

# TAXADVISER

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## A fairer split?

New share exchange rules introduce 'just and reasonable' adjustments, allowing HMRC to target tax advantages without denying relief in full



### New CIS fraud rules

Businesses risk tax, penalties and loss of status if they 'knew or should have known'



### Heritage under pressure

IHT relief caps raise liquidity risks for estates and future generations



### Tax Awareness Week

The profession comes together to improve public understanding of tax

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# HELEN WHITEMAN JANE ASHTON



## New year, new demands

As we move into Spring, we reach a natural point of reflection and renewal: the close of one tax year and the beginning of the next. This April brings additional demands as Making Tax Digital for Income Tax becomes a reality for many taxpayers from 1 April. The CIOT, LITRG and ATT have developed extensive online guidance to support you and your clients in navigating the new requirements. As digital reporting beds in, clear communication and careful preparation will be essential.

As many expected, the Chancellor's Spring Statement proved to be rather a 'non-event' from a tax policy perspective. The Statement still provides important context, however. Economic forecasts and fiscal projections shape future decisions, and a period of stability offers welcome space to focus on implementation rather than constant change.

If the policy landscape feels steady, the professional workload at year end can feel rather different. Many of you will be finalising planning, confirming claims and elections, reviewing remuneration strategies and ensuring that your clients are well positioned for the new year. At the same time, updated thresholds, rates and administrative requirements take effect from 6 April. The care and professionalism of our members are fundamental to both client outcomes and the effective operation of the tax system.

Interactions with HMRC can be challenging, and supporting members in those dealings remains a core priority. The ATT is therefore introducing a new process enabling members to raise systemic issues they encounter with HMRC ([tinyurl.com/pa5b79pc](https://tinyurl.com/pa5b79pc)), such as problems with digital services, agent accounts, registration processes or response times. While individual cases can often be resolved, recurring problems require co-ordinated engagement at an institutional level.

This new process is designed to capture members' experiences in a structured, evidence-based way, so we will be better placed to identify patterns, prioritise concerns and make targeted representations to HMRC. It strengthens our ability to advocate effectively on your behalf and seek practical improvements. Please do make use of this process where appropriate.

Looking ahead, 16 April sees the CIOT Admissions Ceremony at Drapers' Hall in London – always a highlight of the professional calendar. Welcoming new members and Fellows is a powerful reminder of the dedication required to achieve the CTA designation. We look forward to congratulating all those admitted.

CPD remains central to maintaining those standards. On 22 April, the ATT will host its Fellows webinar, offering an opportunity to connect with peers and engage in discussion sessions led by our Technical Officers. Meanwhile, mandatory agent registration with HMRC begins on 18 May. The CIOT and ATT, together with the joint professional standards team, will hold a webinar on 20 April outlining the system and providing practical guidance on meeting the new registration conditions.

The CIOT's Spring Virtual Conference on 29 and 30 April ([www.tax.org.uk/svc2026](https://www.tax.org.uk/svc2026)) will once again deliver a comprehensive technical update, covering crypto, BPR and APR, OMB profit extraction, property, VAT and B2B Lifetime Giving. And bookings are now open for the June ATT conferences ([tinyurl.com/394wvet7](https://tinyurl.com/394wvet7)), which will provide practical content for technicians in practice and industry, with events in Stirling, Liverpool and London, alongside an online option.

Finally, we mark with great sadness the passing of Richard Todd, a Past President of the ATT. We pay tribute to his significant contribution to the Association and to the wider tax profession, and to the commitment and leadership he demonstrated throughout his career. A full obituary appears on page 69.

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# JOHN BARNETT

## VICE PRESIDENT



## A single UK tax profession?

“ The CIOT Council has for some time been debating what the profession of the future might need to look like, and how we can adapt to meet that need.

A few weeks ago, I attended an event marking 30 years since the Tax Law Rewrite (TLR) Project. In the Q&A that followed, the panellists were asked which country has the best tax laws. Among the various suggestions, the Dutch system received several votes. Its tax code is contained in a single slim volume; the revenue authorities provide binding advance rulings; relations between the authorities and tax advisors are strong and cooperative; and the system is largely stable, rather than subject to constant tinkering.\*

How does the Dutch tax system achieve this? In large part, it reflects the differing attitudes in common law and civil law countries. Common law tends to favour detailed rules to provide certainty. By contrast, civil law systems are more principles-based, leaving greater discretion to revenue authorities and courts to interpret the spirit of the law.

However, a Dutch adviser at the event added another factor: all Dutch tax advisers must be highly qualified. Universities offer mainstream degrees in tax law and tax economics. A *belastingadviseur* (a Dutch tax adviser) holds a Master's level qualification in tax administration and must meet high standards of technical expertise, professional skills and ethics. Being a tax adviser is recognised as a distinct profession, separate from both law and accountancy. The result is a high level of trust between advisers and the tax authorities.

All of this got me thinking. We often talk about tax simplification and criticise legislators for adding more tax laws and complexity each year. But if we are to achieve genuine simplification, do we also need to look at our profession and how it is structured?

In the UK, tax is still widely seen as an add-on to the accounting and legal professions, and something of a poor relation to both. There are, of course, many

lawyers and accountants who (without further qualifications) are excellent tax advisers. But not all of ACCA's 258,000 members, ICAEW's 210,000 members or the Law Society's 216,000 members are, by virtue of those qualifications alone, equipped to advise on tax. Even CTAs and ATTs are not competent to advise on all areas of tax. This makes it harder for HMRC to distinguish between advisers or to rely on professional qualifications as a consistent mark of quality.

What might a single tax profession look like in the UK? As I write, an article in today's *Times* discusses amendments to the Finance Bill proposed by Stella Creasey MP, designed to clamp down on online tax influencers. The amendments are well-intentioned and specifically exclude 'tax professionals', although they make no attempt to define the term. Sadly, as a backbench amendment, they stand little chance of becoming law.

But what if they did? What if the government decided that it wanted a single tax profession in the UK? And are we, as a profession, ready for that?

The CIOT and ATT would, of course, be well placed to lead any such initiative. We provide Masters level tax qualifications and require high standards of professional skills and ethics. However, with around 20,000 CIOT members and 10,000 ATT members, we are dwarfed in size by some other professional bodies.

And, to be deliberately controversial, have we been too cosy a club? We rely on our gold-standard tax qualifications but have we done enough to expand beyond organic membership growth? How would we need (or want) to change if the government suddenly mandated a single tax advisory profession along Dutch lines?

We do not yet have clear answers to these questions. However, the CIOT Council has for some time been debating what the profession of the future might need to look like, and how we can adapt to meet that need. This will include membership, qualifications, education, regulation, AI, professional standards, technical policy and a range of other areas. Such discussions are at various points of development, but all the signs are that we will need to be a different profession in five to ten years' time. The journey promises to be a fascinating one.

It would be great to hear your views on this. What do you think the tax profession should look like in ten years' time? And how do we get there? Answers on a postcard please...

*\* Admittedly, two days after the talk, the Dutch Parliament ratified a law that would annually charge 36% tax on unrealised capital gains. However, the government stepped back from this a couple of weeks later and is reviewing the position!*

John Barnett  
Vice President  
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# Our Impact in 2025



Chartered  
Institute of  
Taxation.

**29,846** in-person and online event registrations

**200+** Branch committee members

## Policy successes



IHT allowances for APR/BPR made transferable for spouses following CIOT representations.



Helped deliver increased protections for personal representatives managing IHT liabilities on pension interests.



Identified an issue affecting housing supply chains and proposed a simplification the government is intending to consult on.



Secured three new exemptions for workplace benefits-in-kind, specifically home-working equipment, eye tests and flu vaccinations.



LITRG helped shape HMRC's umbrella company policy, securing greater protection for agency workers from April 2026.

## Public voice

**800+** media appearances

**64** journalists engaged

**71** parliamentary mentions

**6** political parties engaged



**20,564**  
members



**4,226**  
CTA students



**754**  
new members



**92%**  
of successful students  
join within 2 years



**173**  
new DITT completers



**850+**  
AML supervised firms



**22**  
AML fines issued



**33**  
AML inspections

## BARRY JEFFERD

### DEPUTY PRESIDENT



## A parallel tax universe

“ The branches have always been the backbone of the ATT and it is impossible not to be enthused by their work.

I started my last column in the February issue by wishing you all a Happy New Year. Two months later, I can wish you a Happy New Year again as we reach 6 April, when those in tax compliance begin the zip wire descent to bring their tax return control to zero by 31 January 2027. No doubt it's a zip wire with a very gradual slope for the first few months, followed by a near-vertical plunge at the end.

I had been working in tax for around 20 years when I attended an International Tax meeting. At some point, I casually mentioned that the UK's personal tax year ends on 5 April. I still remember the puzzled look from my fellow delegates from overseas: 'Really... why not 10 March or 14 June?' Until then, I had never really thought about it. The geeks amongst you will remind me that the tax year once ended on Lady Day (25 March) and was extended by 11 days following the realignment of the Gregorian calendar in 1752. So that explains it... apparently!

The new tax year also brings the major change of Making Tax Digital (MTD) for Income Tax. Eleven years in the making, this will radically change the way that many taxpayers interact with HMRC. I am not entirely sure that what we have now matches the benefits originally outlined when the plans were first conceived.

HMRC's underlying assumption is that each year a significant amount of tax is collected following investigations – often due to poor accounting records. It is doubtful that mandating taxpayers to use MTD will, in itself, improve record keeping. We used to have a saying that a poor set of manual records was much easier to deal with than a poor set of computer records. It now seems to be universally agreed that the new system will increase

compliance costs – particularly for those whose interaction is due to rental income – where a straightforward annual spreadsheet has previously been sufficient. Now that spreadsheet will need bridging software as well.

The ATT recognises that policy is a matter for government. We work with the cards we are dealt. What I can assure our members is that, whatever the rights and wrongs of MTD, you are in a far better position than you would have been without our involvement. Led by our Director of Public Policy, Emma Rawson, our technical officers have worked tirelessly to find practical solutions and propose amendments to HMRC to make this work as effectively as possible. This included seconding last year's President, Senga Prior, to HMRC for three months. Our work on MTD has reinforced the ATT's standing with HMRC, which can only benefit our members and supports our charitable objectives.

Last month, I had the opportunity to explain this to members attending the annual Branches Conference at Warwick University. Over two days, branch committee members met to discuss the CIOT and ATT and how, through our branches, we can interact and engage more effectively with members and the wider community.

To me, the branches have always been the backbone of the organisation, and it is impossible not to be enthused by the work taking place across the country and the passion shown by members of both the CIOT and ATT. Among many examples, we heard about the Birmingham & West Midlands branch collaborating with other organisations; Manchester planning a social event in August; Somerset & Dorset organising an impressive one-day conference, as did East Midlands; and the Leeds branch, under the chair of Chloe Radcliffe-Scott, who are simply having fun (tax is fun everywhere, of course, so it's no wonder that I felt at home).

My thanks go to Stephen Foulkes and Joanne Routier, who facilitated throughout the conference, and to Emma, Andrea, Sonja and Chris from Head Office for all their work in making the conference such a success.

If you would like to get involved with your local branch, please contact [branches@tax.org.uk](mailto:branches@tax.org.uk) and someone will be in touch. Over 30 members did so in 2025 – so why not you in 2026?

I have enjoyed writing this month's column and feel genuinely positive that the ATT is in a great place. Until next time.

Barry Jefferd  
ATT Deputy President  
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# Our Impact in 2025



**8,582** In-person and online event registrations

**10** MTD webinars and peer discussion groups

**2,268** MTD event registrations

## Successes



Reached over 10,000 students as part of our schools and careers programme



Launched our dedicated social media strategy, with over 1.4m views across YouTube, TikTok, and LinkedIn



Created fantastic member engagement with our involvement in Trustees' Week, and National Mentoring Day



A successful, livestreamed, hybrid AGM



Considered the No.1 source for MTD



Awarded Highly Commended for best use of video at the Memcom awards

## Public voice

**4** Parliamentary mentions

**11** Engagements with politicians

**279** Appearances in mainstream and trade media

**39** Press releases



**10,469**  
Members



**627**  
New members



**6,473**  
Students (inc. Tax Pathway)



**1,685**  
New students



**3,570**  
Online exams



**47** Technical articles



**30** Technical submissions



**87k** Views of our FAQs and how to guides



**48** HMRC groups represented

## PERSONAL TAX

### MTD penalties eased

Soft landing rules clarified

HMRC has clarified how the ‘soft landing’ for Making Tax Digital for income tax self assessment (MTD ITSA) penalties will operate when the regime takes effect from April 2026.

The new framework replaces existing self assessment penalties with a points-based system for late submissions and a separate regime for late payment. However, the first year of mandate will include limited transitional easements.

Most notably, no penalty points will be charged for late quarterly updates during the 2026-27 tax year. This means that taxpayers entering MTD from April 2026 can miss one or more quarterly deadlines without immediately building up points towards the £200 penalty threshold.

