leaman mattei chartered accountants

Newsletter

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

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Time to join the AI revolution?

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The November 2025 Budget contained several measures to boost AI adoption and support British science and technology companies to 'start-up, scale-up and stay in the UK'.

Artificial intelligence (AI) holds enormous potential for businesses in enhancing productivity, competitiveness and efficiency. However, adopting AI technology can be challenging.

Sector champions

New AI sector champions will promote the rollout of AI in industrial sectors in which AI can be at its most transformative. At present those sectors encompass professional business services and advanced manufacturing.

> *A new AI Growth Zone in South Wales will benefit from £10 billion of private and government investment to create more than 5,000 local jobs.*

They will join the existing AI champion for clean energy and will work alongside the Sovereign AI Unit, formed in summer 2025 by the government Department for Science, Innovation and Technology (DSIT). The unit will invest in high-potential, new UK businesses to enable them to start trading and grow.

A wider reach

The BridgeAI programme, which opened in 2023, is expanding to support a wider range of business sectors to develop and deploy new AI solutions. A new AI Growth Zone in South Wales will benefit from £10 billion of private and government investment to create more than 5,000 local jobs. The zone will consist of several sites stretching from Newport to Bridgend.

The government is acting as a 'first customer' for UK start-ups that are building high-quality AI hardware products but need investment to provide the huge amount of hardware needed for data centres in the AI Growth Zones.

Although these measures are largely directed at the AI sector itself, the benefits will gradually percolate to all businesses. Generative AI, which creates new content out of information and data, can automate many processes, such as marketing and customer support, while nevertheless giving customers a personalised experience. Directors and senior staff can then concentrate on strategic business tasks, assisted by predictive AI, to help plan for future outcomes based on past data and events.

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

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SAVINGS

ISAs set for a shake up

Credit: Tsuguliev/Shutterstock.com

Although the overall individual savings account (ISA) annual subscription limit of £20,000 is not changing, from 6 April 2027 the amount anyone aged under 65 will be able to save into a cash ISA each year will be capped at £12,000.

What is not changing

The following annual subscription limits will be frozen until 5 April 2031:

	Subscription limit
Overall limit	£20,000
Lifetime ISAs	£4,000
Junior ISAs	£9,000
Child trust funds	£9,000

If you're aged 65 and over, the cash ISA annual subscription limit will also remain unchanged at £20,000.

Cash ISAs

From 6 April 2027, the cash ISA limit will fall to £12,000, but only for savers aged under 65. Anyone who wishes to invest over £12,000 can still do so for 2025/26 and 2026/27, but they should plan to review their future investment strategy, especially as tax rates on savings income are going to increase by two percentage points across all tax bands.

Existing savings exempt

The changes only apply to new cash ISA savings from 6 April 2027 onwards, and interest on money already saved by then should continue to be tax free.

The government is trying to push people to invest more in stocks and shares ISAs. However, although returns are traditionally higher, there is considerably more risk especially if you're not investing for the longer term.

Lifetime ISAs

Lifetime ISAs have come in for criticism because of the 25% penalty charge which is applied to unauthorised withdrawals. The property cap of £450,000 (unchanged since Lifetime ISAs were introduced in 2017) and generally rising property prices, have prevented many from using their Lifetime ISA to help purchase a first home.

The government is therefore going to consult on introducing a new ISA product which can be used to save towards a first home.

Delayed bonus payments

Unlike the existing Lifetime ISA, where government bonuses are paid monthly, a bonus will only be paid when the new ISA is used to purchase a home. This will allow more flexibility in regard to withdrawals should a person's circumstances change.

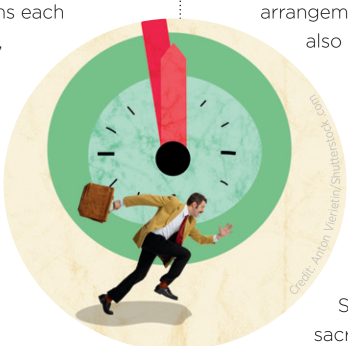
TAX

Restrictions planned for salary sacrifice

The government will curtail the tax advantages of salary sacrifice arrangements involving employer pension contributions from April 2029, and only for contributions above £2,000 per year.

NICs exemption changing

From April 2029, only the first £2,000 of salary sacrificed pension contributions each year will be exempt from NICs, with contributions above £2,000 subject to employer and employee NICs.



Credit: Anton Vierietin/Shutterstock.com

- There will be no restriction on the amount that can be contributed to pension salary sacrifice arrangements, and – for contributions above £2,000 – the same tax treatment will apply as when an employee makes pension contributions personally.
- Pension contributions mean a reduction to the amount of income tax payable by the employee, and a reduction to taxable profits for the employer – saving corporation tax.
- Salary sacrifice is particularly beneficial for an employee who is paying income tax at an effective rate of 60% due to being caught in the personal allowance trap (where income falls between £100,000 and £125,140). Salary sacrificed pension contributions above £2,000 will still reduce this 60% liability.

