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Tax E-News

Welcome to the April 2025 edition of Tax E-News. We hope that you find this informative. Please contact us if you wish to discuss any matters in more detail.

SPRING STATEMENT 2025

On 26 March 2025, Chancellor Rachel Reeves presented her Spring Statement to parliament. Despite a backdrop of low economic growth and increasing government borrowing costs, the Chancellor remains committed to her 'non-negotiable' fiscal rules that aim to bring stability to the economy and security for working people. With further borrowing ruled out and a determination not to announce further tax changes, her focus has been on government spending, a review of which will be announced on 11 June 2025. This will allocate government spending for the three years from 2026/27 to 2028/29.

A number of the news articles below were announced on 26 March, as part of the Chancellor's update.

SELF-ASSESSMENT

The High-Income Child Benefit Charge (HICBC)

You may have to pay the HICBC if your income exceeds £60,000 and child benefit is being paid in relation to a child that lives with you, regardless of whether you are a parent of that child. If you are living with another person in a marriage, civil partnership or long-term relationship, you will only be liable to the HICBC if you are the higher earner of the two of you.

For 2025/26, the HICBC is calculated at 1% of the child benefit received for every £200 of income above £60,000. This means that child benefit is fully clawed back where income exceeds £80,000.

From summer 2025, if you are an employee who is liable to pay the HICBC, you will be able to use a new digital service to declare the charge and opt to pay it directly through PAYE, without the need to register for self-assessment.

Taxable income and self-assessment tax returns

If you are undertaking a commercial venture with a plan to make profits (e.g. buying stock to resell), tax may be due on the profits made. However, if your commercial venture is generating trading or property rental income of less than £1,000 a year, this is disregarded for tax purposes. This often covers small income-generating activities such as dog walking or creating content online.

Once the £1,000 limit has been exceeded, it is necessary to report your 'taxable activity' to HMRC.

At present, if you have trading income over £1,000, you are required to submit a self-assessment tax return every tax year. This applies even if your affairs are otherwise quite simple. The Chancellor has announced that a new simple online service will be developed in future to allow those with trading income between £1,000 and £3,000 to report their trading income and pay any tax they owe, without necessarily requiring a full self-assessment tax return. For those without tax to pay, they will not need to report their trading income at all.

If your trading income exceeds £3,000 you will remain in the self-assessment tax system.

If your trading and property rental income exceeds £50,000, make sure you read the next section, as a fundamental change to income tax reporting is coming in from April 2026!

Digital record keeping and quarterly reporting requirements for traders and landlords ("MTD")

Updates are continuing to come through on HMRC's 'Making Tax Digital for Income Tax' ('MTD for IT') initiative. It will initially apply from 6 April 2026 for sole traders and property landlords who generated gross trade and rental income ('qualifying income') of more than £50,000 in the 2024/25 tax year.

This will be followed by those with qualifying income of more than £30,000 in the 2025/26 tax year being mandated to comply from 6 April 2027.

It has now been announced that those with qualifying income over £20,000 in 2026/27 will be mandated to comply from 6 April 2028.

The MTD for IT rules are mandatory and, if affected, you will be required to use 'MTD-compatible software' to maintain digital records and send a quarterly summary of your business and/or property income and expenses to HMRC. This will be in addition to an end-of-year tax return. It has now been confirmed that, for those mandated into MTD for IT, the end-of-year tax return must also be submitted using MTD-compatible software. It will not be possible to use a free HMRC online service.

Other MTD for IT changes announced at the Spring Statement were:

- A limited list of types of individual who will have an exemption or deferral from MTD for IT.
- The ability for those with 31 March year ends to start complying with the MTD for IT requirements on 1 April instead of 6 April, which will remove the need for manual adjustments at the start of the tax year.

There are various ways to remain compliant under the new rules, and options exist to 'trial' the new MTD system voluntarily before the 6 April 2026 start date. Please talk to us if you would like to know more.

EMPLOYMENT TAXES

Employer National Insurance Contributions (NICs)

Please remember that the significant changes to the NICs paid by employers will start to apply from 6 April 2025. An **increase in the rate of employers' NICs from 13.8% to 15%** is combined with:

- **A decrease in the threshold at which an employer starts to pay** NICs on each employee's salary from £9,100 to £5,000*.

  ** A higher threshold of £50,270 applies for employees who are under 21 and apprentices under 25. Other variations can also apply.*

- **An increase in the amount of the 'employment allowance'**, which eligible employers can offset against their employers' NICs liability, from £5,000 to £10,500.