The relaxation is narrowly targeted. It applies only to quarterly submissions and only for the first year. Late submission penalties will still apply to the end-of-year final declaration, and the points-based regime will operate in full from 2027-28 onwards.

HMRC has also introduced a temporary easing for late payment penalties. In the first year, taxpayers will generally have 30 days after the due date to pay or agree a time-to-pay arrangement before penalties arise. For advisers, the soft landing offers a limited buffer for implementation but does not remove the need for timely compliance.

## CORPORATE TAX

### WDA rate cut

Capital allowances reduced from April

The main rate of writing-down allowances (WDAs) for plant and machinery will be reduced from 18% to 14% from April 2026, as part of wider changes to the capital allowances regime.

The new rate will apply from 1 April 2026 for corporation tax and 6 April 2026 for income tax, affecting both incorporated and unincorporated businesses. WDAs apply where expenditure does not qualify for full upfront relief, such as the annual investment allowance (AIA), full expensing or first-year allowances.

The reduction will therefore primarily affect businesses with significant existing capital allowance pool balances, as well as those incurring expenditure that falls outside more generous regimes. In such

## GENERAL FEATURE

### Digital-first shift

HMRC moves to digital communication

HMRC is set to move towards ‘digital-first’ communications with taxpayers from Spring 2026, marking a significant shift in how information is delivered across the tax system.

The changes were set out in HMRC’s policy paper *Modernising HMRC’s outbound digital communications*, published in November 2025. From Spring 2026, HMRC will begin a phased roll-out of digital delivery, with an increasing proportion of correspondence issued through taxpayer online accounts rather than by post.

Crucially, the shift is supported by legislative changes allowing HMRC to treat digital delivery as a valid method of statutory communication. This represents a move away from paper as the default channel and reflects HMRC’s wider digital strategy of encouraging taxpayers to engage through digital services.

HMRC has confirmed that safeguards will apply. Taxpayers will be able to opt out of digital communications, and alternative arrangements will remain in place for those who are digitally excluded. However, the practical operation of these safeguards – and how easily they can be accessed – is likely to be an area of focus as the changes are implemented.

The move aligns with other developments, including the rollout of GOV.UK One Login and continued expansion of digital services across PAYE and self assessment. Together, these point to an increasingly account-based approach to tax administration.

For advisers, the implications are significant. Greater reliance on digital channels increases the risk that important communications may be overlooked if client accounts are not actively monitored. There may also be challenges where agents do not have full visibility of messages issued directly to clients.

cases, relief will be obtained more slowly over time.

The change is being introduced alongside a new 40% first-year allowance (FYA) for qualifying plant and machinery expenditure incurred from 1 January 2026. Together, the measures are designed to shift the profile of tax relief, providing greater upfront deductions for new investment while reducing the rate of relief available over time.

In practical terms, the lower WDA rate may increase taxable profits in future periods, particularly for businesses unable to access full expensing. For advisers, the interaction between the reduced WDA and the new FYA will be key, as will the timing of expenditure and the application of transitional rules.

## GENERAL FEATURE

### Nudge campaigns expand

HMRC increases data-led compliance activity

HMRC is continuing to expand its use of ‘one-to-many’ compliance interventions,

reflecting a growing reliance on data-driven campaigns to tackle potential non-compliance, as highlighted in its March Agent Update. It points to the use of targeted letters and digital prompts to encourage taxpayers to review their affairs and correct errors. These interventions, often referred to as ‘nudge’ campaigns, are based on data gathered from third parties, international information exchange agreements and HMRC’s own analytics.

The approach forms part of HMRC’s wider compliance strategy, focusing on early intervention and voluntary disclosure rather than immediate escalation to formal enquiries. By contacting large groups of taxpayers where a potential risk has been identified, HMRC aims to improve compliance at scale while reducing administrative costs.

Recent activity has focused on areas such as offshore income, property transactions and income streams. Digital communication channels, including messages delivered through online tax accounts, are playing an increasingly important role.

For advisers, receipt of such communications often indicates that HMRC already holds data suggesting a discrepancy. Prompt review and response may help mitigate penalties and reduce the likelihood of further action.

## INDIRECT TAX

## Overseas NICs changes

Voluntary contributions rules tightened

Changes to voluntary National Insurance contributions (NICs) for individuals working or living abroad will take effect from April 2026.

From the 2026-27 tax year onwards, individuals will no longer be able to pay voluntary Class 2 NICs for periods spent overseas. Instead, they will generally need to rely on voluntary Class 3 contributions, which are charged at a higher rate.

Access to Class 3 contributions for periods abroad will also be tightened. New applicants will be required to demonstrate at least 10 years of continuous UK residence or National Insurance contributions before leaving the UK.

HMRC has confirmed that affected individuals will be contacted directly, with letters expected to be issued from July 2026. Those currently paying Class 2 NICs by Direct Debit are advised not to cancel payments, with final contributions for 2025-26 due to be collected on 10 July 2026.

The changes do not affect the ability to make voluntary contributions for earlier tax years. For advisers, the reforms highlight the need to review clients' NIC positions, particularly for internationally mobile individuals.

## EMPLOYMENT TAX

## 'Plan 5' rollout

New student loan plan begins

The new student loan repayment plan, 'Plan 5', will come into effect from April 2026, with employers required to operate the regime through PAYE.

Plan 5 applies to individuals who took out undergraduate loans in England from August 2023 onwards. From April 2026, the first cohort of these borrowers will enter repayment, marking the introduction of a new, long-term structure for student loan deductions.

Under the new plan, repayments will be collected at 9% of earnings above the relevant threshold, which has been set at £25,000. While the mechanism broadly mirrors existing plans, Plan 5 introduces a lower repayment threshold and is expected to operate over a longer repayment period.

HMRC has confirmed that employers will begin receiving start

notices from March 2026. As with other student loan plans, deductions must be made strictly in line with HMRC instructions.

For advisers and payroll professionals, the introduction of a further plan type increases complexity, particularly where multiple loan categories exist within a workforce. Ensuring systems are updated and staff are aware of the new thresholds will be essential.

## PERSONAL TAX

## Winter Fuel recovery

Payments reclaimed through tax system

Winter Fuel Payments will be recovered through the tax system from April 2026 for individuals with income over £35,000, marking a significant administrative change for pension-age taxpayers.

The change applies to payments made in the 2025-26 tax year and affects recipients in England, Wales and Northern Ireland, as well as those in Scotland receiving the Pension Age Winter Heating Payment.

For PAYE taxpayers, recovery will be carried out automatically through tax code adjustments, with no action required. Updated tax codes reflecting the recovery are expected to be issued from April 2026.

For those within self assessment, recovery will instead take place through the 2025-26 tax return. HMRC may pre-populate returns for online filers, although taxpayers will need to check the relevant amounts where necessary.

The measure introduces a new interaction between welfare payments and the tax system, with potential implications for coding accuracy and taxpayer understanding. Individuals expecting to exceed the £35,000 threshold may opt out of future payments.

## PERSONAL TAX

## Discovery limits clarified

Upper Tribunal narrows HMRC approach

The Upper Tribunal has provided important clarification on the operation of extended time limits in discovery assessments in *HMRC v Harte* [2026] UKUT 112 (TCC).

## GENERAL FEATURE

## HMRC barred

Tribunal enforces procedural discipline

The First-tier Tribunal has barred HMRC from further participation in proceedings in *Carbon Six Engineering Ltd v HMRC* [2026] UKFTT 177, highlighting the importance of compliance with tribunal directions.

The case arose from repeated failures by HMRC to meet deadlines for submissions and document provision. Despite being given multiple opportunities to rectify the position, HMRC did not comply with the tribunal's directions.

The tribunal exercised its case management powers to exclude HMRC from the proceedings and refused a subsequent application for reinstatement, finding no sufficient justification for earlier failures.

The decision underlines that HMRC, like any other party, is expected to adhere strictly to procedural requirements. While such sanctions are relatively uncommon, the case demonstrates that persistent non-compliance can have serious consequences. For advisers, the decision reinforces the importance of procedural discipline and may provide support where HMRC fails to meet its obligations in tribunal proceedings.

The case considered whether HMRC could rely on a finding of 'deliberate behaviour' in one aspect of a taxpayer's return to justify applying the extended 20-year time limit to the entirety of a discovery assessment.

The tribunal rejected that approach, holding that the statutory test must be applied by reference to the specific loss of tax. In other words, deliberate behaviour in one area does not automatically extend the time limit for unrelated adjustments within the same assessment.

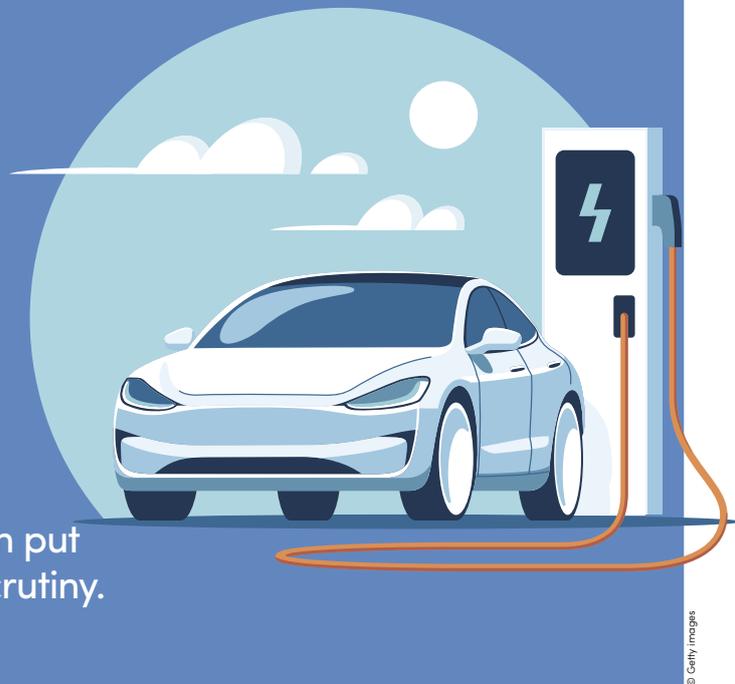
The decision reinforces the need to analyse carefully the link between behaviour and each element of an assessment. For advisers, this provides a potential line of defence in cases where HMRC seeks to rely on extended time limits too broadly. The ruling is likely to be particularly relevant in complex enquiries involving multiple adjustments.

# A power play

## Tax treatment of EV charging

New charges and a key tribunal decision put EV taxation and VAT disparities under scrutiny.

by Bill Dodwell



© Getty Images

As more of us acquire electric cars, the question of taxation looms. Petrol and diesel cars bear VAT and an initial emissions-based charge when first purchased (up to £5,690, depending on price and emissions); and £200 vehicle excise duty annually, with a £440 supplement for a car costing over £40,000. Fuel duty and VAT on fuel are a key differentiator: duty is currently 52.95p per litre, with VAT on top. This means about half the cost of fuel is tax.

Electric cars fared well up to 2025, with an initial charge of only £10 and minimal vehicle excise duty. However, from 1 April 2025, they became liable for £200 vehicle excise duty annually, with an expensive car supplement of £440 for vehicles costing over £50,000. Electric cars fare much better on the electricity they consume: 5% VAT on home charging and 20% VAT on public charging, with no equivalent of fuel duty.

However, at the Autumn Budget 2025, Chancellor Rachel Reeves announced a new mileage charge for EVs from 1 April 2028 at 3p per mile. Details are yet to be announced, but it will not involve a tracker in the vehicle. It may involve estimated monthly payments with an annual reconciliation supported by mileage readings.

The different VAT rates on public and home charging have sparked debate, particularly as the total cost of high-speed public charging can be similar to that of petrol or diesel. Many people have highlighted the unfairness for those in flats or without off-road parking, who end up paying much more for their electricity.

### Public charging points

In *Charge My Street Ltd v HMRC* [2026] UKFTT 318, the taxpayer (advised by Deloitte) challenged HMRC's decision that public EV charging is subject to VAT at the standard rate. Charge My Street

provided charging points at a range of premises for public use.

The challenge relied on Value Added Tax Act 1994 Sch 7A, which sets out supplies eligible for the reduced rate. Within Group 1 (Supplies of domestic fuel or power), Note 5 provides that certain supplies are always treated as for domestic use, in particular:

(g) a supply of electricity to a person at any premises where the electricity (together with any other electricity provided to him at the premises by the same supplier) was not provided at a rate exceeding 1000 kilowatt hours a month.

It is clear that Note 5(g) extends beyond supplies to domestic dwellings.

However, HMRC's guidance in VAT Notice 701/19 s 3.1 states that this does not apply to the charging of electric vehicles at public charging points: 'This is always treated as standard rated for VAT, regardless of the quantity of electricity supplied.' Section 5.3 repeats this wording.

As often noted, guidance does not necessarily represent the law, although it remains the best statement of HMRC's view of the law.