Rather than sacrificing salary, bonuses are often redirected into a pension under a sacrifice arrangement. Such bonus sacrifice will also be caught by the changes.

Planning

The changes are over three years away but the impact could be considerable, so employers need to start planning.

Some may decide to keep salary sacrifice arrangements in place and accept the increased NICs cost and administrative hassle. Others may decide to simply stop offering pension contributions under salary sacrifice, although this will disproportionally impact lower-paid employees who lose out on the main rate NICs saving.

Psuedo salary sacrifice

Ordinary (non-salary sacrificed) employer pension contributions will continue to be exempt from NICs, so it might be possible to replicate the NICs advantage of salary sacrifice by restricting future salary growth and instead providing employees with higher ordinary pension contributions.

BUSINESS

Companies House fees rise

Companies House increased its fees from May 2024, but another round of across-the-board increases are coming in from 1 February 2026

The cost of digitally incorporating a company with Companies House is currently £50, but this is to double to £100. The same day incorporation fee will also double to £156. Similar fee increases will apply if registering a limited liability partnership (LLP).

Every company, including dormant ones, must file a confirmation statement at least once a year. The cost is currently £34, and this is going up to £50; the fee was just £13 before May 2024. At least this fee covers a 12-month period. It's paid with the first filing during the period, with no further charge for any subsequent filings during the same period.

Despite the fee increases generally, the cost of voluntarily striking off a company or LLP is going to be reduced by 60% to just £13.

Credit: Sohel Parvez Haque/Shutterstock.com

All change for landlords and tenants

If you let a residential property in England, it's time to get ready for the significant changes to the law that will come into effect on 1 May 2026.

The new rules are mostly aimed at giving tenants greater security and ensuring let properties are in decent condition. Landlords will only be able to evict tenants if they have specific grounds, but there are also some positives for landlords.

The main measures are:

- All private tenancies will be periodic with tenants able to stay in their home until they decide to end their tenancy giving two months' notice. Existing fixed-term assured tenancies will be converted into periodic tenancies. Evictions using section 21 of the Housing Act 1988 will be abolished.
- Existing possession grounds will be extended to make it easier for landlords to evict tenants if they want to sell the property, move into it, or let family members live there, though not during the first year of a tenancy. It will also be easier to evict tenants who engage in antisocial behaviour or are at least three months in arrears with their rent. But there will be new protections for tenants who temporarily get behind with their rent, and eviction notice periods will increase.
- Tenants will be able to appeal against unreasonable rent increases, though landlords will still be able to increase rents in line with market price once a year. They will have to follow a new legal process and give two months' notice of the new rent. The independent First-tier Tribunal will decide any disputes.
- All new tenancy agreements from 1 May 2026 will need to have a written agreement that includes certain information. The government will soon publish details of what information will be required. Landlords will have to give existing tenants a government-produced information sheet, to be published in March.
- Letting agents and landlords seeking tenants will have to publish an asking rent and will be prohibited from accepting higher offers.
- Landlords will not be able to discriminate against prospective tenants who are on benefits or have children, nor will they be able (without reasonable grounds) to stop tenants having a pet.

Credit: Andrii Yalanskyi/Shutterstock.com

Strategies for enforcement

The government will create a private-rented-sector database before the end of 2026 to support local councils in tackling non-compliance and provide information to landlords and tenants. Landlords will have to register on the database in order to use certain possession grounds.

> *All private tenancies will be periodic with tenants able to stay in their home until they decide to end their tenancy giving two months' notice.*

In 2028 landlords will have to sign up to the private rented sector Landlord Ombudsman and, at a date to be determined and subject to consultation, the Decent Homes Standard will be applied to privately let properties: landlords will have to act to make homes safe where they contain serious hazards – Awaab's law. Following another future consultation, landlords will not be able to request advance payments of rent of more than one month.

Tax on property income

Landlords in England, Wales and Northern Ireland will also be hit by a two percentage point increase in income tax rates on property income from 6 April 2027 – to 22%, 42% and 47%. In line with this change, the basic-rate relief given for property finance costs will increase to 22%.

Credit: Nenad Cavoski/Shutterstock.com

Welcome news on business relief changes

The inheritance tax (IHT) agricultural relief U-turns that came out before Christmas have been well publicised, but the changes apply equally to business relief.

Currently, qualifying business property included in a deceased's estate qualifies for 100% relief regardless of the value of the business property.

Timeline of changes

October 2024 Budget: The initial proposals would have restricted 100% business relief to a maximum of £1 million from 6 April 2026. For qualifying business property in excess of £1 million, relief would have been at the rate of 50%. On a business valued at £5 million, IHT would have potentially increased from zero to £800,000.

