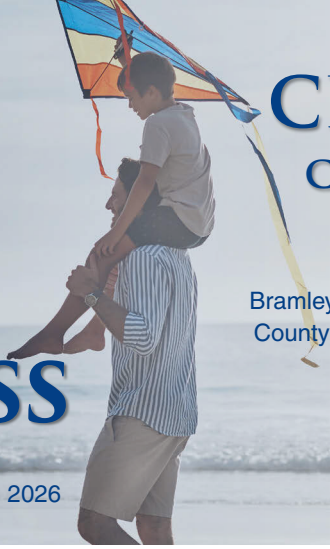
Partners:
Y Jackson BSc (Hons) FCA
D S Perry BA (Hons) FCA
A K Rostance ACA

Directors:
R. Higginbottom FCA
A H Stefanetti BSc (Hons) FCA

Consultant:
N F South BA (Hons) FCA



CLAYTON & BREWILL
CHARTERED ACCOUNTANTS

Cawley House, 149-155 Canal Street, Nottingham NG1 7HR
Bramley House, Wilsthorpe Road, Long Eaton, Nottinghamshire NG10 3SX
County Chambers, Kings Road, Melton Mowbray, Leicestershire LE13 1QF

T 0115 950 3044 F 0115 950 0056
www.claytonandbrewill.com
E office@claytonandbrewill.com Twitter: @claytonbrewill

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BUSINESS NEWS Issue 4 2026

Payrolling benefits in kind

What's mandatory and when – and what to do about it

Mandatory payrolling is being introduced in two phases from 6 April 2027. This replaces the earlier requirement for nearly all benefits to be payrolled from 2027.

Phase 1: Benefits that must be payrolled from 6 April 2027 are company cars; car fuel; vans; van fuel; and employer-provided medical benefits. Globally mobile employees may be voluntarily excluded through a new service available from November 2026.

Phase 2: Most other benefits must be payrolled from 6 April 2028. Loans and accommodation are excluded because of their complexity: payrolling these benefits remains voluntary until further notice.

Payrolling involves reporting and paying Income Tax and Class 1A National Insurance contributions (NICs) for benefits in real time, through payroll software. The cash equivalent of benefits is added to salary on the payslip, and reporting and payment become an ongoing process, instead of a once-yearly P11D reporting activity, with tax paid via coding adjustments or the Self Assessment tax return.

What to do now. Take stock: payrolling means timely, accurate benefits information has to flow into payroll all the way through the year. Getting systems and payroll software ready will be a significant challenge for many businesses. Be aware, too, that two-phase implementation means having to run payrolling requirements alongside P11D reporting for a year.

Voluntary payrolling: Businesses can payroll on a voluntary basis before mandation, even for loans and accommodation. It is a formal process, requiring advance registration with HMRC. Registrations open in November 2026, with a final registration deadline of 5 April 2027. Note that voluntary payrolling is not identical to mandatory payrolling, though it will give something of a dry run.



Cash flow and communications: Paying tax in real time will have major impact as the change beds in. Employees may be paying tax for phase 1 benefits in 2027/28, as well as catching up with arrears of tax for benefits in the previous year. Employees are bound to have queries, and employers will need a communications strategy to deal with this. Employers also see a spike in tax payment. The 2026/27 P11D (b) lump sum payment falls due in July 2027, by which time in-year monthly payment of employer Class 1A NICs, due under the new rules, will already have taken effect. This will need factoring into budgets.

Even with extra time to prepare, payrolling is a major change, and we understand the challenges involved. Together we can make sure your business is ready.

Why business borrowing is spiking

Recent data suggests more businesses are borrowing to pay tax debt and fund working capital.

Funding Circle's 2025 lending data shows tax-related business borrowing rose to £25 million, up 29% from the previous year. Borrowing for tax payment accounted for the biggest increase (13%) in average loan size for any purpose.

'SMEs are not only borrowing for tax liabilities more frequently, but are doing so in larger amounts each time', according to the analysis. These figures come at a time when HMRC tax debt enforcement activity is getting back to pre-Covid strength. Escalation measures at its disposal include the ability to require banks and building societies to make payments directly from a current or savings account. It is therefore worth remembering that HMRC does offer Time to Pay arrangements to businesses with temporary financial issues.

Cash flow is another area highlighted by the Funding Circle's data, with borrowing for working capital accounting for 37% of loans, a jump of 17% on previous figures. The biggest jump, however, was for businesses to refinance existing debt. This category went up by 33%.