### Payment models and their impact

The case debated whether different payment mechanisms used by the taxpayer company affected the outcome. In some cases, customers paid directly by contactless; in other cases, via an app. The tribunal concluded that direct payments to Charge My Street could fall within Note 5(g). However, where payment was made to the app provider, it was possible that the app provider acted as principal or as a commission agent, which could mean that supplies needed to be aggregated. The contractual terms did not help the taxpayer's case.

It was clear that supplies could fall

within Note 5(g). Judge Harriet Morgan said:

'Note 5 is intended to allow specified, limited categories of supplies of fuel and power to benefit from the reduced rate of VAT where they may not (at least in part) otherwise qualify as made for domestic use; where the specified conditions are met, the relevant supplies are deemed to be for domestic use regardless of their actual use.'

The judge did not consider that the law required the customer to own the premises, nor that 'premises' meant only buildings; it could include a defined public area such as a car park. The taxpayer's appeal was thus allowed in part, based on the wording of Note 5(g).

The judge also considered the well-known principle of fiscal neutrality, without needing to reach any decision on its applicability.

### What happens next?

Where this goes in the future is unclear. It is highly likely that HMRC will appeal, and perhaps the fiscal neutrality principle will be considered in higher courts, as well as the meaning of the legislation. There seems little doubt that, in the public's eyes, the differential VAT treatment is not justifiable.

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# Tax adviser registration

## Modernising and mandating

HMRC will require tax advisers to register, meet minimum standards and identify relevant individuals from May 2026.

by Lindsay Scott and Steven Pinhey

Included within the Finance Bill 2025-26 was a package of measures affecting tax agents including:

- mandatory registration of tax advisers;
- the introduction of a new penalty to tackle tax advisers who deliberately facilitate non-compliance in their client's tax affairs by amending the tax agent dishonest conduct provisions in Finance Act 2012 Sch 38; and
- the introduction of an outright ban on the promotion of tax avoidance arrangements which have no realistic prospect of success.

Since the publication of the draft Finance Bill in July 2025, CIOT, ATT and their volunteers have engaged strongly with HMRC on all the agent-related measures. The impact of this package of measures on reputable, compliant tax advisers should not be underestimated – a message we continue to set out in submissions to both HMRC and government ministers.

This article provides an overview of the legislation relating to the mandatory registration of tax advisers.

### What is mandatory registration of tax advisers?

Chapter 1 of Part 7 of the Finance Bill 2025-26 introduces a legal requirement

for firms of tax advisers who interact with HMRC on behalf of their clients to register with HMRC and meet 'minimum standards' from May 2026 (with at least a three-month transition period). HMRC is also investing £36 million to modernise existing registration services.

To register, a firm will need to meet the registration conditions and meet the 'minimum standards'. A firm must also identify relevant individuals, who are either senior personnel of the firm and/or employees of the firm who meet the relevant individual definition within the legislation.

Once registered, a firm and its relevant individuals must continue to meet the registration conditions, or risk suspension and further sanctions. The legislation also includes powers for HMRC to suspend registration if it considers that the tax adviser's behaviour 'falls below the standards that might reasonably be expected of a tax adviser in their interactions with HMRC'.

### Requirements for registration

Registration will be required for any 'tax adviser', subject to some limited exceptions in Sch 20 of the Bill, who interacts with HMRC in relation to the tax affairs of their clients, regardless of where in the world they and their clients are located. HMRC will not levy

### Key Points

#### What is the issue?

Firms of tax advisers who interact with HMRC have a legal requirement to register with HMRC and meet 'minimum standards' from May 2026.

#### What does it mean to me?

Tax advisers who interact with HMRC and are not currently registered will need to do so from May 2026. Existing agents will be moved to the new register via a lighter-touch transition process. All tax advisers need to comply with the registration conditions within the legislation and meet minimum standards. Some registration conditions apply to relevant individuals within firms.

#### What can I take away?

Tax advisers should familiarise themselves with the legislation and start to think about actions they may need to take to comply with the registration conditions, including identifying relevant individuals. They should also watch for the publication of further guidance by HMRC.

any charges for initial registration or to remain on the register.

A tax adviser is defined in the legislation as an organisation or individual who, in the course of a business carried on by them, assists



other persons with their tax affairs. Assisting with tax affairs is broadly defined to include:

- providing advice in relation to tax;
- acting or purporting to act as an agent on behalf of the other person in relation to tax; and
- providing assistance with any document that is likely to be relied on by HMRC to determine the other person's tax position.

Interacting with HMRC includes:

- contacting HMRC by telephone, post or email;
- sending a message to HMRC through a website or online portal;
- filing returns, claims, notices or other documents with HMRC; and
- communicating with HMRC in any other way.

Registration is required at a firm level, though the registration requirements require a firm to identify relevant individuals. Registration will open for all from 18 May 2026. However, existing agents who have a Self Assessment or Corporation Tax account (but not an agent services account) can choose to register from 18 August 2026.

Agents that only provide third-party payroll services on behalf of clients and do not interact with HMRC in any other way, can choose to register from 18 November 2026.

Existing agents who already have an agent services account will not need to re-register with HMRC. However, our understanding from HMRC is that there will be a separate lighter-touch transition process to move these existing agents to the new register, where they will need to meet the associated requirements. HMRC will contact these agents via their agent services account when they need more information from them, and therefore agents should ensure their contact details are up to date.

#### Who is a 'relevant individual'?

The legislation requires firms to identify relevant individuals. A 'relevant individual' is an individual officer who plays a significant role in:

- making decisions about how the whole or a substantial part of the tax adviser activities of the organisation are to be managed or organised; or
- the actual managing or organising of the whole or substantial part of those activities.

Our understanding from our discussions with HMRC is that it considers a relevant individual to be the mind and management in a firm who impacts the overall tax direction of the firm. A relevant individual may include employees, as well as senior personnel, of the firm.

Legitimate concerns remain regarding the breadth of the definition of relevant individual within the legislation, and we are urging HMRC to provide more detailed guidance as soon as possible to help firms navigate the identification of relevant individuals.

Some of the registration conditions must be met by relevant individuals.

#### The number of relevant individuals

The number of relevant individuals to be named depends on how many 'officers' the firm has. Officers are essentially the senior personnel in each firm, including but not limited to company directors, partners and LLP members.

Firms with five or fewer officers are required to identify:

- a) each officer of the firm; and
- b) every employee working for them who meets the definition of 'relevant individual'.

For example, a four partner firm would be expected to name all four partners and any employees who meet the definition of 'relevant individual'. If two employees meet this definition, the firm would have six relevant individuals.

Firms with six or more officers are required to take the following steps:

- a) identify each individual (whether officer or employee) who meets the definition of a 'relevant individual'; and
- b) if fewer than five officers in category (a) meet the definition of 'relevant individual', they must identify additional officers to ensure that the firm has at least five officers.

For example, a ten partner firm has three tax partners and two employees who meet the definition of a 'relevant individual'. As fewer than five officers fall within the relevant individual definition, the firm will need to identify at least another two partners to meet the registration requirements. This firm would have a minimum of seven relevant individual officers – three tax partners, two further non-tax partners and the two employees who meet the definition of a relevant individual.

It is important to note that the legislation does not cap the number of relevant individuals at five, as can be seen from the examples above.

## BOX 1: SECTION 224(2): THE FIRST REGISTRATION CONDITION

The first registration condition is that the tax adviser and, if the adviser is an organisation, each of the adviser's relevant individuals:

- does not have a relevant amount overdue or a relevant return outstanding;
- is not subject to a decision by HMRC to refuse to deal with them;
- is not subject to a relevant anti-avoidance measure;
- has not, in the previous 12 months, had a relevant anti-avoidance penalty imposed on them;
- is not subject to a relevant suspension or a relevant ineligibility order;
- is not disqualified under the directors disqualification legislation or subject to a similar disqualification in a territory outside the United Kingdom;
- does not have an insolvency practitioner acting in relation to them; and
- does not have an unspent conviction for a relevant offence (see section 226 (offences)).

## BOX 2: WHAT IS UNREASONABLE BEHAVIOUR?

Under Finance Bill 2025–26 s 229(2), HMRC can suspend a tax adviser if it considers that their behaviour 'falls below standards that might reasonably be expected of a tax adviser in their interactions with HMRC'. Section 229(3) provides that, when considering whether the tax adviser's behaviour falls below standards, HMRC will have regard to 'any provisions of a relevant HMRC standard', which will be specified for these purposes in a notice published by HMRC.

CIOT and ATT understand that HMRC intends to use HMRC's Standard for Agents as the 'relevant HMRC standard' when using this power. However, the legislation is much more broadly drafted. The policy document published alongside the Finance Bill 2025–26 also refers to the use of the powers to tackle tax advisers who 'are objectively unable to meet HMRC's Standards for Agents or cannot lawfully act as a tax adviser'. In the Parliamentary debate on the Bill, the government said: 'At registration, tax advisers will be asked to confirm that they will meet HMRC's standards for agents.' We await publication of the notice to confirm this position.

### The registration conditions

There are three registration conditions:

**First registration condition:** The tax adviser and each of the relevant individuals must meet the requirements of Finance Bill 2025-26 s 224(2), including being up to date with their own tax returns and tax payments, and not having had an anti-avoidance penalty imposed on them in the previous 12 months. See **Box 1: Section 224(2)**.

**Second registration condition:** The tax adviser is registered for anti-money laundering (AML) supervision or meets such conditions about applying to register for supervision as may be specified in a HMRC notice (to be published).

**Third registration condition:** The required number of relevant individuals has been identified by the firm.

Once registered, HMRC will monitor ongoing compliance with the registration conditions, and any subsequent failure to meet them may result in suspension and further sanctions.

### Compliance notices and financial penalties

If a firm fails to register and attempts to interact with HMRC, or continues to interact while suspended, HMRC may issue a compliance notice. This compliance notice can be treated as withdrawn if the firm subsequently registers or the suspension is lifted.

If a firm attempts to interact with HMRC after a compliance notice has been served (and without it being treated as withdrawn), financial penalties can apply. Financial penalties (of up to £10,000) can be issued to either the firm or the relevant individual, depending on the failure. Failure to notify clients of suspension or ineligibility orders can result in a penalty of £5,000 per client.

### The reasons for suspension

HMRC may suspend a registration in the following circumstances:

- A firm, and where appropriate its relevant individuals, breaches the registration conditions. Therefore, if a relevant individual has an overdue tax return or has outstanding tax that is not covered by a time to pay

arrangement, this could result in the suspension of registration if not rectified.

- HMRC considers that the tax adviser's behaviour has fallen below the standards that might be reasonably be expected of a tax adviser in their interactions with HMRC. Suspension in this case can be for a period of up to 12 months. See **Box 2: What is unreasonable behaviour?**

Before suspending a firm's registration, HMRC must notify the firm and give it 30 days to either meet the relevant conditions or make representations. This period is extended to 60 days where the breach relates to a late tax return or late tax payment by a relevant individual of the firm (with the relevant individual also being notified).

### Appealable decisions

Schedule 21 of the Bill contains provisions about appeals and reviews. A tax adviser can appeal to the tribunal against the decision of an officer in respect of approval of an application, suspension of registration, issue of a compliance notice, assessment of a financial penalty, the issue of ineligibility orders, failure to notify clients of suspension or ineligibility orders, and a decision to grant temporary relief (see below). HMRC must offer a review of an appealable decision.

The legislation provides an individual, or in some cases an authorised officer within HMRC, with significant power to suspend a registration. CIOT and ATT pressed for changes to the legislation to provide greater safeguards and more comfort that HMRC will only use these powers in a reasonable and proportionate manner, reflecting the nature and scale of the alleged misconduct. Our proposals were not taken up. However, the government provided the following reassurance during the Parliamentary debate on the Bill:

'HMRC will suspend a tax adviser only after due process, including offering opportunities to comply and a chance for the adviser to explain whether there is a good reason why they are unable to do so. HMRC will not use these powers for minor breaches.'

We are asking HMRC to provide a similar message within its guidance to provide further reassurance around the use of HMRC's power to suspend a firm's registration.

### Temporary relief from suspension

Suspension of the ability to interact with HMRC is not automatically put on hold simply because the outcome of a review or

appeal is still pending. However, a tax adviser can apply for temporary relief, pausing the suspension pending the outcome of the review or appeal.

Where the tax adviser has been suspended due to the firm or the relevant individual not meeting the registration condition in s 224(2)(a) (late tax returns or overdue tax) an authorised HMRC officer **must** approve an application for temporary relief.

Where the tax adviser has been suspended for any other reason, an authorised officer **may** approve an application for temporary relief if the tax adviser has demonstrated that they would be unable to continue as a going concern if suspension is not put on hold pending the outcome of a review or appeal, and the officer is satisfied that it is appropriate to approve the application. In determining whether it is appropriate, the officer must have regard to the prospect of the review or appeal succeeding.

### Temporary and permanent ineligibility orders

Where a financial penalty has been issued for repeated contravention by a firm and/or relevant individual of a compliance notice or suspension, HMRC must issue a temporary ineligibility order, which can have effect for a period of 12 months.