- **A relaxation in the rules** that determine which employers are eligible for the employment allowance. Until 5 April 2025, the employment allowance has only been available to businesses with a prior tax year employers' NICs liability of less than £100,000. This rule no longer applies for 2025/26, meaning employers may be able to access the £10,500 allowance, even if their 2024/25 employers' NIC cost exceeded £100,000. Other restrictions on claiming the employment allowance still apply (including a limit of just one allowance between connected employers), so please do check with us if you are unsure whether you are able to make the claim or how to do so.

TAXES ON CAPITAL ASSETS

Capital Gains Tax (CGT)

As we head into 2025/26, it should be remembered that, for most sales of capital assets, CGT will apply at 18% for basic rate taxpayers and 24% otherwise. **The Business Asset Disposal Relief (BADR) rate of CGT for eligible business disposals will increase from 10% to 14%, with a further uplift to 18% planned for 6 April 2026.**

Particularly in relation to business disposals, timing is important, so please do talk to us about optimising your tax position prior to any capital disposal.

IHT reliefs for business owners and farmers

The government is continuing with its plans to reform IHT agricultural property relief (APR) and business property relief (BPR) from 6 April 2026, with a consultation process underway on the particular impact when using trusts.

Relief of up to 100% of asset value is currently available on qualifying business and agricultural assets. From 6 April 2026, it is proposed that the 100% relief will apply on up to £1 million of combined agricultural and business property, with the relief reducing to 50% on the value that exceeds £1 million.

Another April 2026 change will reduce the BPR available on AIM shares and similar from 100% to 50%.

Care is needed when planning for these changes, as the rules are not yet certain and even gifting before 6 April 2026 will not necessarily achieve the desired effect. Please do talk to us about how best to organise your estate with business or agricultural assets.

BUSINESS TAX MATTERS

Electronic invoicing

The government has recently launched a consultation on the possible advantages of e-invoicing, which include productivity enhancements, cashflow acceleration and error reductions. It also considers how HMRC can support investment and encourage uptake within the business community.

Trading with the USA and other international partners

While uncertainties around global trade and tariffs continue, the government is expressing ambitions to support digitalised trade and supply chains, bringing cross-border trade into the 21st century.

In particular, a new digital pilot with the USA to test ways to speed up trade processes for USA and UK businesses will soon commence.

CORPORATE TAXES

Research and Development (R&D) tax reliefs

With ongoing focus on the availability of R&D tax reliefs and companies' eligibility to claim them, the government is now consulting on widening the use of ‘advance clearances’ from HMRC. This initiative intends to give companies greater certainty when planning R&D investment, while also improving the taxpayer experience and reducing error and fraud.

Voluntary advance assurances are already part of the R&D tax relief regime, but they are not commonly utilised. The consultation considers a framework where future assurances become mandatory in certain areas, namely those where HMRC are concerned about the risk of incorrect claims.

The consultation also considers whether, in future, a minimum expenditure threshold should apply to R&D reliefs, noting that a threshold of £25,000 used to apply in the past.

What is clear is that expert tax support continues to be required for all R&D activity. If this is something that you or your company are undertaking now or considering for the future, please do get in touch.

Tackling 'phoenixism'

HMRC is expanding its efforts to tackle 'phoenixism' (or tax-driven business cessations followed by business start-ups), whereby company directors go insolvent to evade tax and write off debts owed to others.

HMRC, Companies House and the Insolvency Service will deliver a joint plan to tackle rogue directors who abuse the insolvency regime. The plan includes an increase in the use of securities, where HMRC asks for an upfront payment of tax from new companies. More directors will be made personally liable for the taxes of their company and there will be an increase in the number of enforcement sanctions.

STAMP DUTY LAND TAX (SDLT)

England and Northern Ireland

If you are planning to purchase residential property, remember that the SDLT thresholds will change from 1 April 2025. In particular, a 0% rate currently applies to the first £250,000 of the purchase price. It will only apply to the first £125,000 of the purchase price from 1 April 2025. The new threshold created between £125,001 and £250,000 will be subject to a rate of 2%.

For first-time buyers, the 0% rate currently applies to the first £425,000 (of properties costing up to £625,000), and this will drop to £300,000 on 1 April 2025 (for properties costing up to £500,000).

Tiered SDLT rates apply above the 0% bands, starting with the new 2% rate mentioned.

SDLT surcharges apply to purchasers of 'additional dwellings' (i.e. when they already own one dwelling), and to companies.

Scotland and Wales

Property purchasers in Scotland and Wales do not pay SDLT. Rather, if you buy a property in Scotland, you pay Land and Buildings Transaction Tax, and in Wales, you pay Land Transaction Tax. Both regimes have recently applied increases to the rates applicable on the purchase of 'additional dwellings'.

