Spring 2026

alwyns
CHARTERED ACCOUNTANTS

helping you achieve your personal & financial goals

Financial news that's relevant to you.

INTRODUCTION

At the time we are compiling the final articles for this newsletter new conflict in the Middle East may be about to scupper the government's best laid plans as revealed in the Chancellor's Spring Statement, delivered 3 March 2026.

There is a brief summary of the statement in this newsletter.

Our best advice for readers is to stay nimble and be prepared for the unexpected! Consistent planning in all areas may be the best way to weather these downside changes. And hopefully, you will find useful content in this newsletter to assist.

GENERAL

Spring Statement March 2026

The Chancellor's Spring Statement was accompanied by the Office for Budget Responsibility's latest *Economic and fiscal outlook*, which provides a useful guide to the likely direction of UK tax policy over the next few years.

While the Statement itself contained relatively few headline tax announcements, the wider message from the OBR is clear. The UK economy is expected to grow only modestly, public sector debt remains high, and borrowing, although falling, continues to place constraints on government finances. This combination significantly limits the scope for tax cuts.

One of the most important themes is that the overall tax burden is expected to remain at historically high levels. Tax receipts as a proportion of the economy are forecast to stay close to post-war highs throughout the forecast period. This suggests that future governments are likely to focus on maintaining revenues rather than reducing taxes.

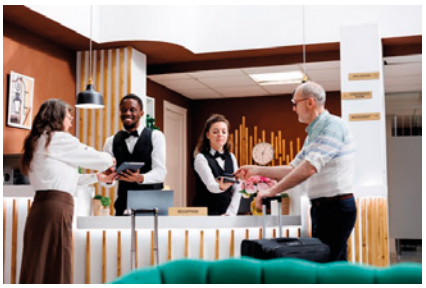
Rather than relying on increases in headline tax rates, the emphasis is likely to remain on incremental measures. The continued freezing of Income Tax thresholds is a good example. As earnings rise, more individuals are drawn into higher tax bands, increasing the amount of tax paid even though rates themselves do not change. For many taxpayers, this means effective tax rates continue to rise quietly over time.

Income Tax and National Insurance are expected to remain the backbone of the tax system, while corporation tax receipts remain strong, pointing to limited scope for reductions in business taxation. High debt levels and long-term pressures from an ageing population also increase the likelihood of further reform to capital taxes, such as Capital Gains Tax and Inheritance Tax, particularly through changes to allowances and reliefs.

The overall message from the Spring Statement and OBR outlook is one of constraint rather than generosity. For individuals and business owners alike, this reinforces the importance of regular tax reviews and forward planning to ensure existing rules and reliefs are used effectively.

BUSINESS

Hospitality business rates



Hospitality businesses continue to operate in a challenging environment. Rising wage costs, energy prices and supply chain pressures have all placed strain on margins. Against this backdrop, recent business rates support measures offer welcome relief and can have a meaningful impact on cash flow and operating costs.

For many pubs, restaurants and cafés, business rates represent a significant fixed cost. Support measures introduced following the latest revaluation aim to reduce the immediate burden, particularly for smaller and mid-sized premises. In practical terms, this can mean lower monthly outgoings and improved short-term cash flow.

However, the benefit is not automatic. Reliefs and discounts often depend on eligibility criteria, correct property classifications and timely applications. Businesses that assume the reduction will simply appear in their bill may miss out or receive less relief than expected. Reviewing rates bills carefully remains essential.

Improved cash flow from rates support can provide breathing space, but it should also prompt forward planning. Some businesses may choose to reinvest the saving into staff retention, marketing or modest refurbishments. Others may prioritise rebuilding reserves that were eroded during recent difficult trading periods.

It is also important to remember that rates support may be time-limited. Temporary reliefs can reduce costs in the short term but should not be relied upon indefinitely. Incorporating revised rates into cash flow forecasts helps owners understand the longer-term position once reliefs taper or end.

We can play a key role by reviewing eligibility, checking bills for accuracy and modelling the impact of rates changes on cash flow. For hospitality businesses operating on tight margins, even modest savings can make a noticeable difference when properly planned for and managed.