A temporary ineligibility order is an escalation from a compliance notice or suspension and precedes a permanent ineligibility order.

If contravention continues under a temporary ineligibility order, HMRC must issue a permanent ineligibility order and, where suspended, cancel the adviser's registration. A permanent ineligibility order has effect indefinitely.

Ineligibility orders can be issued to both the firm and the relevant individual and, as noted above, are appealable.

### Next steps

Tax advisers should familiarise themselves with the legislation on registration in Chapter 1 of Part 7, Schedule 20 and Schedule 21 of the Bill and initial HMRC guidance published on Tuesday 17 February. See 'Check if and when you need to register as a tax adviser with HMRC' at GOV.UK ([tinyurl.com/yskhxzup](https://www.gov.uk/guidance/check-if-and-when-you-need-to-register-as-a-tax-adviser-with-hmrc)) and 'Check if you meet HMRC's conditions to register as a tax adviser' at GOV.UK ([tinyurl.com/bdz5yyx6](https://www.gov.uk/guidance/check-if-you-meet-hmrcs-conditions-to-register-as-a-tax-adviser)).

HMRC guidance will be vital to help agents navigate how the legislation applies to their firms and there are significant gaps in the initial guidance published by HMRC. We are urging HMRC to publish more detailed guidance as soon as possible and, given the level of interest in this

legislation, the CIOT and ATT have gone ahead and prepared a set of frequently asked questions based on our understanding of the position (see [tinyurl.com/y5zp8fw3](https://www.ciot.org.uk/news/2024/02/17/faq-questions) for CIOT FAQs and [tinyurl.com/rb3rvuk5](https://www.att.org.uk/news/2024/02/17/faq-questions) for ATT FAQs).

CIOT and ATT will be publishing further updates on their websites and LinkedIn, and are planning to run a webinar in April 2026 to support members.

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# The high value council tax surcharge

## A reform with significant implications

A new high-value council tax surcharge introduces modest charges but signals a significant shift in the future of UK property taxation.

by Hannah Catt



After months of speculation, the UK government's much-trailed Budget was finally delivered at the end of November. Following numerous pre-Budget leaks and warnings of potentially significant tax changes, tax professionals operating in the prime and super prime markets have generally been breathing a sigh of relief: the measures set to be introduced could have been significantly worse.

One proposal which has nevertheless attracted close attention is the high value council tax surcharge, in part because it represents a notable shift in how residential property is taxed in the UK. While the headline cost of the surcharge may be intentionally modest, its legal and administrative implications should not be underestimated. For tax advisers supporting clients in the prime and super prime markets, understanding the mechanics of how this new surcharge will operate will be essential.

### Mechanics of the surcharge

The high value council tax surcharge will apply to residential properties in England (council tax is a devolved tax) valued at over £2 million, with annual charges ranging from £2,500 to £7,500 depending on the relevant valuation band:

- £2 to £2.5 million: £2,500 per year
- £2.5 to £3 million: £3,500 per year
- £3 to 3.5 million: £5,000 per year
- £5 million and over: £7,500 per year

Property values will be fixed as at 2026 and reviewed every five years. In a significant departure from the existing council tax framework, liability for the surcharge will rest with the homeowner rather than the occupier. This effectively creates an additional tax on landlords of higher-value residential properties, many of whom are already feeling the squeeze of raised mortgage rates.

From a legal and practical perspective, valuation is likely to be the most

### Key Points

#### What is the issue?

The government is introducing a high value council tax surcharge on residential properties worth over £2 million, marking a significant shift towards value-based property taxation.

#### What does it mean to me?

Owners, landlords and buyers of high-value homes may face new annual costs, valuation disputes and behavioural pressures, particularly where liquidity is limited or properties sit near valuation thresholds.

#### What can I take away?

While it is modest in headline terms, the surcharge has wide legal, administrative and planning implications, signalling potential future expansion in how UK residential property is taxed.

contentious aspect of the new regime. Unlike the annual tax on enveloped dwellings, which is self-reported, valuations for the high value council tax surcharge will be carried out externally by the government's Valuation Office Agency. Properties sitting close to the £2 million threshold are particularly exposed, and many homeowners in this bracket may choose to challenge their valuation rather than accept a new annual liability.

It is reasonable to expect a high volume of appeals for properties close to the relevant thresholds, especially in areas where values can fluctuate from one street to the next. This will place additional pressure on the Valuation Office Agency, both in conducting the initial government-funded valuation exercise and in managing the inevitable disputes that follow. The resulting delays and uncertainties may have a knock-on effect on the market, particularly for transactions involving properties that fall near the banding limits.

### Behavioural impact on owners and purchasers

Behavioural shifts are also likely, although these may vary by value band. Homeowners whose properties sit just above the £2 million threshold may regard the surcharge as unwelcome but not sufficiently onerous to trigger an immediate decision to sell. In many cases, the first response may instead be to contest the valuation. Estimates from the Treasury suggest a 2.5% impact on house values.

At higher value levels, particularly above £5 million, the cumulative effect of the surcharge when combined with rising maintenance, staffing and energy costs may encourage some owners to bring forward downsizing decisions that have been under consideration for some time. This is likely to be particularly relevant for retirees or individuals who are asset-rich but income-poor.

By contrast, higher-end buyers coming into the market are more likely to factor the surcharge into their financial calculations, especially those with experience of overseas property markets where annual property taxes are already an established part of the landscape.

For many owners of large family homes, downsizing has long been a theoretical option rather than an active plan. The introduction of a recurring value-based property charge may bring greater clarity and urgency to those decisions. While some homeowners will simply absorb the surcharge as part of their overall holding costs, for others – particularly older homeowners facing mounting outgoings – this may act as the catalyst for serious conversations about selling.

As property values near the thresholds now carry direct tax consequences, advisers may increasingly be asked to provide more nuanced advice, not only on the tax position but also on the broader financial and lifestyle consequences of a move. What was once a distant consideration may now become an active part of year-end planning. Meanwhile, the market may see increased demand for properties that sit comfortably below the thresholds, or for homes in locations slightly removed from prime central areas where larger homes can be purchased without triggering the surcharge.

### Deferral, reliefs and complex ownership structures

There remains uncertainty around the potential introduction of a deferral mechanism, which has been reported but not yet confirmed. If payment of the surcharge can be deferred until sale or death, this could provide meaningful relief for owners with high-value properties but limited liquidity. Any such mechanism would require careful legislative drafting, with clear rules governing accrual, enforcement and the events that crystallise liability.

If proposals align with deferral arrangements available for other taxes, such as inheritance tax, interest would be payable currently at a rate of 8%. Advisers will need to incorporate high value council tax surcharge planning into both estate strategies and transactional advice.

Post-Budget documentation also confirms that the government intends to consult on possible reliefs and exemptions, as well as on how the surcharge should apply to properties held in more complex structures such as companies and trusts.

Given the absence of precedence for this tax, taxpayers with properties held in these structures will struggle to assess their position in a meaningful way until further detail emerges through the consultation process.

### Wider policy implications

Beyond the immediate technical issues, the wider policy context deserves attention. Council tax bands have not been updated since 1991, and the introduction of a value-based surcharge – even a limited one – creates a template for further modernisation of the system. The high value council tax surcharge may therefore serve as a stepping stone towards a broader revaluation exercise or a more fundamental shift in how property ownership is taxed. If the surcharge can be implemented with relative ease, there is a real risk of 'mission creep'.

There is also scope for the surcharge to be expanded down the property value pyramid. The introduction of thresholds

for the annual tax on enveloped dwellings is instructive: what began as a charge on properties valued above £2 million was quickly expanded to include properties worth more than £500,000.

### Revenue versus reform

Whether the high value council tax surcharge will generate the projected £400 million revenue is less clear. The cost of undertaking valuations and managing appeals may significantly reduce the net yield, particularly in the early years of the regime. That said, revenue generation may not be the primary policy objective. Instead, the surcharge may be intended as a test case for the administrative feasibility and political acceptability of value-based property taxation.

### Implications for tax advisers

The introduction of the high value council tax surcharge also prompts a reassessment of existing ownership structures and estate planning vehicles. Taxpayers holding high-value residential property through trusts or corporate entities will inevitably have questions about how the surcharge will apply, who is deemed liable, and how the charge interacts with other tax exposures – such as the annual tax on enveloped dwellings, stamp duty land tax and inheritance tax.

Clarification will also be needed on whether exemptions or reliefs apply. Further clarity will be required, particularly where properties are held for multi-generational use or as part of broader succession planning.

In many respects, the surcharge is unlikely to alter the fundamentals of the prime and super-prime markets in the short term. For advisers, however, it raises important questions around valuation disputes, ownership structures, liquidity planning and the interaction with other tax exposures. It also signals, perhaps more than any other recent measure, that property taxation is entering a period of gradual but meaningful evolution. While the high value council tax surcharge may be modest, its legal, administrative and behavioural implications are anything but.

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# Mixed-use stamp duty land tax

## History of commercial use

Mixed-use stamp duty land tax applies to a country estate where substantial, evidenced commercial land use exists at completion.

by Julie Butler and Fred Butler

There have been numerous tribunals concerning mixed-use stamp duty land tax, many reflecting HMRC's resistance to marginal claims. However, the case of *The Executor of the estate of P Goudman-Peachey v HMRC* [2025] UKFTT 1402 is rather different. This was not a case just about a paddock or an extended garden. It involved a substantial country estate and a well-documented history of commercial land use.

### The facts

Lesley Goudman-Peachey, executor of the estate of her late husband Paul Goudman-Peachey, appealed against a HMRC closure notice for an additional £477,250 of stamp duty land tax (SDLT) on the purchase of a large country property.

The estate, Woodmancote Place in Henfield, West Sussex, was acquired for £7.9 million. It comprised a main 10 bedroom house with two subsidiary dwellings, a swimming pool and equestrian facilities, all set in extensive grounds of 150 acres including a lake and woodland. Shortly before completion, Lesley Goudman-Peachey also agreed to buy the 130 deer on the estate grounds.

On acquisition, SDLT of £384,500 had been paid on the basis that the transaction qualified as 'mixed use', and applying the non-residential rates in Table B of the Finance Act 2003 s 55.

### The role of the land agent

The appellant argued that the property had been marketed by the land agents Strutt & Parker on the basis that it qualified for mixed-use SDLT. The previous owner had used the estate for deer farming and horse breeding, and part of the land was used for

sheep grazing under a commercial contract with a local farmer.

Sales particulars for farms and estates sometimes refer to SDLT treatment, but purchasers must examine the evidential basis carefully. Mixed-use status is highly fact-specific and depends on demonstrable commercial activity at the effective date of transaction.

In this case, the land agent's description aligned with the position ultimately accepted by the tribunal.

### HMRC's position

HMRC claimed that the acquisition was entirely residential, and thus a chargeable transaction. It argued that all 150 acres constituted 'garden and grounds' of the dwelling at completion and therefore fell within Table A residential rates under Finance Act 2003 s 55.

A closure notice was issued by HMRC on 30 September 2020, nearly 20 months after the transaction was completed, under Finance Act 2003 Sch 10 para 23.

HMRC's central argument was that there was insufficient evidence of separate commercial use of the land at the relevant date. It stressed the absence of clear commercial rents, formal agreements or infrastructure demonstrating business activity beyond what might be described as leisure usage consistent with the area's rural character.

### The evidence before the tribunal

A substantial evidential bundle of approximately 1,100 pages was prepared to substantiate the commercial use of the land. The tribunal was required to determine whether identifiable parcels of the estate were being used for



### Key Points

#### What is the issue?

The tribunal had to decide whether a 150 acre country estate was entirely residential or qualified for mixed-use SDLT treatment.

#### What does it mean to me?

SDLT liability depends on the character and use of the property at the effective date of the transaction. Properly evidenced commercial activity can secure mixed-use treatment, even where there is a substantial dwelling.

#### What can I take away?

Commercial use must be documented before purchase, reflected in the contract where possible and continued after completion. Clear evidence is essential for securing mixed-use SDLT and supporting wider farm tax planning.

non-residential purposes at the effective date of completion.

Although a sheep grazing agreement relating to between 200 and 300 sheep was formalised shortly after the purchase of the property by Lesley Goudman-Peachey, the tribunal accepted that this reflected the character of the land's use at the date of completion. Such grazing activity was properly classified as non-residential. It was argued that the house and its immediate gardens were clearly residential, but that the surrounding parcels of land were distinct in character and function.

The existence of extensive public footpaths across parts of the estate was also relevant. Footpaths are not typically found running through purely private residential gardens, and their presence supported the conclusion that significant areas of the land were not simply domestic grounds.

Evidence before the tribunal demonstrated a longstanding history of deer grazing and its commercial exploitation, and the continued employment of the deer manager by Lesley Goudman-Peachey reinforced the commercial nature of the activity. There

# STAMP DUTY

had also been operation of a former stud farm, together with arable and wider agricultural use across substantial areas of the estate.

