

Newsletter

Tel: +44 (0)20 7935 6363 • advice@leamanmattei.com

OCT/NOV 2025

IN THIS ISSUE:

- » Business rates reform
- » HMRC enhances lifestyle scrutiny
- » Managing inheritance tax changes
- » Voluntary VAT registration
- » Further sacrifices for employee benefits
- » Covid support voluntary repayment scheme
- » News in brief



Beware scams in self-assessment season

HMRC routinely sends reminders and other information to self-assessment taxpayers in the run-up to the tax return filing deadline. But this is also high season for scam messages masquerading as instructions from HMRC.

These scam emails, voicemails and texts want you to click on links or persuade you to give out personal information, with the aim of defrauding you of your money. HMRC has issued guidance on what you can expect to see – and not see – in genuine communications from the department.

“HMRC will never ask you for passwords, usernames or access codes. They will never threaten legal action or arrest, or try to rush you into taking any action.”

A common ploy by scammers is to tell you about a tax refund you are supposedly due or to demand an urgent tax payment. What they want is to steal your bank details. HMRC will never ask you for passwords, usernames or access codes – these are private and should never be shared with anyone. HMRC will never threaten legal action or arrest, or try to rush you into taking any action – a common tactic of scammers to prevent people from stopping and thinking first.

HMRC will also never ask you to claim a tax rebate via a link. If you are owed anything, you can find out how much and reclaim it securely via your online personal tax account or the free HMRC app. The only links, or occasionally QR codes, that might appear in HMRC messages will lead to guidance on the HMRC website.

Emails that say you have a new message from HMRC should, however, not be ignored. Genuine emails will not include a link but will ask you to sign in to your online account. If you have agreed to receive messages from HMRC electronically, you will not get notices by post but only in your online account. Failing to read these messages will not excuse you from a penalty for missing a tax deadline.

Leaman Mattei

Suite 1, First Floor
1 Duchess Street
London W1W 6AN

Tel: +44 (0)20 7935 6363
Email: advice@leamanmattei.com

Directors

Stuart Leaman CTA, ATT, TEP
Paul Mattei ACA, FCCA, MAAT

*Registered to carry out audit work in the UK
by the Institute of Chartered Accountants in
England and Wales.*

Business rates reform on the cards

Major business rates reform could feature in the Budget following an interim government report into how the rates system could support economic growth and entrepreneurship while continuing to provide a stable source of revenue for local services.

The report was the result of consultation with stakeholders that started with a discussion paper published after the 2024 Budget.

The consultation revealed that business rates is one of the most influential factors in investment decision-making. The report set out several aspects of the business rates system as priority areas for further exploration to improve their operation.

- Moving from a structure where a single multiplier is paid on a property's full rateable value (RV) – a 'slab' system – to one where successive bands of value are taxed at increasing rates – a 'slice' system. At the 2024 Autumn Budget the government said



it would introduce two new lower multipliers for retail, hospitality and leisure business properties with an RV below £500,000, funded by a new, high-value multiplier for properties with an RV of £500,000 or above. These rates are to be announced in the coming Budget.

- Enhancing Small Business Rates Relief (SBRR) to support business growth and investment.
- Researching how Improvement Relief is being used with a view to enhancing it.

- Exploring concerns over valuation methodology, which can result in uncertainty, and considering options to address these ahead of the 2029 revaluation.
- Exploring the possible benefits of a future shortening of the two-year Antecedent Valuation Date (AVD). This means that by the end of a rating list, five years have passed since the time at which the properties were last valued and so valuations do not reflect the current economic conditions.
- Using the merger of the Valuation Office Agency with HMRC to make administrative changes that help ratepayers.

The government says that "final decisions will be taken in the context of the government's objectives for the business rates system". The impact on local government funding will also have to be considered.

BUSINESS

Identity verification kicks off

The start date for identity verification is set for 18 November 2025, although the actual deadline for individual directors will vary.

All existing directors will have to verify their identity, although those holding multiple directorships only need to register once. Once verified, directors will receive an 11-character code from Companies House, and this code will be required when filing their company's first confirmation statement on or after 18 November 2025.

The date that a director is required to verify will therefore depend on when the confirmation statement is due. If it's due in early November, then verification will not be necessary until November 2026. It might be worthwhile filing your company's confirmation statement early if the deadline is just after 18 November 2025.

Persons with significant control will likewise need to provide their verification code. If you're also a director, you will use a new service within 14 days of the company's confirmation statement date.



TAX

HMRC enhances lifestyle scrutiny

Be warned that HMRC is deploying artificial intelligence (AI) to scan social media accounts for signs that taxpayers' lifestyles do not match their declared income. HMRC's covert surveillance team has doubled in size over the past two years as part of its mission to recover lost funds.

