 2027), dividends and property income will benefit from a fresh look to minimise any tax increases.
- Revisit Revisit salary sacrifice arrangements, as any pension element will have a £2,000 ceiling from April 2029.

If you are unsure how any of the Budget changes will impact your financial position, on the above or any other issues, please call so we consider your options.

BUSINESS

Funding your business in 2026

Many small businesses rely on a mix of overdrafts, credit cards and short-term loans to maintain day to day cash flow. During the past year banks and alternative lenders have become more cautious, and several indicators suggest that credit conditions will tighten further during 2026. For business owners, a little early preparation can make a noticeable difference.

Lenders are placing greater emphasis on consistent record keeping, realistic forecasts and clear evidence that a business understands its cash cycle. This means that up-to-date bookkeeping is no longer just a compliance task. Regular management information can demonstrate stability, provide reassurance to lenders and highlight any seasonal pressures that may need attention.

It is also sensible to review existing credit facilities. Many overdrafts and business loan agreements include renewal terms, and these can be harder to negotiate if left until the last moment. Checking the renewal dates, interest rates and any security requirements can help avoid unexpected changes that affect cash flow.

Businesses that rely heavily on card funded working capital or revolving credit should consider whether these facilities remain suitable. Even a small increase in interest rates or a reduction in limits can put pressure on margins, particularly in sectors with tight cost structures.

Planning ahead can reduce risk and improve financial resilience. Reviewing cash flow forecasts, maintaining timely financial records and having early conversations with lenders can help small businesses enter 2026 with greater confidence and fewer surprises.

Planning fuels progress

Most business owners know that progress matters, but many still hesitate when it comes to planning. It can feel like an extra task or something that only large companies need to worry about. Yet, in practice, steady planning is one of the simplest ways to create real progress in any small or medium sized business. The link between the two is stronger than many people realise.

Planning works because it forces clarity. When business owners pause to think through priorities, patterns, and pressures, they begin to see what is really driving results. Cash flow issues, capacity limits, and pricing decisions all come into focus. This clarity helps owners make better choices, because they can see which actions will genuinely move the business forward and which are distractions. Without planning, decisions are often reactive, and progress becomes slow or inconsistent.

Regular planning also builds momentum. A short monthly review of sales, costs, workload, and upcoming commitments can help owners stay ahead of issues. They spot pressure points sooner and have time to adjust. Small, steady actions taken throughout the year often make far more difference than a single big push at year end. The cumulative effect is smoother trading, fewer surprises, and a clearer path towards goals.

Another benefit is accountability. When owners write down their intentions, it becomes easier to measure progress. Plans do not have to be complex. A simple list of priorities, actions, and expected outcomes is enough to bring structure. Even this light level of discipline strengthens focus and encourages follow through.

Over time, owners start to recognise how much difference these small habits make.

If you would like to discuss how planning could have a positive impact on your business, especially as we now know what the tax situation will be next year, please call.

Identity verification requirements at Companies House

New identity verification rules have been introduced for company directors and persons with significant control (PSC).

These changes form part of the wider reforms designed to improve the reliability of the information held at Companies House and to reduce the risk of misuse. They will affect almost every active company and will require action over the coming year.

What has changed and who is affected
Since 18 November 2025, anyone becoming a new director or a new PSC will be legally required to complete identity verification at the point of appointment or incorporation. Existing directors and PSCs will also need to verify their identity, but they will have a transition period and will be required to complete this by their next confirmation statement deadline or other filing event within the next year.

The rules apply to:

- All company directors
- All persons with significant control
- Corporate directors and limited partnerships will follow later as part of the staged implementation.

How to verify your identity
ID verification can be completed in two ways:

- Through the new Companies House online identity check using GOV.UK One Login. This requires recognised ID, such as a passport or UK photo driving licence, supported by a biometric and security check.
- Through an Authorised Corporate Service Provider, such as your accountant or solicitor. This route may involve a fee, but it allows the verification to be handled on your behalf.