The tribunal considered business plans, contracts and other supporting documentation as part of its assessment of whether genuine commercial activity was being undertaken. As in all mixed-use cases, the critical question was the position at completion. The tribunal assessed the totality of the evidence rather than isolating individual factors in determining the character of the land.

## The wind farm agreement

A particularly persuasive factor in support of mixed-use treatment was a 99 year agreement entered into by the vendor in January 2019 with Rampion Offshore Wind Limited (ROWL). This arrangement permitted cable infrastructure associated with offshore wind turbines to cross the land. The vendor received a lump sum of £270,000 in return for access rights, and a deed of variation required the purchaser to maintain the land subject to the agreement.

The tribunal regarded these legally enforceable third-party rights as strong evidence that parts of the estate were being used for non-residential purposes. With the continued diversification of farms and the expansion of renewable energy projects, such long-term commercial arrangements are increasingly common and can have significant consequences for SDLT.

## The First-tier Tribunal decision

Judge Natsai Manyarara observed that the parties held 'diametrically opposed views' as to what the acquisition represented.

The tribunal reviewed the legislative framework of Finance Act 2003, reiterating that (unlike stamp duty) SDLT is a tax on transactions rather than documents, and operates within a self-assessment regime. It also considered 23 SDLT cases as part of

its deliberations – not something to be undertaken lightly.

Among others, the decision referred to the earlier case of *Hyman* [2019] UKFTT 469 (TC), which confirmed that 'garden' and 'grounds' are ordinary English words to be applied to the facts. Identifying the relevant factors and balancing them when they do not all point in the same direction is a conventional evaluative exercise.

On balance, the tribunal concluded that while the house and other parts of the property were residential, distinct and identifiable parcels of land were used for non-residential, commercial purposes. Those uses both pre-dated completion and continued thereafter.

Judge Manyarara allowed the appeal, holding that mixed-use SDLT applied. Central to the decision was the well-established principle that SDLT is determined by reference to the character and use of the property at the effective date of the transaction, normally completion. While evidence of prior and subsequent use can be relevant, it is the position at that date which is decisive. As the judgment stated: 'The totality of the evidence demonstrates the previously existing (prior to sale) and continued use of the identifiable land parcels are, and continue to be, non-residential, whilst the house was residential. For all of the foregoing reasons, the non-residential/mixed use property rates apply.'

## What it means for property purchases

Preparation prior to purchase remains critical. In mixed-use cases, success will often depend on the quality of evidence demonstrating genuine commercial activity in the months and years leading up to sale.

Grazing arrangements, haymaking agreements, diversification projects and renewable energy or infrastructure leases should be properly documented, and identifiable land parcels should be clearly distinguished by reference to their use. Where possible, these arrangements should be expressly referred to in the contract for purchase and, importantly, allowed to continue after completion so that the commercial character of the land is not interrupted.

The purchase of the deer shortly before completion undoubtedly strengthened the overall commercial narrative of the estate. In similar situations, consideration might also be given to whether deadstock – such as machinery, fencing, equipment or other farming assets – is included in the transaction, as this can further support the existence of an active trading operation rather than passive enjoyment of land.

Post-completion planning is also important. An appropriate trading structure should be in place from the effective date of

the transaction so that income and expenses are properly recorded from day one.

Depending on ownership, a sole trader or partnership structure will often be suitable, not only to evidence ongoing commercial activity but also to facilitate wider tax planning, including income tax reliefs, capital gains tax treatment and inheritance tax considerations.

## Implications for smaller farms

Historically, 100 to 150 acres could sustain a farming family. However, improvements in machinery and the steady decline in agricultural profitability have altered that position significantly. Many farmers have had to take on contracting work and diversification, leading to the modern model of farm diversification that we now see across the countryside.

This case is therefore a welcome boost for both the sale and retention of smaller farms. On acquisition, there may be scope to secure the more favourable mixed-use SDLT where genuine commercial activity can be evidenced. On retention of ownership, the December 2025 announcement increasing the inheritance tax allowance to £2.5 million, together with the transferable spouse allowance, add a further dimension to long-term planning.

Importantly, the type of evidence required to support mixed-use treatment – clear demonstration of active, commercial, non-residential use – closely mirrors the evidential requirements for securing 100% business property relief. In both contexts, the emphasis is on substantive trading activity rather than passive landholding. For the farm tax adviser, this underlines the need for careful structuring, thorough documentation and ongoing review. There is no shortage of work ahead.

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# Preserving heritage

## A changing IHT landscape

Inheritance tax relief caps threaten estate continuity, demanding liquidity modelling and careful structuring to preserve heritage assets.

by Julie Partington

### Key Points

#### What is the issue?

From April 2026, agricultural property relief and business property relief will be capped at £2.5 million per individual, fundamentally altering how high-value estates pass between generations.

#### What does it mean to me?

Heritage and landed estates that once relied on uncapped reliefs may now face significant inheritance tax exposure, creating acute liquidity pressures where wealth is tied up in land, property and trading enterprises rather than cash.

#### What can I take away?

Succession planning must now focus on valuation, qualification for relief, cash-flow modelling and long-term sustainability. Early, integrated advice is essential to avoid fragmentation, forced sales or erosion of heritage assets.

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Heritage estates do not fit neatly into the UK's inheritance tax framework. They are not simply investment portfolios to be traded or businesses to be broken up. Their value cannot be measured in financial terms alone. A historic house, its contents, surrounding land and diversified enterprises comprise a constellation of assets that support its survival, and function as a single, interdependent ecosystem. Their value is rarely measured purely in financial terms. Continuity, stewardship and public benefit are often just as important as income and capital growth.

For many years, agricultural property relief (APR) and business property relief (BPR) have enabled these estates to pass intact between generations. Subject to satisfying the statutory conditions, both reliefs have operated without an upper cap on the value of the assets, allowing qualifying agricultural and trading assets to attract up to 100% relief from inheritance tax, regardless of value. This uncapped structure has been particularly valuable for large estates and stately homes with extensive land and commercial enterprises that are rich in assets but often constrained in liquidity.

That position is now changing, as HM Treasury seeks to raise revenue and restrict the extent to which high-value agricultural and business assets can pass free of inheritance tax. However, through integrated planning and early professional collaboration, advisers can support clients in navigating a landscape that blends historic tradition with modern fiscal reality.

### From preservation to partial protection

From 6 April 2026, 100% of combined APR and BPR assets will be capped at £2.5 million per individual. Any qualifying value above that threshold will attract reliefs at 50%.

- The new regime applies to:
- deaths on or after 6 April 2026;
  - potentially exempt transfers (lifetime gifts) made on or after 30 October 2024 where the donor dies within seven years of making the gift; and
  - trust structures.

APR continues to apply to qualifying agricultural land, buildings and holdings, while BPR remains available for eligible trading businesses, unquoted shares and certain business property held for the requisite period. The qualification criteria

are largely unchanged; what has altered is the scale of relief available.

Following consultation, the originally proposed £1 million cap was increased to £2.5 million and made transferable between spouses and civil partners. This allows up to £5 million of qualifying assets to benefit from full relief on second death. While significant, this combined allowance will still fall short for many substantial heritage estates.

The policy intention is clear: to restrict the extent to which high-value business and agricultural assets can pass free of inheritance tax. However, this risks overlooking the cultural, social and economic roles that country houses and landed estates play within their local communities and across the nation. Capital values may be high, yet income is often modest and directed towards conservation, maintenance and long-term preservation rather than commercial maximisation.

Where tax exposure increases without a corresponding increase in liquidity, the practical consequences may include borrowing, the fragmentation of estates or forced sales – with implications not only for families, but for employment and the preservation of nationally significant heritage.

The reforms mark a decisive shift in philosophy. APR and BPR are no longer

mechanisms that can be assumed to secure intact succession. They now mitigate exposure, rather than eliminate it. Planning discussions must therefore now move earlier, be more integrated and focus squarely on valuation, liquidity and long-term sustainability in a post-cap environment.

### Liquidity and longstanding vulnerabilities

One of the most profound consequences of the reforms is the renewed emphasis on liquidity. The stereotypical English estate – extensive land, a house of architectural and emotional value, modest income and minimal cash – has always been structurally vulnerable. Until now, APR and BPR largely concealed that vulnerability. Under the new regime, that protection is no longer absolute. Even with the ability to pay inheritance tax on qualifying assets by interest-free instalments over ten years, an effective 20% charge on value above the relief cap may materially affect viability.

Advisers may find themselves in difficult discussions with clients who are deeply attached to their property and its history, yet confronted by hard financial realities. Questions around land sales, borrowing or expanded commercialisation are now becoming unavoidable. For many heritage estates, separating agricultural land from the enterprises that support the historic house – or detaching the house from the wider estate – is neither practical nor desirable. Such fragmentation could diminish both financial viability and heritage significance. Yet many families will now confront precisely this dilemma: whether the family seat can be retained when the numbers no longer align.

For generations accustomed to passing estates intact, cash flow constraints can become crippling. Heritage estates often generate relatively low yield compared to net asset value, leaving owners ‘asset rich but cash poor’.

If heirs cannot meet inheritance tax liabilities without releasing capital, they may be forced to sell land, heritage assets or family treasures, risking the integrity of long-held estates. Even with instalment options, many estates lack sufficient income to meet staggered payments without monetising assets – particularly against a backdrop of rising National Insurance contributions and the forthcoming ‘mansion tax’.

Alongside inheritance tax reform, the Autumn Budget 2025 introduced a new high value council tax surcharge, dubbed the ‘mansion tax’. From 1 April 2028, properties valued above £2 million (based on 2026 valuations) will attract an annual surcharge on top of council tax, payable by the owner rather than the occupier, of £2,500 per year for properties between £2 million and

## MR DARCY’S PEMBERLEY PROBLEM

Let’s consider a modern-day divorced Mr Darcy and his beloved Pemberley. Imagine Pemberley today as a classic landed estate valued at £13 million: a grand house, extensive farmland, tenant farming arrangements and a growing portfolio of commercial ventures (house tours, events and hospitality) designed to keep the estate solvent. A family deeply attached to the house and estate, and reliant on reliefs that, until now, quietly ensured continuity.

### Before the 2026 regime (unlimited APR / BPR):

Qualifying agricultural and business assets passing with 100% relief	£7 million
House exempt under heritage conditional exemption (subject to public access and maintenance undertakings)	£5 million
Cash, investments and personal belongings	£1 million
<b>Total chargeable estate</b>	<b>£1 million</b>
Nil-rate band (no residence nil rate band available as fully tapered)	(£325,000)
Taxable estate	£675,000
<b>Potential inheritance tax exposure (at 40%)</b>	<b>£270,000</b>

**Planning assumption:** Under the pre-2026 regime, Mr Darcy’s exposure of £270,000 is relatively modest when set against a £13 million estate. Because his qualifying agricultural and business assets pass free of inheritance tax and the house benefits from conditional exemption, the only immediate tax arises on the non-relieved portion of the estate, primarily cash, investments and personal assets.

In practical terms, Mr Darcy could settle the inheritance tax bill from existing liquid resources without disturbing the core fabric of Pemberley. There would be no need to sell farmland, dispose of heritage assets, increase borrowing or fragment the estate structure. The house, the land and the trading enterprises that sustain them could pass intact to the next generation, preserving both the financial integrity and the historic identity of Pemberley.

### After the reform (£2.5 million APR/BPR cap)

Qualifying agricultural and business assets passing with 100% relief	£2.5 million
Remaining qualifying assets relieved at 50%	£4.5 million
House exempt under conditional exemption	£5 million
Cash, investments and personal belongings	£1 million
<b>Total chargeable estate</b>	<b>£3.25 million</b>
Nil-rate band	(£325,000)
Taxable estate	£2,925,000
<b>Inheritance tax exposure (at 40%)</b>	<b>£1,170,000</b>

**Planning assumption:** For a divorced or single landowner, the APR/BPR cap bites significantly harder. With no transferable spouse allowance available, and the residence nil-rate band fully tapered due to the size of the estate, even a conditionally exempt heritage house cannot prevent a substantial liquidity challenge. Borrowing or asset sales elsewhere on the estate may become unavoidable.

In Mr Darcy’s case, his divorced status means he cannot benefit from a second £2.5 million APR/BPR allowance on death. The balance of his qualifying agricultural and business assets therefore falls into the 50% relief bracket, generating a significantly larger inheritance tax exposure.

At the same time, because the overall value of Pemberley exceeds the taper threshold, the residence nil-rate band is fully lost. Although the house itself qualifies for conditional exemption and is not immediately taxed, that protection does not generate liquidity. It simply defers tax, subject to compliance with ongoing undertakings.

The result is that Darcy faces a seven-figure inheritance tax liability without a corresponding increase in cash. His wealth remains concentrated in farmland, heritage property and trading enterprises – all inherently illiquid. To meet the tax bill, his executors may need to consider raising debt secured against estate assets, selling parcels of land, or disposing of non-core investments. In a worst-case scenario, fragmentation of the wider estate could follow.