Lifestyle inconsistencies

Tax authorities around the world have jumped on the AI bandwagon as they attempt to keep a lid on tax fraud, with HMRC no exception. HMRC is using AI to search across major social media platforms for lifestyle inconsistencies. A typical example would be where a person posts about a luxury holiday which obviously costs way more than they could afford based on the level of income reported on their tax returns.

HMRC is at pains to point out that the use of AI is currently restricted to suspected tax fraud, rather than aimed at taxpayers generally, and is only used as a first filter before the information is subject to human review.

It's unrealistic to believe, however, that HMRC will not increase its reliance on AI in the future as it attempts to collect the more than



£46 billion in taxes which go uncollected each year.

Covert surveillance

More than 330 HMRC staff are now trained in covert surveillance, with these officers having a wide range of powers including:

Physical monitoring of premises:

An HMRC officer will covertly visit business premises to check on, for example, the number of staff, the number of customers and how cash is handled.

Test purchases: An HMRC officer will undertake test purchases of goods or services to establish if a business is declaring all of its income.

Drive-bys: Venturing even further into secret agent territory, HMRC officers will drive-by, walk past, or stake out business premises to conduct surveillance, such as who enters and leaves the property.

Are you ready to manage inheritance tax changes?

Inheritance tax (IHT) is expected to raise £9.1 billion in the current tax year, nearly double its revenue of ten years ago, with some £14.3 billion forecast by 2029/30. Even though most of the IHT measures announced in the Autumn 2024 Budget have yet to be introduced, still more changes are possible come this November's Budget.

The IHT changes announced at the October 2024 Budget include:

- Nil rate bands frozen for a further two years up to, and including, 2029/30;
- Restrictions on 100% relief for business and agricultural property to a combined £1 million from 6 April 2026 with just 50% relief thereafter; and
- Most unused pension death benefits brought into charge for IHT purposes from 6 April 2027.

In response, many people have started to make, or think about making, lifetime gifts as a way to mitigate future IHT liabilities. This can be effective as long as the donor survives for seven years after making the gift, but it's not always quite that straightforward.

Drawbacks to gifting

One major problem is that most people simply do not have sufficient assets to be making substantial lifetime gifts.

Example: Simon and Miranda, a married couple, feel quite well off with assets of £2.5 million. They are considering a lifetime gift to their children of £500,000 as this would cut their potential IHT liability on second death by £200,000. However, if only £1.5 million of assets are income producing, the gift would reduce investment income by a third.

One way that someone may try to circumvent the problem of not having sufficient assets is to not make the gift absolute.

Example: Sofia, a widow, is thinking of making a gift of her house, valued at £850,000, to her daughter. However, Sofia will continue to live in the house rent-free. Such a gift is not effective for IHT purposes, and it will still be included as part of Sofia's estate.

Of course, real life may not conform to your expectations, and you may be left regretting certain decisions if future circumstances do not match your intentions. Making gifts within the family could save IHT, but once the money has been given, there is no reversing the gift. For instance, it might be the case that gifted assets are lost outside the family as a result of a future divorce settlement.

Death-bed marriages

One final chance to carry out some IHT planning is with a death-bed marriage. As IHT impacts on ever more estates, the number of such marriages has increased. Assets bequeathed to an unmarried partner are not automatically exempt from IHT, so a death-bed marriage can rectify this. The general rule is that marriage or the formation of a civil partnership will revoke any will that has been made, so care needs to be taken to avoid dying intestate.

New Budget measures?

The Chancellor could introduce a lifetime cap on the amount that can be gifted tax free during a donor's lifetime, the seven-year rule could be removed completely (with all lifetime gifts taken into account on death), or extended to, for example, ten years before a gift is outside the scope of IHT.

Take expert tax advice before making any decisions around your IHT planning.



Making gifts within the family could save IHT, but gifted assets could be lost outside the family as a result of a future divorce settlement.



Credit: 3dmodelstudio / Shutterstock.com

Voluntary VAT registration

Businesses with taxable turnover below the £90,000 VAT registration threshold can register for VAT voluntarily.

The usual reason for doing so is to claim repayment of VAT paid on purchases of goods or services where the amount is more than the VAT the business is able to charge customers. This may occur if the business activities are largely zero-rated, or in early days of trading before reaching the turnover threshold.

Backdating registration

A voluntary registration may be backdated by up to four years. It's important to consider carefully whether, and by how much, to do so because recent updated guidance from HMRC makes it clear that you cannot change the date.