November 2025 Budget: The first U-turn saw the £1 million allowance made transferable to a surviving spouse or civil partner. Therefore, the amount of IHT on a business valued at £5 million could potentially be cut to £600,000.

December 2025 U-turn: In an announcement made just before Christmas, the government said that the 100% allowance will now be £2.5 million. The £5 million business property will therefore again be fully exempt if a surviving spouse or civil partner's allowance is available.

Cohabiting partners

Unlike married couples and civil partners, the £2.5 million 100% allowance is not transferable to a surviving partner where the couple are unmarried or not in a civil partnership. Although a long-term unmarried couple may be perfectly content as they are, the IHT downside of remaining so could well warrant a rethink.

Enterprise management incentives widened

A relaxation to the qualifying limits will mean that scale-up companies, not just start-ups, will be able to offer enterprise management incentives (EMI) tax-advantaged share options to employees from 6 April 2026.

There is generally no tax charge when EMI share options are granted to an employee or when options are exercised. A capital gains tax (CGT) liability could arise when the shares are sold, but the gain will potentially qualify for a flat rate of CGT of 14% (18% from 6 April 2026).

The maximum market value of unexercised EMI share options that an employee can hold in a three-year period is £250,000.

Qualifying limits

The following changes will apply to EMI contracts granted from 6 April 2026:

- Although there is no limit to the number of employees who can be granted options, the maximum market value of unexercised EMI options granted by a company cannot currently exceed £3 million. This will increase to £6 million.
- A company currently has to have gross assets of £30 million or less and fewer than 250 full-time equivalent employees. These limits will respectively be raised to £120 million and 500 employees.
- The maximum exercise period for EMI options is to be extended from 10 years to 15 years.

Companies will be able to retrospectively apply the 15-year exercise period to existing EMI share option contracts.

Company considerations

Companies which have not previously qualified for EMI should review whether they will now qualify, and whether EMI options are the right choice for future employee equity incentives.

Similar considerations apply if a company has previously qualified but then exceeded the gross assets or employee limits as the company has grown, or the company has hit the £3 million limit for unexercised EMI options. Companies with existing EMI options should decide whether they want to extend the exercise period to 15 years.

TAX

Making Tax Digital update

Making Tax Digital (MTD) starts on 6 April 2026 for self-employed individuals and landlords with qualifying annual income over £50,000. There are a number of issues to bear in mind.

As for all tax obligations, penalties will be charged for late submissions and payments. However, to ease the transition, no penalties will be charged for late quarterly updates during the first year – 2026/27.

The relaxation, however, will only affect the quarterly updates; late submission of the digital yearly submission due by 31 January 2027 could still attract penalties. And these penalties will be increased from April 2017 as will late payment penalties.

Qualifying income

Whether, and when, you have to join MTD depends on your qualifying income from self-employment and property letting. That income is taken from the tax return that was due for submission by the previous 31 January. So if your 2024/25 tax return, due by 31 January 2026, shows qualifying income of more than £50,000, you will have to use MTD from 6 April 2026. That threshold will fall to £30,000 from 6 April 2027 and £20,000 from April 2028.

Business changes

Business cessations may cause some uncertainty. HMRC has said that if a business ceases in 2024/25 it will not have to join MTD, but its income will still count towards the owner's qualifying income, for example where the taxpayer has a property business as well.

Unincorporated businesses and landlords within MTD will have to report quarterly to HMRC the totals of their income and expenses for each source of income. In general the quarters will end on 5 July, 5 October, 5 January and 5 April and reports will have to be submitted by the 7th day of the month following the end of the quarter. A final declaration must be made by 31 January following the year end and must include any accounting adjustments as well as other income and claims.

NEWS IN BRIEF

News round up

Early spring forecast

Over the Christmas period the Chancellor announced that she had requested the Office for Budget Responsibility prepare an economic and fiscal forecast for Tuesday 3 March. This will provide an update on the economy and public finances and will not be an assessment of government performance. The Chancellor will respond to Parliament and is not expected to present additional fiscal policy, unless there is a significant shift in the economic outlook.

Capital allowances cut

The rate of writing-down allowance on the main pool of plant and machinery will be cut from 18% to 14% from April 2026. Full relief will still be given for qualifying expenditure, but it will be at a slower rate.

Corporation late filing penalties

The late filing penalty for failing to submit a corporation tax return on time is going up to £200. The penalty for being three months late will also double, and, if previously late, the penalty could be as high as £2,000.

Homeworking tax relief cut

Employees will no longer be able to claim the £6 weekly deduction for additional household costs when they are required to work from home. However, there is no change to the tax exemption where such costs are reimbursed by the employer.