## WHAT IS CONDITIONAL EXEMPTION?

The Conditional Exemption Tax Incentive Scheme allows heritage assets of outstanding historic, artistic or scientific importance – such as country houses, land or significant collections – to be exempt from inheritance tax, provided HMRC accepts their national importance and the owner enters into binding undertakings. These typically require proper maintenance and reasonable public access.

The relief operates as a deferral of tax for as long as the conditions are met, but tax can crystallise if the undertakings are breached or the asset is sold without qualifying replacement. In certain circumstances, the scheme can also apply to lifetime transfers and capital gains tax.

£2.5 million. This rises to £7,500 per year where properties exceed £5 million.

This annual levy adds another layer of cost for high value property owners at the very moment they are re-evaluating estate strategies under the new inheritance tax regime. The charge does not itself alter inheritance tax reliefs, but it does change cash flow considerations. For estates already grappling with instalment payments on inheritance tax, ongoing annual charges further constrain liquidity.

### The stately home problem

One of the most difficult aspects of advising heritage clients is explaining that historic importance does not, in itself, confer tax protection. While agricultural land and trading businesses may qualify for relief, the house itself frequently does not.

Land genuinely used for agricultural purposes – supported by appropriate valuation evidence and use tests – may qualify for APR. However, other land or buildings that do not meet the statutory definition of agricultural property will not benefit from the relief, even if forming part of the traditional estate. This can come as a shock to families who have long assumed that the house and land are treated as a single protected unit. The issue is not new, but the cap brings it into sharper focus.

Advisers should be carefully considering whether entering into the Conditional Exemption Tax Incentive Scheme may help to mitigate inheritance tax exposure for heritage assets of national importance (see the box above).

### Commercialisation and qualification for BPR

The distinction between qualifying and non-qualifying activities will become increasingly important as estates seek to maximise the limited 100% relief allowance. Many heritage estates have diversified into weddings, filming, visitor attractions, guided tours, farm shops, cafés and seasonal events. Clearly documented trading activities attract BPR where conditions are met, while also

increasing revenue streams to fund inheritance tax liabilities.

However, HMRC scrutiny post-2026 is likely to intensify. Mixed-use cases will require careful analysis and robust evidence to satisfy trading tests. Passive ownership dressed up as commercial activity will not suffice. Advisers should ensure that there are comprehensive records evidencing trading intent, operational substance, commercial risk and genuine profitability.

### Impact on existing estate planning

The introduction of the cap forces advisers to revisit open market valuations across the estate, particularly in relation to land that may not qualify for APR, commercial elements that may attract BPR, and any corporate vehicles used to hold heritage assets or trading ventures.

Even where relief is available, significant inheritance tax liabilities may remain. Advisers must therefore evaluate how those liabilities will be funded, including the availability of liquid reserves, the potential use of insured funding mechanisms such as life policies linked to projected exposure, and whether borrowing on favourable terms may be preferable to triggering the sale of heritage or core estate assets.

Across private client planning, familiar tools – including wills, trusts, lifetime gifting, corporate structures and heritage reliefs – remain relevant but none should be viewed as standalone solutions. A holistic approach is essential.

Many existing wills and trust arrangements were drafted when APR and BPR were uncapped, often assuming that qualifying assets would pass free of inheritance tax and that liquidity would

not present an issue. This assumption can no longer be relied upon. Private client lawyers are actively reviewing existing documents and updating them to reflect the new relief caps and the increased likelihood of liquidity pressures on death.

Lifetime gifting continues to reduce taxable estates, but such gifts now consume part of the £2.5 million relief allowance. Incapacity planning should also be reviewed, particularly where attorneys have the power to make lifetime gifts. Advisers should examine historic lifetime transfers to determine whether the new limits could apply if the donor fails to survive the relevant period.

Trusts remain an important planning mechanism for heritage and complex estate, but they are not immune from reform. Each trust has its own £2.5 million 100% relief allowance, but this is not refreshed automatically. Periodic and exit charges must now be modelled carefully where APR and BPR assets exceed the cap. Therefore, trusts should be evaluated on case by case basis, and not assumed to be a magic bullet.

### In conclusion

In this new environment, co-ordination and realism are essential. For accountants, financial planners and lawyers, mastering these reforms is not optional. Robust planning now may help to ensure that stately homes and heritage assets endure for future generations, without unintended forced sales or disruption to family legacies.

All private client advisers must work together to safeguard the future of these irreplaceable heritage assets. Trusted valuers must be welcomed into 'the fold' and we actively need to build a network of professional connections to support our clients. Robust valuations, careful analysis of qualification for relief, realistic cash-flow modelling and timely review of existing structures are essential. Our advice and support will be crucial to fulfilling our duty of care to clients whose lives, legacies and heritage hinge on effective strategic planning.

**Figures are illustrative only. Actual outcomes will depend on valuation, qualification for reliefs, availability of nil-rate bands and individual circumstances.**

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# Mutual trading

## The four key conditions

Mutual trading relies on historic case law, and advisers must ensure that all conditions are met to prevent unexpected taxation of surpluses.

by Graeme Fox

### Key Points

#### What is the issue?

Mutual trading is a narrow, case-law driven exception to the normal trading rules, with no statutory definition and principles derived almost entirely from historic court decisions that HMRC still relies on today.

#### What does it mean to me?

Advisers dealing with members' clubs, mutual insurers and similar organisations need to go beyond establishing that a trade exists and assess whether mutuality genuinely applies, as failures can unexpectedly expose surpluses to tax.

#### What can I take away?

For mutual trading to apply, all four conditions must be met in substance as well as form, with close attention to contributors, beneficiaries, control, surplus attribution and governing documents to avoid quiet but costly failures of mutuality.

The concept of what constitutes a trade is a fundamental question in UK tax law, forming the basis of many disputes between taxpayers and HMRC since tax was first levied on profits. In many cases, tax advisers can apply commercial common sense: some activities are clearly trading, others clearly not. Most of us can recall a client who insists, hand on heart, that their

loss-making side venture – which also happens to be a longstanding weekend passion – is a genuine business activity rather than an attempt to claim sideways loss relief.

Where matters fall into the grey areas, however, the legislation offers surprisingly little assistance. Income Tax Act 2007 s 989 and Corporation Tax Act 2010 s 1119 define a trade only as something that ‘includes any venture in the nature of trade’. Advisers are therefore left to rely on the badges of trade and a long line of case law.

Ordinarily, once it has been established that a trade exists, the analysis ends there. But there are circumstances where advisers must go a step further. One of the most important – and most easily misunderstood – is mutual trading. This article examines what mutual trading is, how the courts have developed it over time, and why it continues to present practical risks for advisers.

### What is mutual trading?

The core principle of mutual trading is often expressed simply as the notion that ‘a person cannot trade with themselves’ – although this does require closer examination.

Where an organisation is established and operated by its members for their mutual benefit, trades only with those members, and any surplus ultimately belongs to them collectively, that surplus is not considered taxable income. Mutual trading most commonly arises when dealing with members’ clubs, mutual insurers, co-operatives and similar organisations.

Crucially, mutual trading does not prevent an activity from being a recognised trade. This was established in the case of *CIR v The Cornish Mutual Assurance Co Ltd* [1926] 12 TC 841, where a mutual insurance company insuring only its own members was nonetheless found to be trading. Mutuality instead determines whether the surplus arising from that trade is taxable.

Any activity carried on with non-members or third parties remains a normal taxable trade.

### From informal arrangements to mutuality

To illustrate how mutuality arises in practice, consider a familiar situation. I have had the (mis)fortune of organising a private seven-a-side football group. This involved booking the pitch, ensuring that there were sufficient players each week, bringing the kit and – importantly – handling the money.

The pitch was booked for ten weeks. I tracked attendance and asked players to

pay for each week they played. I rounded up the charge to the nearest 50p, and it was agreed that any small surplus would be retained to buy replacement balls, goalkeeper gloves and similar items as needed. Few would suggest that this arrangement constituted a taxable trade, or that it would be of any interest to HMRC. No one was seeking to profit; the group was simply pooling its own money for a shared purpose.

But what if the arrangement were formalised? What if members wanted any surplus returned to them, memberships issued and rules drafted? And what if, instead of a small group of colleagues, this was scaled up to be a large, nationally recognised organisation hosting professional events? At that point, the question of mutual trading becomes highly relevant.



## Mutual trading most commonly arises when dealing with members’ clubs, mutual insurers and co-operatives.

### An entirely case-law concept

Despite its practical importance, mutual trading has no statutory definition. Various definitions – including Corporation Tax Act 2009 ss 1 and 655, Corporation Tax Act 2010 s 1070 and Income Tax (Trading and Other Income) Act 2005 s 104 – refer to aspects of mutual trading, but none explain what it actually is. The concept has instead been developed over many decades through case law, most of which predates modern legislation. HMRC itself acknowledges this, stating in its Business Income Manual (BIM 24025):

‘There is no statutory definition of mutual trading... Our understanding of the concept of mutual trading derives from case law. The majority of the cases predate such legislation as exists... The body of case law should be seen in the context of a process leading (not always sure-footedly) to the current state of affairs.’

One of the earliest relevant cases is *Last v London Assurance Corporation* (1884) 2 TC 100, which established that payments made as a return to policy holders could not be deducted as expenses in computing profits. This was followed by *Styless v New York Life Insurance*

*Company* (1889) 2 TC 460, which determined that income received from mutual sources was not assessable to tax, although income from non-mutual sources – whether trading, property, investment or capital gains – would be.

Over time, the courts have distilled a set of four conditions that must **all** be satisfied for mutual trading to exist.

### The four conditions for mutual trading

#### 1. Any surplus must be paid to contributors only

The case of *Jones v The South-West Lancashire Coal Owners’ Association Ltd* [1927] 11 TC 790 establishes that arrangements must exist for any surplus to be paid to contributors, and no one else. The South-West Lancashire Coal Owners’ Association Ltd was a mutual insurance association limited by guarantee, established to insure colliery owners against accidents involving their employees.

The inspector of taxes argued that the surpluses arising each year were taxable profits, as they were not paid out to contributors. The association countered that surpluses were accumulated solely to meet future claims from members, or to be distributed on a winding up.

The dispute reached the Court of Appeal, which agreed with the association. The surplus was not retained as profit but was held in a common fund for the eventual benefit of the contributors. The arrangements ensured that the surplus was not held as taxable profit, but instead formed part of the common fund for members’ benefit – and were sufficient to satisfy the requirement of mutuality.

#### 2. Contributors must match participators

The case of *Municipal Mutual Insurance Ltd v Hills* [1932] 16 TC 430 establishes that contributors to a mutual surplus must correspond with those who participate in it. Municipal Mutual Insurance Ltd was created by local authorities to obtain low-cost fire insurance through co-operative means. The company did not permit the distribution of profits to members, and any surplus on winding up was payable only to holders of fire policies. It also offered employer’s liability and other insurance business.

It was accepted that the fire insurance activity was mutual and that income from other policies for third parties was taxable. The issue was whether surpluses arising from other policies held by fire policyholders could also be treated as mutual.

The company argued that because these additional policies were taken out

by members, the resulting surpluses were also mutual income and therefore not taxable. The commissioners rejected that argument.

Surpluses arising from non-fire policies were allocated to fire policyholders. Because not all fire policyholders had contributed to those other policies, some members benefited from profits generated by others. This amounted, in substance, to a distribution of trading profits and breached the mutuality principle.

The case established that the contributors to the common fund must, as a class, be identical to those who benefit from it. While individual members may come and go, the class of contributors and participators must align.

### 3. Controlling the common fund

The Australian case of *Revesby Credit Union Co-Operative Ltd v Federal Commissioner of Taxation* [1965] HCA 2 establishes that contributors to the common fund must also control it.

Although an Australian case, *Revesby* is considered relevant for UK tax purposes. The credit union was established to assist members in commencing businesses, acquiring tools and similar activities. Members paid a fee and could then participate in any surplus, vote at meetings and elect the committee governing the organisation. Non-members enjoyed none of these rights.

The court emphasised that a common fund must be created for a common purpose, and that therefore control of the fund must rest with those same contributors. Where anyone who is not a contributor exercises control, the arrangement involves a transaction with a third party and the conditions of mutuality cannot be satisfied.

Control does not require every member to be involved in the day-to-day management, but the members must collectively have ultimate authority over the organisation.

### 4. Contributions should be linked to the distributed surplus

The case of *Fletcher v ITC* [1972] AC 414 establishes that the amount contributed to the common fund must be reasonably linked to the surplus distributed.

The case concerns the Doctors Cave Bathing club in Jamaica, which operated two distinct subscription arrangements. 'Bathing' subscriptions were paid by individuals, while 'Hotel' subscriptions were paid by local hotels for the benefit of their guests. The Commissioner sought to tax the income arising from the Hotel subscriptions, while the club argued that this income also arose from mutual trading.

Historically, hotel guests had paid individually for access. Over time, this was replaced by a structure under which the hotels paid a single subscription on behalf of their guests through the introduction of the Hotel subscription.

