MNA News Wire

MARSLAND NASH ASSOCIATES

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VICTIM OF A DATA BREACH? WHAT TO DO NEXT….

Review of NCSC data breach guidance

Media attention has been focused recently on the cyber-attacks affecting high street retailers. If you or your business is a customer of these businesses, you may have received communications alerting you to the fact that your data was included in the breach. If so, you may be wondering what you should do to protect yourself.

The National Cyber Security Centre (NCSC) have been highlighting their guidance on how to protect yourself from the impact of data breaches.

The guidance reviews what a data breach is and how you might be affected. It then details the actions to take following a breach, reporting suspicious messages and what to do if you've lost money.

What actions should you take following a breach?

The starting point is to confirm whether you've been affected. NCSC advise that you can contact the relevant organisation using their official website or social media channels. They stress that you shouldn't use links or contact details included in any messages you have been sent.

You may receive suspicious messages, even some time after the breach has been made public, so be alert. NCSC provide a list of tell-tale signs that can help you determine whether a message is fake. You should especially be cautious when being asked to provide personal information or to act urgently.

If you receive a message that contains a password that you've used in the past, NCSC advise that you don't panic. If you still use the password or use it on any other online accounts, you should change those straightaway.

You should also check your online accounts to make sure that they are not being accessed by someone who is unauthorised. Check the account's login records for unusual logins or login attempts. Look for changes in your security settings and messages or notifications that have been sent from the account that you don't recognise.

If you find an account has been accessed, then NCSC provide a step-by-step guide on recovering a hacked account.

To review the data breach guidance in full, see the NCSC website.

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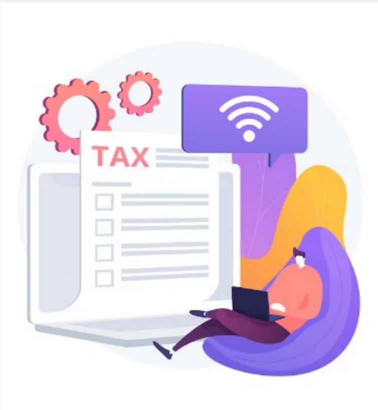
MTD for Income Tax - FAQs

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



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.

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.

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MTD for Income Tax - FAQs

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.

I already submit quarterly VAT returns. How will this work alongside MTD for IT quarterly updates?
MTD for IT quarterly updates are for set periods. The quarters end on 5th July, 5th October, 5th January and 5th April, although it is possible to elect to use 'calendar quarters' ending on 30th June, 30th September, 31st December and 31st March.

VAT quarters can end on the last day of any month, depending on your 'VAT stagger'. If your VAT quarters do not align with the calendar quarters for MTD for IT, it may be worth considering changing your VAT stagger, so that your VAT returns are aligned with your MTD for IT quarterly updates.

What will happen if I don't comply with the new rules?
Once you are mandated to comply with MTD for IT, a range of penalties will apply to both the quarterly updates and the end-of-year returns. A new penalty regime for late filing and late payment will apply to those who are mandated. Penalties for errors will apply to the end-of-year tax return, but not the quarterly updates. This does not mean that erroneous 'nil' returns can be submitted for the quarterly updates, however. HMRC will have powers to issue penalties of up to £3,000 per quarter if you do not keep digital records. At this time, it is unclear how HMRC will use these powers because guidance has not yet been issued.

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HMRC SPRING TAX UPDATE

On 28 April 2025, the Government made several tax policy announcements, launched consultations and confirmed previously announced developments. Key points included:

- Mandatory payrolling of benefits in kind (BIKs) will be delayed until 6 April 2027. This is to give more time for software providers, employers and tax agents to prepare for the change. The mandate was previously intended to take effect from 6 April 2026. From 6 April 2027, mandatory payrolling will apply to most BIKs, except for employment-related loans and accommodation benefits. These may be payrolled voluntarily from April 2027.

- HMRC revised its Check Employment Status for Tax (CEST) digital tool on 30 April 2025, to make it easier to use. HMRC is committed to standing behind the outcomes of the tool where it has been used correctly, and has published guidance on how to answer the revised questions. The tool is used by workers to help them determine whether their work on a specific engagement should be classed as employed or self-employed for tax purposes.

- If you have multiple employments or are both employed and self-employed, a cap (the 'annual maxima') limits the total National Insurance Contributions (NICs) you need to pay. If you pay more than you need to, you can make a claim for a refund from HMRC at the end of the tax year. The Government have said that the process for refunding NICs under the annual maximum rules will be reviewed to make it easier and faster for taxpayers to access refunds.