Once verified, each individual will be issued with a personal code. This code must be used whenever filings are made that relate to that individual's role within a company.

What you should do now
We recommend taking a few practical steps:

1. Check who in your business holds director or PSC positions.
2. Make sure each individual has suitable identification available for verification.
3. Plan for early verification, rather than waiting for the deadline, to avoid filing delays.
4. Keep personal codes secure and ensure the business has a process for including them in filings.
5. Review your company's WebFiling access to make sure your login, email details, and authorised persons are up to date.

Why this matters to your business
The new regime is designed to protect companies and strengthen the accuracy of the public register. Completing verification promptly will help your business avoid penalties, rejected filings, and administrative delays. It will also support more transparent and reliable company records in the long term.

NIC & PENSIONS

National Insurance credits and why they matter

National Insurance credits are often overlooked, yet they are vital for protecting your entitlement to the State Pension and certain other benefits. Not everyone realises that you do not need to be working or paying NICs to build qualifying years. Credits can fill gaps and make sure your record stays complete.

A full State Pension currently requires 35 qualifying years. Someone with fewer years may receive a reduced pension. Credits help bridge these gaps. They are added to your National Insurance record when you meet certain conditions, such as caring responsibilities, unemployment, illness, or low income.

Parents of young children often receive credits automatically if they claim Child Benefit. Even if your income is too high to receive payments due to the High Income Child Benefit Charge, registering for Child Benefit still ensures the credits are applied. This is especially important for parents who take time away from work.

Carers may also be eligible for credits if they care for someone for at least 20 hours per week. Those receiving certain benefits, such as Jobseeker's Allowance or Employment and Support Allowance, may receive credits as well. People on low earnings may build part of a year through small National Insurance payments, with credits filling the rest.

Checking your National Insurance record online is a simple way to spot gaps. If missing years are found, it may be possible to claim backdated credits or make voluntary contributions. Filling these gaps early can prevent costly shortfalls later in life.

National Insurance credits may not feel urgent today, but they make a significant difference over the long term. Keeping your record complete protects your future income and ensures your entitlement to relevant benefits is secure.

Employer responsibilities for workplace pensions

Workplace pension automatic enrolment rules have been in place for more than a decade, and although contribution rates might change occasionally, the core responsibilities remain the same.

Every employer must assess their workforce to determine who qualifies for automatic enrolment. Eligible employees must be enrolled into a compliant pension scheme and receive employer contributions. Workers who fall outside the eligibility rules still have the right to opt in or join voluntarily.

Employer contributions must be paid on time. Late or missed payments can lead to penalties and may require correction. Pension schemes expect accurate data, so employers must send correct pay details, contribution levels, and joining or leaving information each period.

Record keeping is important. Employers must keep records of assessments, opt outs, opt ins, and contribution payments for at least six years. These records demonstrate compliance if The Pensions Regulator conducts a review.

Employers must also complete a re-declaration of compliance every three years. This confirms that assessments have been completed and that workers are enrolled correctly. The deadlines for this process are long established and rarely change.

Good payroll processes help ensure that contributions are accurate and timely. Payroll software can automate much of the calculation, but employers still need to check that staff details, pay periods, and pension settings are kept up to date.

Workplace pension duties are a steady and predictable part of payroll. Understanding them helps employers fulfil their responsibilities, support staff, and maintain compliance with long standing legal requirements.

VAT & DUTIES

Understanding VAT exempt and zero rated supplies

The difference between VAT exempt and zero rated supplies is one of the most fundamental elements of VAT, and it rarely changes. Understanding the distinction helps businesses charge the correct VAT, avoid mistakes, and remain compliant with long established rules.

Zero rated supplies are taxable at a rate of 0 percent. This means no VAT is charged, but the supply is still within the VAT system. Because it is taxable, businesses can reclaim the VAT they pay on related costs. Common examples include most food, children's clothes, books, and certain transport services.