DEALING WITH HMRC

Modernising HMRC

As part of the government's 'Plan For Change', steps are being taken towards modernising HMRC, to improve value for money, enhance efficiencies and support economic growth. Greater innovation, including grasping technological opportunities, is at the heart of this, transforming HMRC into a 'digital-first' organisation. A 'HMRC transformation roadmap' will be published in the summer.

Improving customer service - including with AI

HMRC officials have been undertaking work to learn best practices in customer service from various successful UK brands. This includes trialling the use of generative artificial intelligence (AI) to point taxpayers to the advice they need on GOV.UK.

HMRC is also expected to roll out more widely a system where taxpayers can use their voice as their password to pass security checks faster and more securely.

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New PAYE portal

In April 2025, HMRC will launch a new PAYE portal. This is intended to be a new, simple way for 34 million employees and pensioners to check the data that HMRC holds on their employment and pensions, to notify HMRC of any changes, and to find simple explanations to understand the impact of changes on their tax codes.

Tax avoidance and non-compliance

As part of a wider initiative to close the 'tax gap', new legislation will be introduced to further tackle tax avoidance and prevent non-compliance.

Particular focus will be applied to offshore tax non-compliance by the wealthy. HMRC are recruiting experts in private sector wealth management and deploying AI and advanced analytics to help identify hidden funds.

A consultation has also been launched on further tackling those who promote or market tax avoidance or contrived schemes. The proposals give HMRC additional powers and stronger sanctions, enabling them to disrupt the business model that promoters rely on.

Another new consultation considers whether HMRC's powers are effective in dealing with non-compliance that is facilitated by unscrupulous tax advisers.

Tax fraud - new reporting reward scheme

A new reward scheme is being developed to encourage informants to come forward to HMRC about tax fraud. This will launch later this year and target serious non-compliance in large corporates, wealthy individuals, offshore and avoidance schemes.

HMRC compliance activity

In addition to HMRC receiving a budget to recruit and fund new compliance caseworkers and debt collection officers, we are told that the department is also investing in AI to improve the targeting of compliance work and make HMRC more productive.

Collecting taxpayer data from financial institutions

HMRC will continue working with financial institutions to improve the quality of data that it receives about individual taxpayer transactions, for example, bank interest. Improved data will enable HMRC to modernise its services to taxpayers. This includes reducing the admin time needed in preparing a self-assessment tax return, by HMRC automatically pre-populating return areas with information they already hold. Accurate PAYE coding adjustments would be another benefit.

Penalties

Returning to the topic of MTD, the government is increasing the late payment penalties for taxpayers within the MTD regime, whether for VAT and/or income tax. Increased rates will apply from April 2025 or when the individual or business joins the MTD regime in question, if later.

The new rates will be 3% of the tax outstanding where tax is overdue by 15 days, plus 3% where tax is overdue by 30 days, plus 10% per annum where tax is overdue by 31 days or more.

HMRC is also reviewing the penalty framework that applies across the board when a taxpayer either:

- Makes a mistake in a tax return or document; or
- Omits to notify HMRC of circumstances that affect their tax liability.

It is expected that any new regime will continue to distinguish between genuine mistakes (where often a penalty is not charged at all) and conscious attempts to cheat the tax system. Overall, the emphasis is on simplifying and strengthening the penalty system.

Interest on unpaid tax liabilities

From 6 April 2025, the late payment interest rate charged by HMRC on unpaid tax liabilities will increase by 1.5 percentage points. For most taxes, this will set late payment interest at the Bank of England base rate plus 4%.

The above developments reinforce the importance of keeping your tax affairs up-to-date and adequately budgeting for future tax liabilities. Flexible 'time to pay' arrangements can sometimes be agreed with HMRC. We can support you with any of this.

IN CONCLUSION

The Spring Statement was an economic update given in challenging circumstances, in what was regularly referred to as a 'changing world'.

Remember, we are here to work alongside you to ensure your business and personal success. Please do get in touch if there is anything that you would like to discuss.

DIARY OF MAIN TAX EVENTS
APRIL / MAY 2025

Date	What's Due
1 April	Corporation Tax for year to 30/06/2024, unless quarterly instalments apply.
5 April	End of the 2024/25 tax year – many tax planning actions need to have been taken by this date.
6 April	Start of the 2025/26 tax year.
19 April	PAYE & NIC deductions, and CIS return and tax, for month to 05/04/2025 (due 22/04 if you pay electronically).
30 April	Annual Tax on Enveloped Dwellings (ATED) returns and payment for the chargeable period starting on 1 April 2025.
1 May	Corporation Tax for year to 31/07/2024, unless quarterly instalments apply.
19 May	PAYE & NIC deductions, and CIS return and tax, for month to 05/05/2025 (due 22/05 if you pay electronically).
31 May	Give each employee a P60 for 2024/25.