Overdrawn directors' loans

It is common for directors of owner-managed companies to take money from the business during the year, often with the intention of clearing the balance later through dividends, salary, or bonus payments. Problems arise where a director's loan account remains overdrawn nine months and one day after the company's accounting year end.

At that point, a specific tax charge applies to the company under the loans to participators rules.

The section 455 corporation tax charge

If the loan remains unpaid at the deadline, the company must pay a special corporation tax charge, currently 33.75% of the outstanding loan balance for 2025-26 (this rate is increasing to 35.75% from April 2026). This is not the normal corporation tax rate and is payable in addition to the company's usual tax liabilities.

Although this tax can be reclaimed once the loan is repaid, the repayment is not immediate. HMRC will only refund the tax after the end of the accounting period in which the loan is cleared, meaning the company may be out of pocket for some time.

Personal tax consequences for the director

There may also be a benefit in kind for the director if the loan exceeds £10,000 at any point in the tax year and either no interest, or interest below HMRC's official rate, is charged. This can create an Income Tax liability for the director and Class 1A National Insurance for the company.

If the loan is later written off rather than repaid, the amount written off is normally treated as income for the director, taxed at dividend rates.

Planning points

Director's loans should be monitored throughout the year, not just at the accounts stage. Clearing balances before the nine-month deadline can avoid unnecessary tax charges and cash flow strain. Where repayment is not realistic, early advice allows alternative planning options to be considered.

If you are unsure about your director's loan position, it is worth reviewing this well before the deadline approaches.

Business exit planning

For many business owners, the focus is firmly on growth, profitability and day to day operations. Exit planning is often treated as something to think about later, perhaps a few years before retirement or when a buyer appears. In reality, leaving exit planning until the later stages of ownership can significantly reduce the value of a business and limit the choices available to the owner.

Business exit planning is not just about selling. It is about ensuring that the business can continue without relying entirely on the owner, whether the eventual exit is a sale, a management buyout, a family succession, or an orderly wind down. A business that depends heavily on one individual is harder to transfer, riskier to run, and usually worth less in the eyes of buyers, lenders and investors.

Early exit planning helps owners build value deliberately. This includes strengthening management teams, improving systems and processes, diversifying customer bases, and ensuring financial information is clear and reliable. These steps do not just support an eventual exit; they often lead to better performance and lower stress while the owner is still actively involved.

Tax planning is another critical element. Decisions made years in advance can have a major impact on the net proceeds of an exit. Reliefs, ownership structures, remuneration strategies and timing all need careful thought. Leaving this too late can mean avoidable tax costs and missed opportunities.

There is also a personal dimension. An exit is one of the most significant financial and emotional events in an owner's life. Planning early allows time to define personal goals, whether that is retirement income, a new venture, or a gradual step back rather than a sudden stop.

In short, exit planning is not about leaving tomorrow. It is about running today's business in a way that protects value, preserves choice, and gives the owner control over how and when they eventually move on.

EMPLOYMENT & PAYROLL

Payroll year-end chores

As the tax year draws to a close on **5 April**, employers face a series of payroll tasks and statutory deadlines. While much of payroll reporting now happens in real time, the year-end remains an important checkpoint. Missing steps or deadlines can lead to penalties, incorrect employee records, and avoidable follow-up work.

This article sets out the main payroll chores employers should attend to at the end of the tax year and the key dates to keep in mind.

Payroll year-end checklist

For the tax year ending 5 April 2026

1. Final payroll run

☐ Process the final payroll covering pay up to 5 April
☐ Include all wages, bonuses, overtime, commissions, and statutory payments
☐ Ensure starter and leaver details are complete and correct
☐ Submit the final Full Payment Submission (FPS) on or before the last payday

☐ Mark the FPS as the final submission for the tax year

2. PAYE and National Insurance checks

☐ Review year to date figures for each employee
☐ Check PAYE tax and National Insurance totals
☐ Reconcile payroll records to PAYE payments made to HMRC
☐ Investigate and correct any discrepancies before closing the year

3. P60s and employee documents

☐ Prepare P60s for all employees on the payroll at 5 April
☐ Issue P60s to employees by 31 May
☐ Confirm P45s were issued for employees who left during the year