Exempt supplies are not taxable at all. Businesses that make exempt supplies do not charge VAT, and they generally cannot reclaim the VAT paid on related expenses. Examples include financial services, certain types of property leasing, postal services, and some elements of education and healthcare.

The difference between the two categories matters because it affects the right to reclaim input VAT. A business that only sells exempt supplies will usually find that VAT recovery is blocked. This increases the real cost of purchases. However, a business that sells mainly zero rated goods will often be in a repayment position, because it can recover input VAT while charging none on its sales.

Some businesses provide a mixture of taxable and exempt services. This creates partial exemption, where input VAT must be apportioned. The basic method for doing this has not changed for years.

Understanding how each supply is treated helps prevent errors that could lead to penalties or repayment demands. It also helps businesses price their goods correctly, forecast more accurately, and make informed decisions about new product lines.

The distinction between exempt and zero rated supplies is one of the clearest and most long standing rules in VAT. Knowing how it works gives businesses stronger control over their compliance and cash flow.

EMPLOYMENT & PAYROLL

Statutory Sick Pay

Statutory Sick Pay (SSP) is paid by employers to qualifying employees who are unable to work due to illness. Eligibility begins after three waiting days unless an exception applies. Employees must earn at least the lower earnings limit and must provide evidence of illness after seven days of absence. Employers pay SSP for up to 28 weeks.

Employers cannot reclaim SSP from HMRC. This has been the case for many years. Therefore, understanding the rules helps businesses plan for the cost of staff absences and ensures that payroll processes remain compliant.

Record keeping is important. Employers should maintain clear records of absences, fit notes, and SSP calculations. These records must be kept for at least three years. Good records help resolve disputes, ensure correct payments, and protect employers during any compliance checks and audits.

Clear communication with staff also matters. Many issues arise because employees do not understand when SSP begins, how much will be paid, or what information they must provide. Setting expectations early helps avoid misunderstandings and ensures that payroll runs smoothly.

For employers using digital payroll software, SSP calculations are usually automated. However, it is still important to understand the underlying rules. Software only works accurately when absence dates and earnings are entered correctly.

SSP is a stable area of payroll law. Understanding it helps employers manage absences fairly, comply with employment rules, and maintain accurate payroll records.

PERSONAL

The advantages of preparing self-assessment tax returns early

Many taxpayers leave their self-assessment tax return until the final months of the cycle. It is understandable, because the deadline feels distant for much of the year. However, preparing the return early offers a number of practical advantages that can reduce stress, improve financial planning, and avoid last minute problems. Early preparation is one of the simplest ways to make the process smoother.

The most obvious benefit is peace of mind. When the return is completed early, there is no risk of missing the deadline or rushing to gather information at the last moment. This avoids the common January pressure when HMRC systems become busier and accountants face extremely heavy workloads. Early filing gives you time to resolve queries, find missing documents, and check that all figures are complete and correct.

Another advantage is better tax planning. When a return is prepared early, the taxpayer sees their liability long before the payment date. This allows time to budget, adjust savings, or plan cash flow around the upcoming payment. For some clients, knowing the figure six or nine months ahead makes a significant difference. It also provides opportunities to consider legitimate tax planning steps for the following year, such as pension contributions, gift aid, or capital allowance claims, with plenty of time to act.

Early filing also helps avoid unexpected surprises. If tax code errors, underpayments, or corrections are needed, these issues can be dealt with calmly rather than in a rush. Any HMRC correspondence that follows can be handled without the pressure of a looming deadline.

For those with more complex affairs, such as rental income, capital gains, partnership interests, or multiple sources of income, early preparation reduces the chance of delays caused by missing information from third parties. It also supports better record keeping because the details are still fresh.

Finally, early filing helps us manage the workflow more effectively, which means more time for advice and fewer delays.

Preparing a self-assessment return early is a straightforward habit that brings clarity, control, and confidence throughout the year.

