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There's still time for some year end tax planning!

With the tax/financial year end approaching, now is a good time to check that you're making the most of the available reliefs and allowances available to you. Please talk to us if you think any of the issues affect you.

Savings

If you have some spare cash, an obvious tax planning point would be to maximise your ISA allowances for the 2025/26 tax year (currently £20,000 per person). If you are 18 or over but under 40, you can open a Lifetime ISA to save for your first home or retirement. You can put in up to £4,000 each year, until you're 50, but you must make your first payment into your ISA before you're 40. The government will add a 25% bonus to your savings, up to a maximum of £1,000 per year. The £4,000 Lifetime ISA limit counts towards the £20,000 ISA allowance.

Pension Planning

You might also want to consider increasing your pension savings **before 5 April 2026**.

Under the current rules, the government adds to your pension contributions at the 20% basic rate. For instance, if you save £4,000 in a personal pension, the government tops this up to £5,000. If you are a higher rate taxpayer there is a further £1,000 tax relief when your tax liability is calculated, reducing the net cost of making the contribution to £3,000.

Additional pension contributions can be even more effective if your income is between £100,000 and £125,140 as the gross pension contribution reduces net income for the purposes of the reduction in the personal allowance. Note that for every £2 of income in excess of £100,000, the £12,570 personal allowance is reduced by £1, with reduction to nil where net income is £125,140 or more. This is effectively a 60% tax saving.

The timing of making contributions can be critical. There are also limits on the amount which can be contributed to a pension each year tax efficiently. Contact us for details of how these apply to your circumstances.

Cont/.....There's still time for some year end tax planning!

Dividends and company loans

The basic and higher rates of income tax applying to dividends will increase by two percentage points on 6 April 2026. The basic rate will increase from 8.75% to 10.75% and higher rate will increase from 33.75% to 35.75%. The additional rate will remain unchanged at 39.35%.

The increase to the higher rate will also apply for the purposes of the 'penalty tax' which is charged on some company loans to their shareholders, made on or after 6 April 2026.

Consider the timing of dividend payments and company loans as we approach the end of the tax year and, where possible, take advantage of the lower rates applying in 2025/26.

Before taking any action, we would recommend talking to us to fully consider your position and advise on any possible savings which can be made.

Capital allowances

Where a business has a **31 March or 5 April year end**, the end of the tax year is a significant date as far as capital allowances are concerned. In order for new equipment to attract capital allowances, the expenditure must be incurred on or before the end of the accounting period. It is therefore important to consider the timing of expenditure and the possibility of accelerating planned investment.

Limited companies and unincorporated businesses are entitled to 100% write off for the first £1 million spent on new and used equipment in a 12 month period. This is called the "annual investment allowance" (AIA). The AIA does not apply to motor cars but there is a special 100% tax relief if you buy a new zero-emissions motor car.

In addition to the AIA, limited companies buying new (not second hand) equipment are entitled to fully expense the cost of most acquisitions against business profits. There is no financial limit on expenditure qualifying for this "full expensing" relief.

For expenditure incurred on or after 1 January 2026, a new 40% first year allowance is available to limited companies and unincorporated businesses. The allowance can be used against qualifying assets (not cars or second-hand assets) and will be particularly useful to unincorporated businesses that have used all of their £1million AIA.

Where equipment is bought under a hire purchase contract, the capital allowances outlined above are available on the full cost of the asset provided it has been brought into use by the end of the accounting period. This is despite the fact that the payments may be spread over a number of months. It is important to take note of when assets are brought into use.

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Cont/.....There's still time for some year end tax planning!

Capital Gains Tax Planning

You might wish to consider bringing forward capital gains to **before 6 April 2026** if you haven't used your £3,000 CGT annual exemption for 2025/26.

Another important point to note is the upcoming increase to the CGT rates applicable to gains qualifying for both Business Asset Disposal Relief (BADR) and Investors' Relief (IR). These rates increased from 10% to 14% on 6 April 2025 and are set to increase again to 18% on 6 April 2026: another reason to accelerate qualifying disposals, where possible.

Paying Voluntary National Insurance Contributions

A retiring person needs to have 35 'qualifying years' in order to claim the full state pension. For those with gaps in their record, usually due to not paying sufficient National Insurance Contributions (NICs), it is possible to 'plug' those gaps by paying Class 3 (Voluntary) NICs at £17.75 per week (£18.40 in 2026/27).

Voluntary NICs can usually only be paid for the past six years: this means that gaps for the 2019/20 tax year must usually be made up by 5 April 2026.