4. Benefits in kind and expenses

☐ Review all benefits provided to employees and directors
☐ Confirm which benefits are payrolled and which require P11D reporting
☐ Submit P11D forms and P11D(b) by 6 July where required
☐ Pay Class 1A National Insurance by 22 July if paying electronically

5. National Minimum and Living Wage

☐ Check pay levels meet National Minimum or Living Wage rules
☐ Review salaried and variable hours workers carefully
☐ Ensure new rates effective from 1 April are applied in the first payroll run of the new year

6. Payroll records

☐ Ensure payroll records are complete and accurate
☐ Retain payroll records for at least three years after the tax year end

7. Preparing for the new tax year

☐ Apply new tax codes and National Insurance thresholds
☐ Update payroll software for the new tax year
☐ Check pension contribution rates and re-enrolment dates
☐ Schedule the first payroll run for the new tax year

And if you need help with any or all of these tasks, please call, we can help.

Employing your children in a family business

Employing children in a family business can be a legitimate and tax efficient arrangement when done correctly. It is an area that attracts HMRC attention, so care is needed to ensure the rules are followed and records are robust.

Children can be employed in a family business, provided they are doing genuine work and are paid a reasonable wage for the tasks performed. There is no minimum age for employment in a business run by parents, although child employment laws still apply, particularly around hours and types of work for school-age children.

Wages paid to a child are deductible for tax purposes, provided they are incurred wholly and exclusively for the purposes of the trade. The key test is that the pay must be commercially justifiable. Paying a child significantly more than you would pay an unrelated person for the same work is likely to be challenged.

Where earnings are below the personal allowance, the child will not pay Income Tax. If earnings are also below the National Insurance thresholds, no employee or employer National Insurance will be due.

Children under the age of 16 do not pay National Insurance and employers do not pay employer National Insurance on their wages. Once a child reaches 16, normal National Insurance rules apply.

Even where no tax or National Insurance is due, the child should normally be included on the payroll, with payslips issued and RTI submissions made. This helps demonstrate that the arrangement is genuine and properly administered.

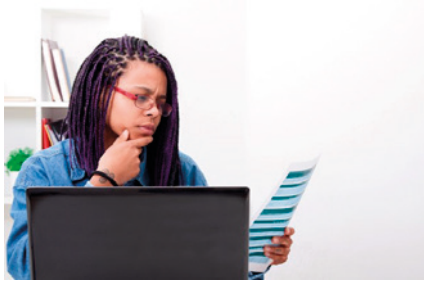
Good records are essential. Job descriptions, timesheets, payslips, and evidence of payment should all be retained. Payments should be made through the bank rather than in cash.

Final thoughts

Employing children can help instil work ethic, support the business, and shift income into a lower tax band. When structured correctly and supported by evidence, it is a legitimate planning option.

NIC & PENSIONS

National Insurance contributions for the self-employed



Self-employed individuals are required to pay National Insurance Contributions (NICs) as part of the UK tax system. These contributions help build entitlement to certain state benefits, including the State Pension. The structure of NICs for the self-employed differs from that for employees and has changed in recent years, making it important to understand what applies and when.

Class 2 National Insurance

Class 2 NICs are a flat weekly contribution. For many years, these were payable by most self-employed individuals with profits above a small threshold. However, Class 2 NICs were abolished as a mandatory charge from 6 April 2024, although they remain relevant for benefit entitlement.

From recent reforms, self-employed individuals with profits above the Small Profits Threshold are treated as having paid Class 2 NICs without making an actual payment. This means they continue to build qualifying years for the State Pension without a direct cost. Those with profits below the threshold may choose to

make voluntary Class 2 contributions to protect their National Insurance record.

Class 4 National Insurance

Class 4 NICs are profit-based and are paid alongside Income Tax through the Self-Assessment system. They are calculated as a percentage of taxable self-employment profits above a lower profits limit.

Class 4 NICs are payable at a **main rate on profits within the basic band**, with a lower rate applying to profits above the upper profits limit. Unlike Class 2, Class 4 NICs do not count towards state benefit entitlement but represent a significant part of the overall tax cost of being self-employed.

Payment and reporting

Both Income Tax and Class 4 NICs are reported through the annual Self-Assessment tax return. Payments are normally due by **31 January** following the end of the tax year, with payments on account potentially required for the following year.