When reviewing the case, the Lords on the Privy Council observed that the overall structure appeared to meet many of the typical requirements of mutual trading. The fact that Hotel members paid a higher subscription than Bathing members was not, in itself, determinative. This required the Lords to look beyond the formal structure and examine how the contributions and benefits actually operated in practice.



**Mutual trading is a niche but important area of tax, sitting within trading rules that are already vague in legislative terms.**

At this point, the Lords rejected the suggestion that the Hotel subscriptions could be treated as payments made by, or on behalf of, the hotel guests as the true users of the facilities. The hotels could not be 'looked through' in this way and had to be regarded as the members for the purpose of the Hotel subscriptions. While the hotels enjoyed the benefits of membership, each hotel only held a single subscription, notwithstanding that it covered hundreds of guests.

That single subscription entitled the hotel to only one vote at meetings and one share of any surplus. This was clearly disproportionate when compared to the number of individuals making use of the club's facilities under that subscription. Viewed from the opposite perspective, the Bathing members were overwhelmingly benefiting from the weighting applied to the Hotel subscriptions, effectively receiving a greater share of the surplus relative to their own contributions.

The Lords considered this arrangement to be highly similar, in substance, to the original structure under which hotel guests had paid individually – an arrangement that had already been considered as trading. The introduction of the Hotel subscription was therefore characterised as 'a distortion, if not a mockery, of the mutuality principle'.

On that basis, the Hotel subscriptions were held not to constitute mutual trading, and the income from them was taxable.

The case demonstrates that, for mutual trading to exist, any surplus – whether distributed or retained – must be reasonably attributable to the contributions made. Where contribution and benefit are fundamentally misaligned, formal mutuality will not prevent the activity from being treated as taxable trading.

### Mutual trading remains a live issue

Although many of these foundational cases date back decades, mutual trading remains actively contested.

In *Medical Defence Union Ltd v HMRC* [2020] UKFTT 227 (TC), HMRC successfully relied on *Municipal Mutual* and *Fletcher*, demonstrating that these cases continue to underpin modern disputes.

Where mutual and non-mutual activities are carried on within a single entity, a further issue arises: the allocation of expenses. The courts have long required expenses to be apportioned on a reasonable basis, a point of particular relevance to members' clubs, as illustrated in *The Carlisle and Silloth Golf Club v Smith* [1913] 6 TC 48.

### In conclusion

Mutual trading is a niche but important area of tax, sitting within the trading rules that are already vague in legislative terms. Unlike many areas of tax introduced for a targeted purpose through legislation (even if not always perfect), mutual trading has developed and evolved organically over more than a century of case law.

That history makes it hard for advisers and taxpayers alike to navigate. However, each case has filled in a little more of the puzzle. As with trading generally, experience builds intuition, and you start to 'get a feel' for what mutual trading is and when it applies – ensuring that clients are not caught out unexpectedly. The risk for advisers is that mutuality often fails not through intention, but through drafting, governance or the quiet expansion of non-member activity.

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# Demystifying partial exemption

## Getting VAT recovery right

Clear understanding of partial exemption, de minimis and special methods helps businesses maximise VAT recovery.

by Greg McNally

Partial exemption is one of the trickiest and most misunderstood areas of VAT. It governs how much VAT a business can recover and sits at the crossroads of compliance and complexity. Getting it wrong can be costly. For any organisation with a mix of income streams – whether a charity, property business or financial services firm – understanding how exempt and taxable activities interact is crucial to ensuring it pays and recovers the right amount of VAT.

All business income – the payments received for goods or services – has a VAT status. HMRC defines which supplies are exempt, zero rated (0%), reduced rated (5%), or standard rated (20%). If a supply is not on a list confirming otherwise, it defaults to being standard rated. Certain sectors, such as finance, education, welfare, sport and land, are commonly associated with VAT exemption. However, each comes with detailed conditions, and not all activities within these sectors are automatically exempt.

When income is exempt, VAT cannot be charged on it. Crucially, this also means that VAT incurred on costs directly related to making those exempt supplies cannot be recovered. If all of an entity's activities are exempt, it cannot even be VAT registered at all. But what happens if a business earns both taxable and exempt income? That is where partial exemption applies.

Once an enterprise has correctly identified its income streams, the next

step is to determine how much VAT it can reclaim on its expenditure. This involves a two-step process.

### Step 1: Attribution

The first – and most important – step is to categorise the VAT incurred on costs. All input tax (the VAT paid on purchases) must be sorted into one of three categories:

- **Directly attributable to taxable supplies:** VAT on costs used exclusively to make taxable supplies (including zero-rated supplies). This input tax is recoverable in full.
- **Directly attributable to exempt supplies:** VAT on costs used exclusively to make exempt sales. This input tax is not recoverable and is often referred to as 'exempt input tax'.
- **Non-attributable (the 'pot'):** VAT on general overheads that cannot be directly linked to a specific supply, such as accountancy fees, office rent or utilities. This residual input tax forms the 'pot' that must be partially recovered.

### Step 2: Apportionment

The standard method of apportioning the non-attributable VAT 'pot' is based on the value of income. The recoverable percentage is calculated using the following formula:

$$\frac{\text{Taxable income}}{(\text{Taxable income} + \text{Exempt income})} \times 100$$

### Key Points

#### What is the issue?

Partial exemption determines how much VAT a business with both taxable and exempt activities can recover, but the rules are complex and errors can lead to significant under-claims or over-claims.

#### What does it mean to me?

Accurate attribution, correct apportionment and careful application of the *de minimis* rules can materially affect VAT recovery, particularly for property businesses, charities and other partially exempt organisations.

#### What can I take away?

With disciplined forecasting and, where appropriate, the use of a special method, businesses can improve VAT recovery while remaining compliant – provided the approach is fair, well-documented and defensible to HMRC.



The resulting percentage, which must be rounded to the nearest whole number, determines how much of the residual VAT pot can be recovered.

This calculation can be performed for each VAT return period. Alternatively, a business may apply a provisional recovery rate based on the previous year's figures. In either case, an annual adjustment is required at the end of the VAT year to true up the position using the actual data for the full year. This may result in additional VAT being reclaimed or an over-claim being repaid.

### The *de minimis* test: a vital lifeline

After completing the partial exemption calculation, a business will have identified both its recoverable input tax and its irrecoverable (exempt) input tax. However, the *de minimis* test provides a valuable opportunity to recover VAT that would otherwise be lost. If exempt input tax falls below a certain threshold, it can be treated as if it were recoverable.

Whilst there are simplified tests available, this article focuses on the

traditional test. For a business to be deemed as *de minimis* and recover all its input tax for a period, both of the following conditions must be met:

- The total exempt input tax must be less than £625 per month on average (equivalent to £7,500 per year).
- The total exempt input tax must also be less than 50% of the total input tax incurred in the period.

If both conditions are satisfied, the business is treated as *de minimis* and can reclaim all its input tax, including VAT directly attributable to exempt supplies and the exempt element of overheads.

Notably, these *de minimis* limits have been frozen for more than 30 years. If they were inflation-adjusted, the annual threshold would be closer to £20,000 – a reminder that the framework has not kept pace with modern business realities.

### Case study: PropertyCo Ltd

To illustrate how the partial exemption rules work in practice, consider PropertyCo Ltd, which owns a mixed property portfolio. In its most recent financial year, the company generated total rental income of £400,000.

Of this, £300,000 arose from commercial properties over which PropertyCo had exercised an option to tax, meaning the rents were subject to VAT at 20%. The remaining £100,000 related to residential lettings, which are VAT exempt and cannot be opted to tax. This gives PropertyCo an income split that is 75% taxable and 25% exempt.

During the year, PropertyCo incurred VAT on a range of costs. VAT of £8,000 related directly to repairs to its opted commercial properties and was fully recoverable. A further £3,500 of VAT was incurred on repairs to residential flats, which is directly attributable to exempt supplies and would normally be irrecoverable. In addition, PropertyCo incurred £5,000 of VAT on general overheads such as professional fees and office administration, which could not be directly attributed to either taxable or exempt activities.

### The calculation in practice

Applying the standard partial exemption method, PropertyCo's recoverable percentage is calculated by reference to its income. With taxable income of £300,000 out of total

income of £400,000, the recoverable percentage is 75%.

This allows PropertyCo to recover £3,750 of the £5,000 VAT incurred on overheads, leaving £1,250 as exempt residual input tax. The total exempt input tax for the year therefore comprises £3,500 of VAT directly attributable to residential repairs, together with £1,250 from the exempt portion of overheads, giving a total of £4,750.

This figure is then tested against the *de minimis* limits. The total exempt input tax of £4,750 is below the annual threshold of £7,500 and also represents less than 50% of PropertyCo's total input tax for the year, which amounts to £16,500.

As both conditions are satisfied, PropertyCo is treated as *de minimis* and is entitled to recover all of its input tax for the year, including the £4,750 that would otherwise have been irrecoverable.

### Thinking ahead

The *de minimis* rules can present a significant opportunity where expenditure can be timed carefully. As a general rule, VAT on costs relating to residential property improvements – such as new kitchens, bathrooms or windows – is irrecoverable because it relates directly to exempt supplies and would normally become a sunk cost.

However, assume that PropertyCo undertakes a refurbishment of one of its residential flats, incurring costs of £10,000 plus £2,000 in VAT, and that this work is carried out in the same year as the example above. This would increase PropertyCo's total exempt input tax from £4,750 to £6,750.

As this revised figure remains below the £7,500 annual *de minimis* limit, PropertyCo would continue to be treated as *de minimis* for the year and would be able to recover the full £2,000 of VAT on the refurbishment – VAT that would otherwise have been irrecoverable. This represents a 20% saving on the project, achieved purely through informed VAT management.

Such planning requires diligent forecasting and real-time monitoring of costs and income. While the annual adjustment provides a critical backstop, a miscalculation that pushes the business over the *de minimis* threshold could result in all the exempt input tax for the year becoming irrecoverable.

### Beyond the standard method

The standard method applies by default unless HMRC agrees to an



alternative, known as a partial exemption special method (PESM). A PESH replaces the standard income-based apportionment of residual input tax, used where that approach does not give a fair and reasonable reflection of how costs are used in making taxable and exempt supplies.

This may arise, for example, where taxable activities generate significantly higher costs but relatively less income than exempt activities, leading to understated VAT recovery under the standard method.

Depending on the nature of the business, alternative approaches might include:

- cost-based methods, appropriate where income does not reflect the underlying use of costs between taxable and exempt activities;
- transaction count methods, suitable where the number of transactions better reflects activity levels than income values; and
- floor-space methods, which allocate VAT based on the proportion of premises used for taxable versus exempt supplies (often used in property sectors).

Securing HMRC approval for a PESH can be challenging. The key is to demonstrate why the standard method is unfair, propose a logical and measurable



### Unlike partial exemption, there is no standard method for non-business apportionment.

alternative, and explain how it will be monitored on an ongoing basis.

It is also worth noting that HMRC has the power to impose an alternative calculation where it considers that the standard method produces an unfair result. This is known as the standard method override. While relatively uncommon, professional advice should be sought if HMRC indicates that such an override may apply.

### The overlooked calculation: non-business activities

Finally, another area that is often overlooked – especially in the charity and not-for-profit sector – is the requirement to perform a non-business apportionment. This calculation must be carried out *before* the partial exemption calculation.

Where some activities are for a charge (business activities) and others are free or grant-funded (non-business activities), input tax must be apportioned

accordingly. Input tax related to non-business activities falls entirely outside the scope of VAT recovery.

Unlike partial exemption, there is no standard method for non-business apportionment. Organisations must adopt a fair and reasonable proxy, such as income, the number of events, attendance figures or costs incurred. Robust documentation is essential, as the organisation must be able to defend its approach if challenged by HMRC.

### In conclusion

The VAT recovery rules can become complex in practice, with real-time categorisation of income and expenditure being critical. As the saying goes, ‘poor information in, poor information out’, making it well worth investing time at the outset to get the fundamentals right.

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# CIS fraud

## How to protect gross payment status



We examine the new CIS fraud measures taking effect from 6 April 2026, and why enhanced due diligence is the best line of defence.

by Jack Sloggett

From 6 April 2026, the construction industry faces a significant shift in how HMRC tackles supply chain fraud within the Construction Industry Scheme (CIS). New measures introduced in Finance Bill 2025-26 will allow HMRC to cancel a business's gross payment status and hold it responsible for tax losses where it 'knew or should have known' that payments made or received were connected to fraudulent evasion of tax.

The measures are modelled on the well-established VAT *Kittel* principle. They represent a deliberate alignment of CIS enforcement with an approach that has proved effective in disrupting VAT supply chain fraud for over a decade.

HMRC estimates that these new powers will raise £205 million in 2026-27, reducing to £110 million by 2030-31 as behavioural change takes effect. The message is clear: businesses operating within CIS can no longer afford to turn a blind eye to the legitimacy of their supply chains.