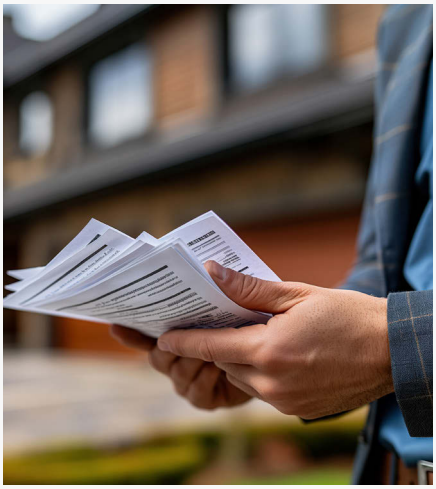
The importance of managing cash flow can never be overstated. So whether your business is looking to finance capital expenditure, make cost-saving decisions, or model next-step trading scenarios, we can help. Please contact us for advice.

Inside this issue ■ Landlords: new requirement to register property in England ■ VAT: Change to the capital goods scheme ■ Tax traps to avoid when cashing in on pensions ■ Wising up on the latest figures for Inheritance Tax ■ Business Asset Rollover Relief: what it is and why HMRC is asking questions ■ Third party data suggests landlord income mismatch

Landlords: new requirement to register property in England

Sign-up to new property database needed from December 2026.

This mandatory requirement is being rolled out, region by region, under the Renters' Rights Act 2025. Broadly, it means landlords of property let under an assured or regulated tenancy must register property on a new national database, and provide extensive details on doing so. The database is called the 'Register your rental property' service (previously the Private Rented Sector Database).



The first registrations are required for property in the West Midlands, from 15 December 2026. Registration is then extended to all other regions over the 12 months to 14 November 2027. As registration rolls out, landlords with properties in each region have a specific three-month period to sign up. Details of regions and deadlines can be found on the 'Get ready: "Register your rental property" service' page on GOV.UK. Landlords can sign up before their regional deadline if they choose. Registration costs £65 per property and must be renewed each year. There are fines for non-compliance.

At this stage, only landlords with properties under let, or which become occupied during rollout of the scheme must register. But in future it is expected that landlords will have to register unoccupied properties before marketing them for let.

Registration does not apply to supported exempt accommodation as defined by law. Different rules apply generally elsewhere in the UK.

VAT: Change to the capital goods scheme

Changes taking effect from 29 July 2026 are designed to cut red tape for small businesses.

Overview

The VAT capital goods scheme (CGS) applies to a small number of high-value capital assets used in businesses which have a mix of taxable and exempt or non-business supplies. It restricts the initial VAT input claim, based on the proportion of taxable and other supplies, and adjusts the amount recovered if the proportion changes over a specified period of time (the adjustment period).

Typically, it impacts businesses that are partially exempt for VAT, and businesses using a qualifying asset partly for non-business purposes.

The assets involved are:

- land, buildings and civil engineering work
- aircraft, ships, boats or other vessels
- computers and computer equipment - until taken out of CGS by the latest changes.

The scheme does not apply if assets are only acquired to be resold.

Broadly speaking, use of these assets is monitored over the adjustment period, with the initial VAT recovery fine-tuned over this period. The adjustment period depends on the type of asset, and is usually ten years for land, buildings and civil engineering works; and five years for other items.

Yearly adjustments to input tax are made, comparing the taxable use initially put forward, with what is actually happening. Where the proportion of taxable supplies changes, the business then either reclaims more VAT, or repays VAT previously claimed.

What's changing

- computers and computer equipment are taken out of the scheme
- the threshold for land, buildings and civil engineering works goes up from £250,000 to £600,000 (exclusive of VAT)
- rules for aircraft, ships, boats and other vessels remain the same.

What the change looks like in practice

Where capital items fell within the scheme under the thresholds applying before 29 July 2026, they remain within the scheme until the end of their normal adjustment periods. CGS adjustments must still be made, even if the first adjustment period starts on or after 29 July 2026.