Final thoughts

Although recent changes have reduced the NIC burden for the self-employed, National Insurance remains an important consideration when assessing overall tax liabilities. Regular reviews of profits and National Insurance records can help ensure entitlements are protected while avoiding unexpected bills.

VAT & DUTIES

Alternatives to the standard VAT scheme

Most VAT registered businesses use the standard VAT accounting method, charging VAT on sales, reclaiming VAT on purchases, and accounting to HMRC based on invoice dates. However, for many smaller businesses, alternative VAT schemes can simplify administration, improve cash flow, or reduce the risk of errors.

Choosing the right scheme can make a meaningful difference, particularly for owner-managed businesses.

Cash Accounting Scheme

Under the Cash Accounting Scheme, VAT is accounted for when payment is received from customers and when suppliers are paid, rather than when invoices are issued or received. This scheme can be helpful for businesses with slow-paying customers, as VAT does not have to be paid to HMRC before the cash is collected.

The scheme is available to businesses with taxable turnover of up to £1.35 million. It is not suitable for businesses that regularly reclaim VAT, as recovery is delayed until payment is made.

Flat Rate Scheme

The Flat Rate Scheme allows businesses to pay a fixed percentage of their gross VAT-inclusive turnover to HMRC, instead of tracking VAT on each purchase. The percentage used depends on the business sector.

This scheme can simplify VAT reporting and, in some cases, result in a modest saving. However, since recent rule changes, many service-based businesses are treated as limited cost traders and subject to a higher flat rate, making the scheme less attractive than it once was.

Annual Accounting Scheme

The Annual Accounting Scheme allows businesses to submit one VAT return per year instead of quarterly returns. VAT is paid in instalments during the year, based on an estimate, with a balancing payment once the return is submitted.

This can reduce administrative effort, although businesses still need to keep accurate records and ensure payments are made on time.

Margin schemes and special schemes

Certain sectors can use specialised schemes, such as the Margin Scheme for second-hand goods, antiques, and cars, or the Tour Operators' Margin Scheme. These calculate VAT on the margin rather than the full selling price and can significantly reduce VAT liabilities where applicable.

Final thoughts

There is no one-size-fits-all VAT scheme. Reviewing eligibility and comparing outcomes regularly can ensure a business remains on the most suitable scheme as it grows or changes direction.

PERSONAL

Inheritance tax and substantial landholdings

For many decades, landowners and farmers have benefited from Agricultural Property Relief (APR) and Business Property Relief (BPR), which can significantly reduce or even eliminate IHT on qualifying farmland, buildings and business assets. Under the longstanding rules, these reliefs could reduce the value of qualifying assets by up to 100% when they are transferred on death or as certain lifetime gifts, meaning that many family farms and rural estates passed down through generations without an IHT charge.

Changes from 6 April 2026

Significant reforms to these reliefs take effect from 6 April 2026. The changes were first announced in the 2024 Autumn Budget and have been refined following industry feedback. The key points now are:

- A new capped 100% relief allowance of £2.5 million will apply to the combined value of assets that qualify for APR and BPR. This means that only up to £2.5 million of qualifying agricultural and business property can be fully exempt from IHT.
- Where the combined value of qualifying land and business assets exceeds £2.5 million, assets above this threshold will still attract relief at a 50% rate, producing an effective IHT charge of 20% (half of the standard 40% rate) on the excess.

- The £2.5 million cap is per individual but is transferable between spouses or civil partners. This means married couples can potentially secure up to £5 million of qualifying assets tax-free between them, before applying the normal nil-rate band and residence nil-rate band allowances.

What this means in practice

Under the new rules, large estates that include substantial land, farm buildings or other qualifying business property may now face an IHT charge where previously none would have arisen, particularly where the qualifying portion of the estate exceeds the £2.5 million relief cap. Without careful planning, successors could be liable for tax on the portion of land value above the relief limits.

The reforms are designed to target relief more closely at core family businesses and active farming enterprises, while limiting the amount of relief available on large land-rich estates. The result is that some estates previously able to pass on farmland wholly free of tax may now attract an IHT charge on part of their value, even where ongoing commercial activity continues.