MTD for Income Tax & FAQs

Making Tax Digital for Income Tax (MTD for IT) will be introduced from 6 April 2026.

Making Tax Digital (MTD) for income tax will be mandated for a large group of self assessment taxpayers from 6 April 2026, with even more individuals being mandated in 2027 and 2028.

If your combined turnover from a sole trade or property business was over £50,000 in the 2024/25 tax year, you will likely be required to comply with the MTD for income tax rules from 6 April 2026.

Over the past year we have successfully helped many of our clients prepare for MTD. If you would like to discuss how you can meet the new requirements, please speak to us – we're happy to help! Please see our article below from our last newsletter as a reminder:

Who will be affected by MTD for IT, and when?

Individuals with self employment and/or income from property will need to comply with MTD for IT once they are mandated. The commencement date for MTD for IT is 6 April 2026, but a phasing-in program will mean that some individuals are not immediately within the regime. MTD for IT applies from:

- 6 April 2026 for sole traders and landlords with qualifying income over £50,000 in 2024/25.
- 6 April 2027 for those with qualifying income over £30,000 in 2025/26.
- 6 April 2028 for those with qualifying income over £20,000 in 2026/27.



If an individual's qualifying income exceeds the threshold in a tax year, HMRC will notify them that they are mandated to comply with the MTD for IT rules.

What is 'qualifying income'?

Qualifying income is a person's gross income (turnover), before expenses are deducted, from self-employment and property combined.

Does qualifying income include VAT?

HMRC will look at the tax return 'income' boxes to calculate qualifying income. For those using the Cash Basis, it is possible to include VAT in the tax return figures for income and expenses. If VAT is included, HMRC will include it in the individual's qualifying income, therefore it's best not to use VAT-inclusive figures in the tax return.

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MTD for Income Tax - FAQs

Are there any exemptions for those with a low volume of transactions?

No. If qualifying income is over the thresholds outlined above, an individual will be mandated regardless of the volume of transactions.

What do I need to do if I am mandated?

You will keep digital records in MTD-compatible software and send a quarterly update summary of your business income and expenses to HMRC. This means that each quarter, you will need to enter details of each item of income and expenditure into your software.

In addition to the quarterly record-keeping and reporting requirements, you will still need to submit an end-of-year tax return, where you enter any other sources of income (such as employment, savings or dividends) and finalise your tax position. The end-of-year return also needs to be submitted using MTD-compatible software.

Will I need to make quarterly payments to HMRC?

At this point, there are no plans to mandate quarterly payments. The due date for payment will remain 31 January following the end of a tax year, with payments on account due on 31 January and 31 July.

I've heard that there's an easement for those with turnover below £90,000. What does this involve?

There is an easement, but it's not as generous as we would like! The easement allows businesses with turnover below the VAT threshold to send totals for 'income' and 'expenditure' to HMRC each quarter, instead of totals for a longer and more detailed list of income and expense categories. Each individual item of income and expenditure will still need to be entered into the MTD-compatible software, although each item can be simply categorised as either 'income' or 'expenditure'.

Apparently there's an easement for recording income from jointly held property. What does this mean?

There is a separate easement for recording and reporting jointly held property income, that can be used in conjunction with the easement for those with turnover below £90,000 (provided income for the property business is below the threshold). If both easements are used, for jointly held property, the individual can enter a single income figure into the MTD-compatible software each quarter and a single, annual total expenses figure in quarter 4.

Where an individual receives property income and incurs residential property finance costs (such as mortgage interest), they must create a separate digital record for these costs and send them separately from other expenses, even if taking advantage of this easement.



Dividend Tax Rates Rising in April 2026

The recent Budget confirmed that dividend tax rates will increase from April 2026. The ordinary and upper rates of dividend tax will both rise by 2%.

For many small and medium-sized companies, dividends are central to how owners pay themselves. With the tax rates rising, your pay and profit extraction strategies will likely need a fresh look for 2026/27.

What's Actually Changing

From April 2026:

- The dividend ordinary tax rate increases from 8.75% to 10.75%.
- The dividend upper tax rate rises from 33.75% to 35.75%.
- The dividend additional tax rate remains at 39.35%.
- The tax-free dividend allowance remains at £500

The rate you pay on your dividends will depend on the amount of your total income and your other sources of income. These rates apply only to dividends - salary, bonuses and savings are taxed differently.

What the Changes Mean for Profit Extraction

As dividends have usually offered a tax advantage over salary, many directors/shareholders adopt a mix of a low salary and higher dividend income. However, with dividend tax rising, the balance is shifting slightly. The best extraction strategy for one director may look quite different for another, especially when factors like income levels, other earnings, pensions and company profits are taken into account.