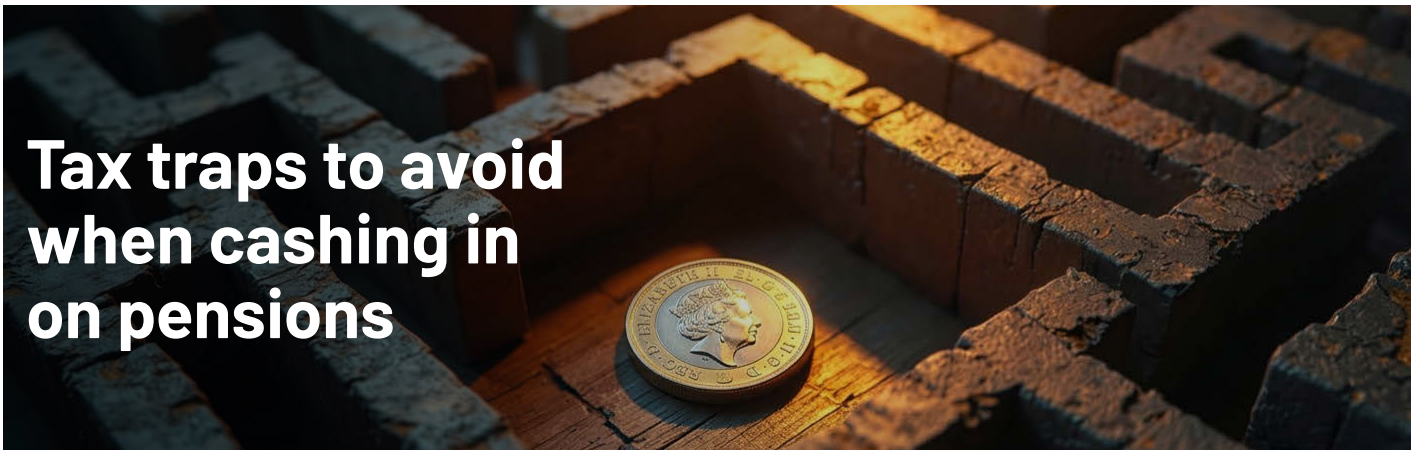
The new £600,000 threshold applies to land acquired on or after 29 July 2026, and to buildings and civil engineering works acquired, constructed, refurbished, fitted out, altered or extended on or after that date.

Computers and computer equipment acquired on or after 29 July 2026 are no longer covered by the scheme, and there is no need to make CGS adjustments for them.



Here to help

VAT and simplification are not words that often go hand in hand. The latest changes are welcome, but the capital goods scheme remains complex. Compliance is demanding, and the rules come with their own pitfalls - especially, for example, where assets are disposed of. Please contact us for relevant advice.



Tax traps to avoid when cashing in on pensions

Latest statistics show the overall value withdrawn from pensions continues to rise. For some people, this may have unforeseen tax consequences.

Personal pensions can usually be accessed from age 55, and there is considerable flexibility over how funds are accessed. What is key, however, is ensuring that there are sufficient funds to last out retirement, and the latest Financial Conduct Authority data continues to spark concern that some retirees risk cashing in too much, too soon. Rushed decisions to take out funds - in response to rumours of tax changes, for example - can mean swapping a beneficial tax shelter for a tax bill, and it is important to be aware that cashing in the whole of a pension pot at once may push you into higher rates of tax.

When accessing your pension, a lump sum of 25% of fund value can usually be taken free of tax. The sum is capped, with the limit usually a maximum of £268,275. In cases where previous protections apply, the limit may be higher. For defined contribution schemes, one of the most frequently-used strategies is to combine taking the 25% lump sum with other options, such as buying an annuity; using income drawdown; or taking some or all the rest in cash. The remaining 75% is treated as taxable income. Added to any other taxable income, it is then taxed at your normal rate of Income Tax in the year of withdrawal.

We have in-depth knowledge to support your decisions around pensions access. Please contact us for help in planning your next step.

Wising up on the latest figures for Inheritance Tax

The tax-take is going up.

Inheritance Tax (IHT) receipts for April 2026 to August 2026 were £3.8 billion, with receipts in June 2026 the highest on record.

The increase stems from a number of factors, including a rise in asset values across the board. Perhaps most significant, however, is the fact that key IHT thresholds have not kept pace with inflation. The tax free threshold, known as the nil rate band (NRB), and other limits are currently frozen until at least 2030/31. By this time, the NRB will have been locked at the 2009 rate for more than 20 years. Over time, this means more estates are pushed into IHT - the trend known as fiscal drag.

It's worth noting, too, what is not included in these figures. Restrictions to agricultural and business property reliefs from April 2026, which were announced in Autumn Budget 2024, have not yet fed into the system. There is also the extension of IHT to unused pension funds at death, taking effect from April 2027.

Two positives

Only a minority: For many people, the issue of whether their estate is liable for IHT is a question that has never been clarified. With a headline rate of tax on death of 40%, it's easy to see why IHT can be such a worry. But the first positive is this: IHT still only impacts a minority of estates.