- The VAT Capital Goods Scheme (CGS) is a mandatory scheme that ensures the VAT reclaimed on certain capital assets reflects the extent to which the asset is used for taxable business purposes over a prescribed time period. The Government has announced proposals to remove computers from the list of capital assets within the scheme and to increase the VAT-exclusive value of land and buildings that are caught by the scheme from £250,000 to £600,000. No date for these changes has been announced.

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EXTRACTING FUNDS FROM AN OWNER-MANAGED COMPANY

"What's the most tax-efficient way to take funds out of my company?" is perhaps the most common question put to accountants by their owner-managed company clients.

The answer used to be simple: *"Take a salary up to the level of the personal allowance and take the rest as a dividend"*. Unfortunately, we are no longer able to give such a straightforward, one-size-fits-all answer. Put simply, the most honest answer we can give without performing individualised calculations is *"It depends"!*

If the director(s) need to take a market rate salary for commercial reasons (including obtaining finance in their own name or for making personal pension contributions), this should be a priority.

Individual calculations need to be carried out to arrive at the optimal profit extraction strategy for all but the most straightforward businesses. This is because the optimal extraction method will depend on a range of factors, including but not limited to:

- The company's profit level, which determines its rate of corporation tax;
- The number of director/shareholders;
- The available distributable reserves in the company;
- The director/shareholder's other income, which determines their marginal rate of income tax and the amount of Personal Allowance available to them.
- The director/shareholder's age - those aged 66 or over do not pay employees National Insurance Contributions;
- The availability of the £10,500 Employment Allowance (EA) - the company might not qualify for EA or it might already be utilised by other employees' salaries;
- Possible applicability of National Minimum/Living Wage legislation.

Consideration then needs to be given to the cash requirements of the director/shareholders. Extracting all available funds from the company is likely to incur a higher tax cost than extracting a set figure that is sufficient to cover living costs. Funds retained in the company will not be subject to income tax until they are taken out of the company by the director/shareholders. Alternatively, funds may be retained in the company with a view to realising a capital gain on the eventual sale or liquidation/striking off of the company. The capital gain will be subject to Capital Gains Tax and could be eligible for Business Asset Disposal Relief.

For many director/shareholders, the 'classic' extraction model of taking a salary equal to the £12,570 personal allowance, followed by dividends sufficient to cover their living requirements, is likely to be a tax efficient strategy, however, as can be seen above, there are many factors that may change the position.

Individualised advice may be necessary - if you wish to discuss your profit extraction plan with us please get in touch – we'd be happy to help!

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CHANGES TO THE TAXATION OF NON-UK DOMICILED INDIVIDUALS

From 6 April 2025, a new regime for the taxation of UK resident non-domiciled individuals came into effect. HMRC have published a brand-new manual on the regime which can be viewed here.

Until 5 April 2025, special tax rules applied to individuals who were resident in the UK but whose domicile (i.e. their permanent home, usually determined by their father's permanent home at the time the individual was born) was outside the UK. Such individuals could choose to either pay UK tax on their foreign income and gains as they arose or, alternatively, they could claim the remittance basis, which meant only foreign income and gains remitted to the UK were taxed.

From 6 April 2025, all UK residents will be taxed on the arising basis of assessment. The remittance basis will no longer be an option. A new regime for Foreign Income & Gains (FIG) will be available to individuals for their first four years of UK tax residence after a period of 10 years non-residence. Individuals who make a claim to use the new 4-year FIG regime will not pay tax on FIG arising in those four years. Former remittance basis users will continue to pay tax on FIG that arose before 6 April 2025 that they remit to the UK.

New rules also apply for Inheritance Tax (IHT) purposes. The new test for whether non-UK assets are in scope for IHT is whether an individual has been resident in the UK for at least 10 out of the last 20 tax years immediately preceding the tax year in which the chargeable event (including death) arises. This is known as being a 'long-term UK resident'. Where an individual is a long-term UK resident and becomes non-UK resident, they will remain in scope for IHT for a minimum of 3 years and a maximum of 10 years depending on the amount of time they resided in the UK.

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FSB Updates Guidance on Employers' Liability Insurance

Help in checking your insurance arrangements

The Federation of Small Businesses (FSB) has recently updated its guidance on Employers' Liability insurance – a useful reminder of the rules and risks around a business insurance that is legally required in the UK.