It may therefore be worth reviewing:

- Whether a different mix of salary and dividends is now more efficient for you.
- Bringing forward dividends before April 2026, where appropriate.
- The impact on cash flow if you switch to taking a larger salary instead of dividends.

If you want to review how you take money from your company, or see how the upcoming dividend tax changes could affect your take-home pay, get in touch. We can guide you through the options and help you make sure your remuneration is as tax-efficient as possible.

Inheritance Tax Reliefs - A Welcome U-Turn!

The government has announced that the proposed cap to the 100% rates of Agricultural Property Relief (APR) and Business Property Relief (BPR), which is due to apply from 6 April 2026, will be increased to £2.5 million from the £1 million previously announced.

The revised measure means that from 6 April 2026, individuals will be able to pass on £2.5 million of qualifying agricultural and business assets without attracting IHT.

This is the second recent significant amendment to the proposed IHT reforms, which were first announced in the 2024 Autumn Budget. The initial policy did not permit any unused allowance on death to be transferred between spouses or civil partners. However, this position changed in the 2025 Autumn Budget when it was announced that the new allowance would be transferable.

These changes together mean spouses and civil partners will potentially be able to pass on, combined, £5 million of qualifying agricultural and business assets free of tax.

What is E-Invoicing?

Over the coming years we will be hearing a lot more about e-invoicing because the government has confirmed that it will be mandated for VAT invoices from 2029. It believes that growth, administrative benefits and increased revenue can be optimally achieved by the introduction of e-invoicing.

Electronic invoicing or 'e-invoicing' is the digital exchange of invoice data between a buyer and a supplier's financial systems. An e-invoice is not just a digital photograph or an email attachment – it will require both the supplier and customer to have compatible software so that data in prescribed fields can be transmitted from one to the other.

At Budget 2025 the government announced that in 2029, business-to-business (B2B) and business-to-government (B2G) VAT e-invoices will be mandatory. They also confirmed that real-time reporting of e-invoices to HMRC will also be mandated in future, although this will occur after 2029.

The government plans to announce a detailed roadmap implementing mandatory e-invoicing for VAT at Budget 2026.

EMPLOYMENT EXPENSES

From 6 April 2026, it will no longer be possible for employees to claim tax relief against their employment earnings for the costs of working from home. This change is being implemented because too many people were claiming the relief incorrectly.

The relief, at £6 per week (or the amount of actual homeworking costs if higher) is still available for 2025/26, but only if the employee is contractually required to work from home. The measure will result in an Income Tax increase of £62 for basic rate taxpayers and £124 for higher rate taxpayers.

From 2026/27, if the employer actually reimburses the costs of working from home to the employee, this will be free of tax and NICs provided the employee is contractually required to work from home.

Backtrack on right to work digital ID requirements

Digital right to work checks will be mandatory, ID optional

It appears that the government has backtracked on plans to require workers to register with its new digital ID programme to prove their right to work in the UK.

While right-to-work checks will still be carried out digitally by 2029, such as by using biometric passports, registering for a digital ID will be optional.

Transport Secretary, Heidi Alexander, confirmed that mandatory digital right-to-work checks will be brought in to help crack down on illegal working, but that the digital ID will be one way that a worker could use to prove their eligibility to work.

The idea of compulsory digital IDs has proved unpopular with nearly three million people signing a parliamentary petition to oppose their introduction.

Details on how the digital ID will work are not yet available. Many expect it to be based on the Gov.uk One Login and the yet to be launched, Gov.uk Wallet.

In the meantime, it is already possible to use government-certified digital verification services to do passport checks on British and Irish citizens. The Home Office also provide an online service for verifying the status of non-British or Irish citizens where the individual's immigration status is held electronically.

Why did the chicken go to the VAT tribunal? VAT Case Study



In *WM Morrison Supermarkets v HMRC*, the first tier tribunal (FTT) found that rotisserie chickens were a supply in the course of catering and therefore subject to VAT at 20%.

VAT legislation zero-rates supplies of food, but supplies of catering are excluded from the zero-rating. 'Catering' includes supplies of hot takeaway food but not cold. 'Hot takeaway food' is also defined and includes any food that is kept hot after it has been heated, be it on hot plates, under heat lamps or in packaging that retains heat. This is why it is possible to buy a VAT-free hot pie or pasty; if they are neither cooked to order nor kept warm, they can be zero-rated straight out of the oven!

Any takeaway food that is advertised or marketed in a way that indicates that it is supplied hot will also be subject to VAT at 20%.