There is normally no IHT to pay if:

- the value of the estate is below the £325,000 NRB
- or you leave everything to a spouse/civil partner; a qualifying registered charity or community amateur sports club.

The tax free threshold can be increased to £500,000 in some circumstances, by use of what is called the residence nil rate band. This applies where the main family home is left to direct descendants, such as children or grandchildren. Restrictions apply where estates (before reliefs) are in excess of £2 million.

Strategies can help: The second positive is that use of available IHT reliefs and exemptions can make a significant difference to outcomes. Gifting money or assets; and use of potentially exempt transfers or trusts, to take value out of an estate, may merit consideration. Advance planning is vital here.

Here to help

As inflation continues to edge up, and thresholds stay level, a periodic review of your affairs can give peace of mind. Whether it's checking potential exposure to IHT, or suggesting tax efficient ways to structure wealth and assets, our expertise is at your disposal.



Business Asset Rollover Relief: what it is and why HMRC is asking questions

Business Asset Rollover Relief can defer Capital Gains Tax (CGT) due on the disposal of business assets. It is currently very much on HMRC's radar.

Broadly speaking, Rollover Relief is available when the proceeds of disposal are reinvested in a new asset, subject to certain conditions. It works by rolling the gain over into the cost of the new asset, and reducing its base cost. This pushes tax on the gain into the future, to crystallise when the new assets (or their successors) are eventually disposed of.

Overview of rules

- Relief is available to persons carrying on a trade: this includes sole traders, partners, and companies.
- Both the old asset and the new must be 'qualifying' assets used in a trade.
- Time limits apply for reinvestment in the new asset.
- Time limits apply to making a claim for relief.
- A provisional claim can be made where new assets are yet to be acquired.
- Relief is restricted where disposal proceeds are not fully reinvested. It can also be restricted if the old asset was only used for the business for part of the period of ownership.
- Slightly different rules apply for depreciating assets.

A qualifying asset is an asset used in the trade. Assets must fall into specific categories: these include fixed plant or machinery, interests in land or buildings, and certain farming assets, such as milk quotas. The list is not exhaustive, and there is no requirement for the old and new assets to be in the same category.

There is a specific window to reinvest. Generally, the new asset must be acquired, or an unconditional contract entered into in the 12 months before, or 36 months after the old assets are disposed of. Note also that new assets must usually be brought into use in the trade at once.

Claims and provisional claims

Final claims can be made within four years after the end of the tax year/company accounting period in which the later of either the disposal of the old assets; or the acquisition of the new assets, took place.

A provisional claim can be made if you mean to reinvest, but have still to acquire a new asset when the tax return notifying the gain needs to be filed. This provisional claim is then superseded by a valid claim for Rollover Relief once the new asset is acquired. For individuals, provisional relief is given for a maximum of three years from 31 January following the tax year of disposal. Problems can arise if you make a provisional claim, and then fail to acquire new assets, and make a claim. Tax deferred becomes payable, with interest running from the original due date to the date of payment.

HMRC letters highlight pitfalls

HMRC is currently writing to some taxpayers who made a provisional claim on the sale of assets in 2022/23, but HMRC's records suggest they have yet to submit a valid Rollover Relief claim to replace it. The clock is running, and HMRC advises that action is needed by 31 January 2027, when provisional relief expires.

Here to help

Choices in this area can be complex. The interaction with Business Asset Disposal Relief, for example, is important to consider. We can assist with specific advice to optimise your decisions around disposals and investments. Do please contact us.

Third party data suggests landlord income mismatch

HMRC has been running a campaign focused on let property, writing to landlords with potentially underdeclared income.

HMRC routinely uses a wide range of third party data to check that taxpayer records are accurate. This campaign targets taxpayers whose records do not tie in with information from sources such as the Tenancy Deposit Scheme, and statutory returns HMRC receives about rents and other payments arising from land and property.

Anyone receiving such a letter from HMRC should respond by the deadline given. Where there is any possibility that income needs to be declared, this should be done according to the steps indicated. HMRC advises that where a let property has been disposed of, Capital Gains Tax could be due. There may also be obligations under Making Tax Digital for Income Tax to consider.

Letters like these should never be ignored, even if you believe all income has been correctly reported. Where HMRC fails to get a response from the taxpayer, it may open a compliance check or criminal investigation. This also raises the stakes in terms of potential penalties.

Professional advice will help achieve the best outcome in these circumstances. Please do not hesitate to get in touch.



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