Preparing for Making Tax Digital from April 2026

From 6 April 2026, many self-employed business owners and landlords will move to a new way of reporting their tax information. Making Tax Digital for Income Tax (MTD for IT) will require quarterly submissions rather than a single annual self-assessment return. The aim is to improve accuracy, reduce common record keeping errors, and help taxpayers understand their liabilities throughout the year. For many people, this will represent a significant shift in how they manage their financial information, so preparation during the first quarter of 2026 is essential.

The rules will apply from April 2026 to individuals with qualifying income of more than £50,000 a year from self-employment and/or property rentals. This threshold applies to gross income, not profit, and will be based on reported income numbers from the self-assessment returns submitted for 2024-25. Someone with £30,000 of rental income and £25,000 of self-employed income, for example, will fall within scope.

The new rules will apply to individuals, not companies, so company directors and those operating through limited companies are unaffected. Partnerships will join later, once HMRC has finalised the rules for more complex arrangements.

Those who fall in scope will need to keep digital records of all business and property income and expenses. Spreadsheets can still be used if combined with bridging software, although many owners are likely to find dedicated bookkeeping software simpler in the long run. Each quarter, a short update must be submitted to HMRC. This update does not need to be final. It is simply a summary of income and expenses for that period. The final year end process will still happen, and that is where adjustments, claims, and complex entries will be completed.

The most important preparation is understanding whether you will be affected. Self-employed business taxpayers and landlords should review their total income for the year ending 5 April 2025, and if it exceeds the initial £50,000 threshold, they should begin preparing as soon as possible. Those close to the threshold should be cautious, because once income exceeds the limit, MTD for IT becomes mandatory from the next tax year.

The next step is selecting suitable digital tools. Taxpayers will need a way to record income and expenses regularly and submit quarterly updates. The choice will depend on the nature of the business or rental activity. Landlords with a small number of properties may prefer simple software that focuses on rental records. Traders with higher transaction volumes may need a more comprehensive system that includes invoicing, bank feeds, and reporting. Choosing software early allows time to learn the system and test processes before they become mandatory.

Affected taxpayers should also think about the practical routine they will follow. Quarterly updates mean that records need to be maintained more regularly. Leaving paperwork until the end of the year will no longer be possible. A monthly habit of updating transactions, reviewing income, and checking expenses will make each quarterly submission far easier.

It is also worth reviewing the quality of existing records. Missing receipts, incomplete rental schedules, or irregular bookkeeping make quarterly reporting more stressful. Tidying these processes over the coming months will pay long term dividends.

With the right preparation, the move to quarterly updates does not need to feel overwhelming. Early planning gives owners time to adapt, choose suitable tools, and establish smoother routines long before the April 2026 deadline. If you feel unsure about your next steps, we are here to guide you through the process and help you prepare with confidence.

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 2026 for year ending 31 December 2025.

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.

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.

April 2026

5 Last day of tax year (6 April 2026, first day of new tax year).

14 Due date for CT61 return and CT payment for quarter to 31 March 2026.

May 2026

3 Submit employer forms P46 (car) for quarter to 5 April 2026.

31 Last day to issue 2025/26 P60s to employees.

July 2026

5 Final date to agree 2025/26 PAYE Settlement Agreements (PSA).

6 Last date for returns of expenses and benefits (forms P11D, P9D and P11D(b)) for 2025/26 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 2025/26 (forms 34, 35, 39, 40 and 42).

14 Due date for CT61 return and CT payment for quarter to 30 June 2026.

22 Class 1A NICs for 2025/26 due (19th if paid by cheque).

31 Due date for second payment on account of 2025/26 Income Tax and Class 4 NICs.

31 Last day to pay 2024/25 tax to avoid second automatic 5% surcharge (unless late payment agreed with HMRC).

August 2026

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

October 2026

5 Deadline to notify HMRC of chargeability to Income Tax or CGT for 2025/26.

14 Due date for CT61 return and CT payment for quarter to 30 September 2026.

31 Deadline to submit 2025/26 Self Assessment tax return if filed on paper.

November 2026

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

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