Morrisons appealed to the FTT against VAT assessments totaling £17,034,932. They argued that their rotisserie chickens were cold takeaway food and were therefore zero-rated. HMRC argued that the chickens met several of the conditions for standard-rating.

The FTT found that the chickens were not advertised or marketed as hot food but they were kept in packaging that retained heat. Morrisons claimed that the plastic-lined chicken bags were merely designed to contain chicken juice, but it was found that in the packaging a tightly-wrapped chicken would cool by 47.06% after 2 hours, compared with a 62.59% temperature drop for an unwrapped chicken over the same time period.

The chickens were therefore hot takeaway food and a standard-rated supply of catering.

This case demonstrates the complexities involved in establishing the VAT rating of some supplies. If you have any questions about charging VAT on your goods or services please get in touch with us.

FSCS Deposit Protection Limit Raised to £120,000 in December 2025

Is it time to review your business's cash reserves?

The Financial Services Compensation Scheme (FSCS) deposit protection limit increased from £85,000 to £120,000 from the start of December 2025.

The new threshold applies per depositor, per PRA-authorized bank, building society or credit union. The PRA have confirmed that HM Treasury has approved the change.

This is the first change to the limit since 2017 and follows a consultation earlier in the year. The PRA had initially proposed that the limit should rise to £110,000, but feedback provided in the consultation and the latest inflation data

Temporary High Balances Limit Also Rising

Alongside the core protection limit, the cap for Temporary High Balances (THBs) will increase from £1 million to £1.4 million on 1 December.

THB protection applies to qualifying life events that can temporarily increase a customer's account balance, such as buying or selling a house or insurance claim payouts prompted a higher final figure.

Implications for Your Business

The increase in limit will be good news if you hold cash reserves in your business to cover working capital, payroll and other running costs.

It is worth noting that the limit continues to be applied 'per depositor, per PRA-authorized institution'. This means that if you are eligible and hold cash reserves that exceed the deposit protection limit, you could gain further protection by spreading your funds across different authorized institutions.

It is worth checking whether a banking group is operating multiple brands under a single licence. This means you would only receive a single protection limit for the total amounts held across those brands.

NCSC Launches Free Cyber Action Toolkit

Practical actions to help businesses boost security

The National Cyber Security Centre (NCSC) has launched a new free Cyber Action Toolkit to help small businesses strengthen their cyber defences in a simple and affordable way.

The toolkit has been designed for businesses that may not have in-house IT expertise or large security budgets, offering clear, practical steps that can be implemented straight away.

Helping small businesses take action

NCSC recognises that many small businesses find cybersecurity daunting, perhaps feeling that it is too technical, too costly, or simply not a priority. The sheer volume of guidance available can also be off-putting. This all leads to feeling overwhelmed and leaving cybersecurity for another day.

The new Cyber Action Toolkit aims to change that by providing easy-to-follow actions that provide immediate protection, even for those new to cybersecurity. The format focuses on taking a series of simple steps rather than just reading through guidance.

According to NCSC, the Toolkit has been tested by more than 2,500 trial users with good results.

As one early user, copywriter Siobhan Strode, commented: "Having a guide was really helpful. I felt really motivated to tick actions off - they were quick to do."

Why it matters for your business

Although many see cybersecurity as something that is more relevant to larger businesses, the NCSC advise that no company is too small to be a target. Small businesses are just as likely to experience online crime as larger ones.

To access the Cyber Action Toolkit, see [here](#).



Minimum Wage Rates Increase

The minimum hourly rates that employers must pay their employees go up from 1 April 2026. Employers must pay their employees at least these minimum rates to avoid penalties, back payments and other regulatory action.

If you have employees paid at or just above these levels, you need to ensure that birthdays, full working hours and deductions are properly captured and dealt with. Please contact us for any support with business payrolls, including the operation of minimum wage levels.

	Current rate (1 April 2025 to 31 March 2026)	New rate from 1 April 2026
National Living Wage (21 years old and over)	£12.21	£12.71
National Minimum Wage (18-20 years old)	£10.00	£10.85
National Minimum Wage (16-17 years old)	£7.55	£8.00

See: <https://www.gov.uk/national-minimum-wage-rates>

Mandatory Payrolling of Benefits in Kind from April 2027

From **6 April 2027**, the way UK employers report and tax Benefits in Kind (BiKs) and certain employee expenses are set to undergo a major transformation. This change marks one of the most significant payroll reforms in years and will affect businesses of all sizes.

What's Changing?