Backdating registration will allow you to reclaim input tax on goods and services supplied to you from then, and even pre-registration VAT for up to four years before the specified date. You will also have to account for VAT on any standard-rate or zero-rate supplies you have made since your registration date.

Choose the right date

Getting the date wrong may result in a business unintentionally becoming liable to VAT on past sales or being unable to reclaim input tax on earlier supplies to it. HMRC will very rarely allow a request to change the registration date under its collection and management powers where it would be unreasonable not to do so, but there is no right of appeal against an HMRC refusal.

Further sacrifices possible on employee benefits

Tax changes introduced back in 2017 severely curtailed the use of salary sacrifice arrangements. In the lead up to November's Budget, concerns are circulating that the Chancellor could further restrict relief.

There can be generous tax advantages when an employee forgoes part of their salary in exchange for employer pension contributions or a low emission company car.

Pension contributions

If the arrangement involves employer pension contributions, both employee and employer NICs are saved on the amount of salary sacrificed.

- This is particularly attractive for employers since the rate of employer NICs was increased to 15% from April 2025.
- The employee will also save income tax, and this could mean a 60% saving if caught in the personal allowance tax trap. Note, however, that there will be the same tax saving if the employee makes the pension contributions personally.

The principle can work equally well for directors of owner-managed companies.

Company cars

The tax saving on company cars is a bit more complicated because although there will be a salary reduction, the employee will then have a taxable car benefit. Nevertheless, with fully electric cars and low emission hybrids, the taxable benefit will be relatively low even for an expensive car. The employee saves employee NICs on the salary reduction, and there will be a saving of income tax and employer NICs on the difference between the salary reduction and the amount of taxable benefit.

Potential changes

Salary sacrificed pensions, in particular, could be in the Chancellor's sights, with HMRC examining various scenarios to gauge employer reaction to potential changes. The scenarios included setting a threshold of £2,000 beyond which no NIC exemption for salary sacrificed pensions would be available.

Anyone considering a salary sacrifice arrangement might therefore be advised to have everything in place by 26 November.

News round up

CGT annual exempt amount

Although just £3,000, it's worth making use of the exemption given a potential tax saving of £720. If you're planning to dispose of investments or chattels standing at a profit, do so by 5 April to make use of this year's exemption.

HMRC targets second home sales for CGT

Around 10,000 sellers were targeted in HMRC compliance checks for 2024/25, resulting in a 41% increase in revenue from underpaid capital gains tax (CGT), from £182 million to £256 million. More compliance officers, increased use of third-party data and a return to compliance activity by staff diverted during the pandemic to other work, have helped HMRC track down unpaid tax, with a third more checks in the last tax year than 2023/24.

Electric car charging rates

The advisory fuel rate for electric company cars was previously 7p per mile. Rates are now 8p for home charging, with 14p for public charging, although the actual cost can instead be used if you're charging with a more expensive, ultra-fast charger.

January tax bill planning

With the rate of late tax payment interest currently standing at 8.00%, self-assessment taxpayers should be planning for their 31 January tax payment, making sure sufficient funds will be available. Missing the deadline can be expensive, especially if penalties are also incurred.



Covid support repayment scheme opens

The government has opened a voluntary scheme to allow recipients of the various Covid-19 support measures a 'no questions asked' chance to repay any help they received but were not entitled to.

The scheme runs until December 2025 and is a final opportunity to make amends before tougher sanctions start to be imposed from next year. The voluntary repayment scheme is relevant for individuals and businesses who may have misunderstood the eligibility criteria at the time support was claimed.

Covid support measures included:

- The Self-Employed Income Support Scheme (SEISS) which made up to five grants to individuals whose self-employment activities had been adversely affected by Covid.
- The Coronavirus Job Retention Scheme (CJRS) which helped employers retain employees by covering a proportion of their wages while furloughed.
- Bounce Back Loans which allowed a business to borrow up to £50,000, with the loans 100% guaranteed by the government; no personal guarantees required.

In some cases, the eligibility criteria could be quite complicated. With the SEISS, for

example, criteria differed significantly across the five grants.

What to do

Individuals and businesses who received any type of support during the Covid-19 pandemic should revisit the eligibility criteria and ensure each claim was valid at the time it was made. If a mistake has been made, then work out how much needs to be repaid. At this point, it would be a very good idea to contact us for advice and help with the disclosure process.

Use of the voluntary repayment scheme avoids any type of sanction. Someone who is subsequently found to have wrongly claimed could face prosecution, disqualification, or even prison. A director who fraudulently inflated his company's income to obtain two Bounce Back Loans was recently banned from being a director for 11 years.

For more details on repayment see the [gov.uk](https://www.gov.uk) site here.