Planning considerations

For landowners, this change increases the importance of early estate planning. Options such as trusts, lifetime gifts (with appropriate timing), restructuring ownership, or life insurance held in trust to cover potential tax bills may help manage the impact of the new rules. Because the relief cap applies to qualifying assets inherited or gifted after April 2026, decisions taken well before that date could preserve relief that might otherwise be lost.

In summary, while APR and BPR remain valuable tools to reduce IHT, the relief available for very substantial holdings will be reduced from April 2026 onwards, and estates with high land values will need careful planning to avoid unexpected tax charges.

Please call if you have ongoing concerns about the issues raised by these changes.

Capital Gains Tax rates payable from April 2026

Capital Gains Tax (CGT) is one of the key taxes that affects individuals, trustees and estates when they dispose of chargeable assets at a gain.

In recent years the rules have changed significantly. Changes announced in the Autumn Budget 2024 and subsequent tax legislation mean that CGT rates and reliefs will look different from April 2026. Understanding these changes is important for planning purposes, particularly for individuals contemplating disposals of assets, owners selling a business, or trustees managing estate assets and related financial matters.

This article summarises the rates of CGT payable from April 2026, the circumstances in which they apply, and some practical points you should be aware of ahead of the new tax year.

The core CGT rates payable by individuals on disposals of chargeable assets (other than residential property or gains eligible for specific reliefs) were increased in late 2024. From 30 October 2024 the basic and higher rates that had been 10 per cent and 20 per cent respectively were replaced with new rates of 18 per cent and 24 per cent. These rates are now aligned broadly with the rates that apply to disposals of residential property (previously higher rates applied there).

The rate you pay depends on the level of your taxable income and the amount of your chargeable gain once allowances and losses have been applied.

In practice, this generally and effectively works as follows:

- If your taxable income plus taxable gains fall within the basic rate band, the lower CGT rate of 18 per cent applies to gains on most assets.
- Any part of gains that fall above the basic rate band is taxed at 24 per cent.

These main rates apply to disposals of assets such as shares (outside tax wrappers), investment portfolio holdings, business assets not qualifying for relief, second homes, and other chargeable assets, excluding certain specific categories explained below.

For disposals of UK residential property that does not qualify for any relief (for example, it is not your only or main residence or you have already used lettings relief where available), the 18%/24% structure also applies from 2025 onwards, and this continues into 2026. There is no separate higher “residential property rate” beyond the general alignment under the 2024 reforms.

Residential property disposals must continue to be reported and tax paid within 60 days of completion for UK residents, as this remains the reporting obligation irrespective of the CGT rate. Failure to meet this deadline can result in automatic penalties, interest on the outstanding tax, and potential compliance checks by HMRC. Taxpayers should therefore ensure that any capital gain is calculated promptly after completion, taking into account allowable costs, reliefs such as Private Residence Relief where applicable, and any unused annual exempt amount, so that an accurate return and payment can be made within the required timeframe.

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.

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.

December 2026

30 Last day to submit 2025/26 tax return online to have unpaid tax of up to £17,000 collected through the 2027/28 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 2027

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

31 Submit 2025/26 Self Assessment return online. Pay balance of 2025/26 Income Tax and CGT plus first payment on account for 2026/27.

February 2027

2 Submit employer forms P46 (car) for quarter to 5 January 2027.

In preparing and maintaining this newsletter, every effort has been made to ensure the content is up to date and accurate. However, law and regulations change continually and unintentional errors can occur and the information may be neither up to date nor accurate. The editor makes no representation or warranty (including liability towards third parties), express or implied, as to the accuracy, reliability or completeness of the information published in this newsletter.

alwyns
CHARTERED ACCOUNTANTS

helping you achieve your personal & financial goals

- Accountancy
- Audit
- Taxation
  - Business
  - Personal
- VAT
- Payroll
- Bookkeeping
- Wealth and retirement planning
- Business support services
  - Profit improvement consultancy
  - Funding
  - Business purchase or sales
  - Strategic planning
  - Management accounting
  - Outsourcing
  - Company secretarial services
- Probate

Alwyns Chartered Accountants
Crown House, 151 High Road
Loughton, Essex IG10 4LG

020 8502 0411

www.alwynsllp.com