The guidance explains that if you employ anyone – including part-time, temporary, or even volunteer staff – you are likely required by law to have this cover in place. It's there to protect businesses if an employee becomes ill or injured because of their work and the employer is found legally responsible.

What the FSB Highlights

The updated guidance gives practical examples of when this insurance might apply, such as:

- A worker being injured using machinery
- An office employee developing repetitive strain injury
- A fall on a construction site leading to time off work

The costs of such claims can be significant. As the FSB notes, legal fees and compensation payments can run into tens of thousands of pounds, potentially enough to put a small business under real pressure.

The guidance also clarifies:

- The legal minimum cover is £5 million (though most insurers offer £10 million as standard)
- Fines can reach £2,500 per day if a business is found not to have the required cover
- The insurance certificate must be displayed or made accessible to staff – failure to do so can result in a £1,000 fine

Exemptions and Edge Cases

The FSB outlines a few cases where the cover may not be required: for example, some family businesses or sole traders without staff. But these are quite limited and the guidance suggests most businesses with paid staff will need the insurance.

Worth Reviewing:

The FSB guidance could serve as a useful prompt for you to review your insurance arrangements, particularly if your staffing or business structure has changed recently.
You can find the full guidance on the FSB website.

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HOLIDAY LETTINGS AND PROPERTY

The Furnished Holiday Lettings (FHLs) regime was abolished on 6 April 2025. What does the abolition mean for your holiday letting property?

The property will become part of either your main UK or overseas property business. This means that some of the beneficial tax rules that previously applied will no longer apply, such as:

- Tax relief for dwelling-related loan interest will be restricted to basic rate (20%).
- New capital expenditure will generally not qualify for capital allowances, Instead, the replacement of domestic items relief may apply.
- Capital Gains Tax reliefs for trading business assets (such as Business Asset Disposal Relief, Gift Relief and Rollover Relief) will no longer be available.
- Income from the property will no longer be included in 'relevant UK earnings' for the purposes of calculating maximum pension relief.

However, all is not lost! There are some transitional measures that you may benefit from:

- It will be possible to carry forward losses that were generated by an FHL business prior to 6 April 2025. These losses will be available for set off against future years' profits of either the UK or overseas property business, as appropriate.

- Where an FHL business had a capital allowances pool at 5 April 2025, the pool can be carried forward within the general property business. Going forwards, it will be possible to claim writing-down allowances on the pool.

- For Business Asset Disposal Relief (BADR), where the FHL conditions were satisfied in relation to a business that ceased prior to 6 April 2025, relief may continue to apply to a disposal that occurs within the normal 3-year period following cessation.

If your property previously qualified as an FHL and you have questions about the new tax treatment, please get in touch with us!

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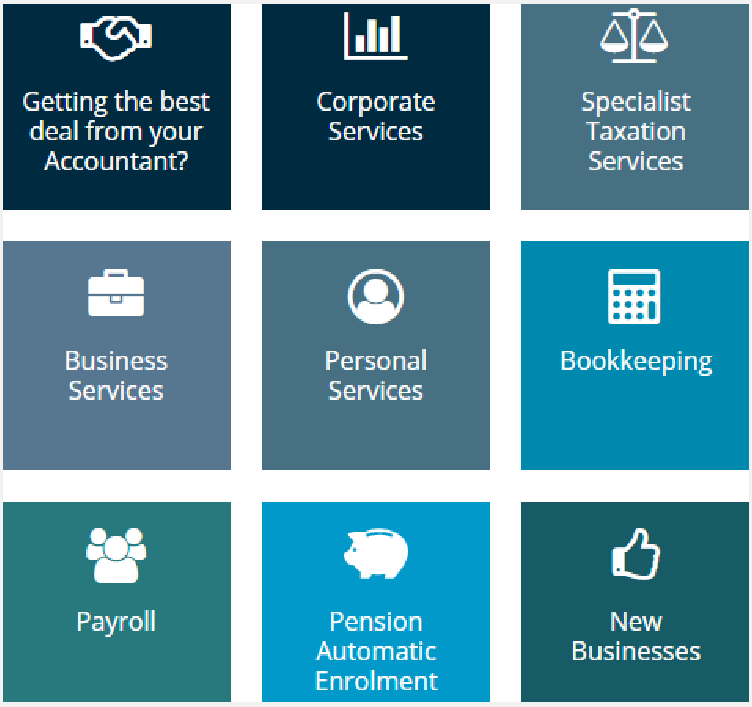
MNA WEBSITE



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!

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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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The MNA office has parking right outside and is situated on the ground floor for ease of access.

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