Currently, most employee benefits such as **company cars, private medical insurance, gym memberships, travel expenses and other perks** are reported to HM Revenue & Customs (HMRC) after the end of the tax year using **P11D** forms. Employers then pay any associated Class 1A National Insurance and tax is collected either by adjusting employee tax codes or through Self Assessment.

From **April 2027**, this system will be replaced with **mandatory payrolling of Benefits in Kind**:

- Employers must **report most BiKs and taxable expenses in real time** through payroll software, on or before each employee payday.
- Income Tax and **Class 1A National Insurance** on those benefits will be deducted and paid via payroll rather than being settled at the end of the tax year.
- This means the value of benefits will be included on employees' payslips and taxed **as they're received**, rather than retrospectively.

Which Benefits Are Affected?

Most BiKs will need to be payrolled, including:

- Company cars and fuel
- Private health insurance
- Gym memberships or health club subscriptions
- Travel allowances and some expenses

However, certain benefits—particularly **employment-related loans and employer-provided accommodation**—will **initially remain outside mandatory payrolling**. Employers may choose to payroll these voluntarily if they register with HMRC to do so, but P11D and P11D(b) reporting will still be needed for those benefits unless payrolled voluntarily.

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Cont/.....Mandatory Payrolling of Benefits in Kind from April 2027

Why the Delay to 2027?

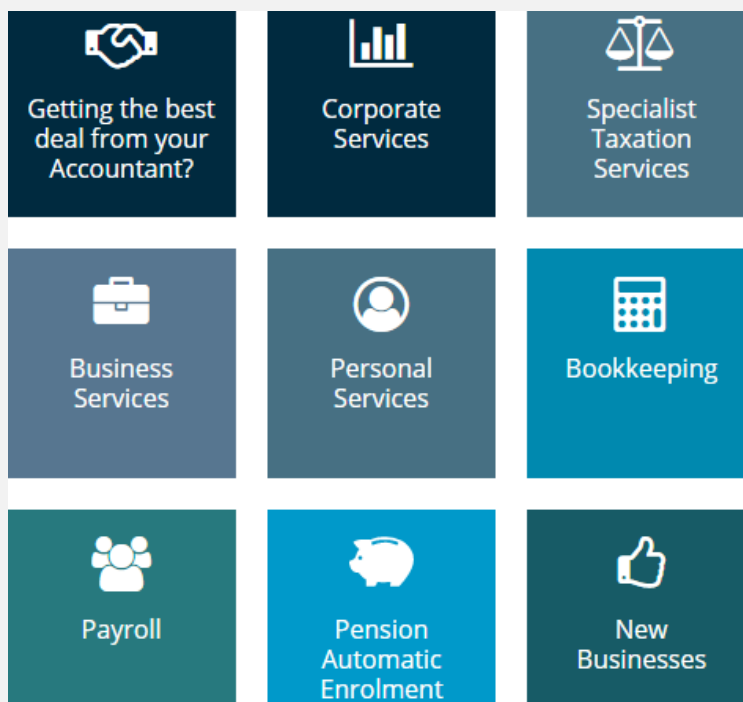
The mandatory start date was originally planned for April 2026 but was **delayed to April 2027** to give employers, software providers and payroll teams more time to prepare for real-time reporting and systems changes.

What Employers Need to Do Now

To prepare for the transition next year:

- ⇒ **Review payroll systems** – Ensure your current software can handle the new BiK reporting requirements via Real Time Information (RTI).
- ⇒ **Identify all benefits provided** – List every BiK currently offered and plan how it will be valued and reported in payroll.
- ⇒ **Voluntary early payrolling** – Employers can choose to payroll benefits before the mandatory date to test processes. Voluntary registration needs to be completed well in advance of the 2026–27 tax year if you plan to adopt early.
- ⇒ **Plan cash flow for Class 1A NIC** – Because Class 1A NIC will be payable in real time via payroll rather than as a lump sum after year-end, budgeting for these cash flows is essential.
- ⇒ **Communicate with employees** – Staff will start to see benefits reflected on payslips and taxed as part of PAYE, so clear employer communications are crucial.

MNA WEBSITE



Remember we have a comprehensive website at <https://www.marslandnash.com> which contains full details of all of our services, as well as:

- ⇒ Latest accounts and tax news
- ⇒ Downloads section which includes all our newsletters
- ⇒ Filing deadlines pages
- ⇒ Current tax rates and information pages

Plus much more!

PAYROLL WEBSITE



We have created a dedicated website at www.mnpay.co.uk
With our payroll clients in mind, so all your payroll resources
are in one place



Visit our website or contact Joe Bostock who will
be happy to assist you.

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