### 'Knew or should have known'

The 'knew or should have known' formulation is not new to UK tax law. It derives from the European Court of Justice's decision in *Axel Kittel v Belgian*

*State* (Case C-439/04 and Case C-440/04). The court held that a taxpayer must be denied the right to deduct input VAT if they knew, or should have known, that their transaction was connected to the fraudulent evasion of VAT elsewhere in the supply chain.

The principle was subsequently developed in UK case law, most notably in *Mobilx Ltd* [2010] EWCA Civ 517. The Court of Appeal confirmed that the test is objective: a trader will be treated as having knowledge where the only reasonable explanation for the circumstances surrounding a transaction was that it was connected to fraud.

Crucially, this is not a test of mere negligence or carelessness. The standard sits between actual knowledge of fraud and simple failure to exercise reasonable care. It captures what is often known as 'blind-eye' knowledge: a deliberate choice to ignore facts that a reasonable person in the same position would have investigated. As Moses LJ put it in *Mobilx*, a trader 'may properly be regarded as a participant [in fraud] where he should have known that the only reasonable explanation for the circumstances in which his purchase took place was that it was a transaction connected with such fraudulent evasion'.

### Key Points

#### What is the issue?

From 6 April 2026, new CIS fraud measures will allow HMRC to cancel gross payment status, recover lost tax and impose penalties of up to 30% on businesses that 'knew or should have known' payments were linked to fraud.

#### What does it mean for me?

Contractors must understand how HMRC will apply this *Kittel*-based test and ensure they carry out sufficient due diligence across their supply chains.

#### What can I take away?

Robust, documented due diligence is the single most effective defence against these measures. Businesses should review onboarding, monitor subcontractors and keep clear records to protect their gross payment status.

For CIS purposes, it may be found that a building contractor 'should have known' that the transaction was connected to fraud if they:

- engage a subcontractor at a rate that is conspicuously below market price;
- fail to verify the subcontractor's CIS registration status; or
- ignore a pattern of subcontractors disappearing after receiving gross payments.

Importantly, HMRC does not need to prove that the business actively participated in or benefited from the

fraud. It is sufficient that the business entered into a transaction connected to fraud in circumstances where it should have recognised that connection.

The test will be applied by reference to what a reasonable person in the position of the taxpayer, with the knowledge and experience they had or ought to have had, would have concluded.

**What can HMRC do under the new measures?**

Under existing CIS legislation, HMRC’s powers to address supply chain fraud are comparatively limited. Gross payment status can be cancelled immediately only where the business itself has fraudulently provided incorrect information or knowingly failed to comply with CIS obligations.

The new provisions amend Part 3, Chapter 3 and Schedule 11 of the Finance Act 2004 and the Income Tax (Construction Industry Scheme) Regulations 2005 (SI 2005/2045). Where HMRC can demonstrate that a business knew or should have known that a payment made or received was connected to fraudulent evasion of tax, three consequences follow.

**1. Immediate cancellation of gross payment status**

Finance Act 2004 s 66(3) is amended to add a new ground for the immediate removal of gross payment status. This is distinct from the existing annual compliance review process and requires no prior notice.

Once gross payment status is removed under this provision, the business cannot reapply for five years (increased from the previous one-year restriction under the amendment to FA 2004 s 66(7)). For businesses reliant on receiving gross payments to manage cash flow, this could have potentially devastating consequences. During the five-year exclusion period, the business will be subject to 20% (or 30% if unregistered) CIS deductions on all contract payments received.

**2. Liability for lost tax**

The business that entered into the transaction connected to fraud is made directly liable for the tax that was evaded. This applies even if the business has met its own tax obligations in full.

In practice, a contractor who paid a subcontractor gross – having verified that subcontractor’s gross payment status with HMRC – may nevertheless find itself liable for the income tax and NICs that the subcontractor failed to pay, if HMRC can show that the contractor should have known the arrangement was connected to fraud.

**3. Penalties of up to 30%**

A penalty of up to 30% of the lost tax may be charged not only to the business itself but also to its directors and other persons connected to the business. The express inclusion of potential personal liability is a notable feature and increases the risk exposure for those managing construction businesses. It mirrors the approach taken in VAT fraud cases where, following a *Kittel* denial, directors of the company have been held personally liable through separate assessment mechanisms.

**The defence: due diligence in practice**

The critical question for businesses is how to demonstrate that they did not know, and could not reasonably have known, that a transaction was connected to fraud.

Experience from VAT litigation, including the extensive *Kittel* case law, suggests that the quality and rigour of supply chain due diligence will be central. In *Red Rose Payroll Ltd v HMRC* [2025] UKFTT, the First-tier Tribunal dismissed over £9 million in VAT assessments because HMRC failed to demonstrate that the taxpayer should have known of the fraud, noting that the company had taken responsive steps when concerns arose.

Conversely, in *Zed-UK Ltd v HMRC* [2025] UKFTT 801 (TC), the tribunal upheld a denial of input tax and a 30% penalty where the director had failed to carry out adequate due diligence and ignored warning signs such as unusually low prices.

The lesson from the VAT jurisprudence is unambiguous: enhanced due diligence is the single most effective defence. At a minimum, businesses should be able to demonstrate that they have:

- verified the subcontractor’s CIS registration and gross payment status with HMRC before making any payment and periodically thereafter;
- checked the subcontractor’s company details at Companies House;
- assessed whether the commercial terms of the arrangement are consistent with legitimate market practice;
- investigated any red flags, such as subcontractors operating from virtual offices, newly incorporated companies with no trading history, or links to directors with a history of dissolved companies;
- maintained contemporaneous records of the due diligence undertaken and the decisions made as a result; and

- established a policy for the ongoing monitoring of subcontractor relationships.

The HMRC Tax Information and Impact Note (TIIN) published alongside the Budget 2025 announcement states explicitly that ‘this measure should not impact compliant businesses in the construction industry who undertake the due diligence required to ensure those they contract with in the supply chain are not engaged in supply chain fraud’. The implication is clear: due diligence is both the shield and the standard, and will form both the practical and evidential basis of any defence.

**The Kittel parallels: lessons from VAT**

The TIIN confirms that the CIS measures were modelled on VAT countermeasures that have been effective at disrupting supply chain fraud. The parallels are deliberate and extensive.

- HMRC must establish:
- fraudulent evasion of tax somewhere in the supply chain;
  - a connection between the taxpayer’s transaction and that fraud; and
  - that the taxpayer knew or should have known of that connection.

HMRC must establish these elements on the civil standard of proof – that is, on the balance of probabilities. In other words, it must show that it is more likely than not that the business knew or should have known of the connection to fraud. There are, however, important differences to the VAT measures, and areas of likely uncertainty.

First, the VAT *Kittel* principle has been developed over nearly two decades of tribunal and court decisions. The CIS regime is new. Until tested before the tribunals, there will be uncertainty as to how the ‘should have known’ test will be applied in construction-specific contexts.

Second, the financial consequences differ. In VAT, denial of input tax recovery leaves the trader bearing a VAT cost it believed it had already paid through its supplier. Under CIS, the business may become liable for the income tax and NICs that the fraudulent subcontractor evaded, plus a potential 30% penalty. The exposure could therefore be very substantial, particularly for contractors with high-volume supply chains.

Finally, the explicit provision for penalties against directors and connected persons increases the personal dimension of risk. While personal liability can arise in VAT fraud through other mechanisms, its express inclusion here underscores the

seriousness with which HMRC views CIS supply chain fraud.

### What businesses and advisers should do now

Construction supply chains are often complex and multi-layered. Implementing effective due diligence processes may require operational change. Advisers should encourage clients to take the following practical steps.

#### Review existing onboarding processes:

Introduce a structured onboarding procedure that includes CIS verification, Companies House checks, assessment of commercial terms and clear documentation.

#### Implement continuous monitoring:

The compliance status of sub-contractors can change after their initial engagement. Periodic re-verification of CIS status and monitoring of subcontractor behaviour will be essential.

#### Adopt a risk-based approach:

Not all subcontractor relationships present the same level of risk, and intensive due diligence should be carried out for higher-risk engagements. Newly incorporated entities, subcontractors operating through intermediaries, and

pricing significantly below market rates will all justify enhanced scrutiny.

**Invest in technology:** The volume and complexity of data involved in subcontractor due diligence can be significant. Technology solutions that integrate CIS verification, company data analysis and risk scoring can support more efficient and more defensible compliance. HMRC itself is investing in AI to target compliance checks more effectively.

**Train relevant staff:** Individuals responsible for engaging subcontractors should understand common red flags and escalation procedures. A documented training programme may be valuable in the event of a HMRC challenge.

#### Maintain clear records:

Contemporaneous documentation of checks and decisions made will be critical. In any dispute, a business that can show it had a robust, documented process will be in a far stronger position than one that relied on informal checks.

#### In conclusion

The new CIS fraud measures represent a fundamental shift in HMRC's approach to enforcement. Immediate gross payment status cancellation, a five-year

reapplication ban, liability for lost tax and penalties extending to directors create substantial commercial and personal risk. However, the core principle is not unfamiliar.

The VAT *Kittel* case law demonstrates that businesses which maintain robust, documented and responsive due diligence processes are best placed to resist allegations they knew or should have known of fraud.

For the construction industry, the message is clear: supply chain verification can no longer be treated as a procedural formality. It is a central element of risk management. For advisers, early engagement with clients to review and strengthen due diligence processes may prove critical in protecting gross payment status and limiting exposure under the new regime.

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# Tax Awareness Week

## A collective success

The ATT and CIOT Tax Awareness Week brought the profession together to educate, bust myths and spark engaging conversations about tax and careers nationwide.

by Emma Rawson



The ATT and CIOT Branches Conference



CIOT CEO Helen Whiteman



Chloe Radcliffe Scott, ATT volunteer and Chair of Leeds Branch

© Getty Images

### Key Points

#### What is the issue?

The ATT and CIOT launched the first Tax Awareness Week to tackle low public understanding of tax, challenge common myths and raise awareness of the profession and its value.

#### What does it mean to me?

The week demonstrated strong engagement across the profession, with members, firms and volunteers actively contributing content and helping to amplify key messages to the public.

#### What can I take away?

Tax Awareness Week was a successful first step in improving visibility and dialogue, with clear momentum to build on through future campaigns and continued outreach.

Tax can be a confusing, or even scary, topic for the general public. Myths and misunderstandings abound, and many people remain unaware of the important role that tax practitioners play. To address this, the ATT and CIOT launched the first ever Tax Awareness Week, which took place from 9 to 13 March this year.

The week aimed to demystify tax, showcase careers and champion professional advice. To help structure the conversation, it focused on five themed days, each tackling a key aspect of tax awareness.

As with all new ventures, it was uncertain whether Tax Awareness Week would be a success. We were therefore delighted to see #TaxAwarenessWeek trending across social media during the week, with volunteers, members and firms all getting involved.

### Why Tax Awareness Week?

Despite affecting everyone's lives, public knowledge and awareness of tax remain low.

Research conducted by Tax Policy Associates in July 2024 showed that half of the British public thought that, once you reach the income tax higher rate threshold, the 40% higher rate applies to all of your earnings (see [tinyurl.com/yj3r76fk](https://tinyurl.com/yj3r76fk)).

And the more complicated the rules get, the less they are understood. Research carried out by the CIOT in 2023 showed that only one in five Scottish taxpayers know that income tax is a shared responsibility of the Scottish and UK parliaments (see [tinyurl.com/esersf4n](https://tinyurl.com/esersf4n)).

This lack of understanding makes it hard for people to know whether their tax

position is correct. It can lead to errors, costly mistakes and stress. It can also cause disengagement with the system as a whole. If the public do not fully appreciate the important role that tax plays in society, this can lead to a reluctance to pay, in turn driving evasion and the hidden economy.

Turning to tax as a profession, many members of the public are unaware that tax advice is not a regulated activity. As a result, they may not appreciate the importance of selecting a suitably qualified and experienced adviser. This can lead to them receiving poor advice or, in more extreme cases, getting caught up in avoidance schemes.

When it comes to careers, alongside unhelpful and misleading stereotypes, there is a wider issue around awareness. Young people may say they are interested in law or accountancy, but how many have considered tax as an alternative?

The aim of Tax Awareness Week was to highlight all these issues, increase dialogue between the public and the profession, and shine a spotlight on both the people working in tax and the opportunities it offers.

### What happened over the week?

As set out below, on each day of Tax Awareness Week we published a range of website content and social media posts on our LinkedIn, TikTok and YouTube accounts, focusing on that day's theme. All of this content can be accessed from the dedicated pages on the ATT and CIOT websites.

We also encouraged members, students and firms to get involved and make their own content, providing a range of supporter resources.

### Day One: Why you need to be tax aware

We began the week with the basics: setting out our plans and highlighting the fundamentals of tax, including why it matters and the benefits of being tax aware.

On LinkedIn, professionals emphasised that being tax aware is essential for everyone, highlighting that 'I didn't know the rules' is no defence against penalties, and urging taxpayers to ask questions before problems escalate.

### Day Two: Debunking myths

Day two was all about tackling common misconceptions about tax.

In the run-up to Tax Awareness Week, the ATT published a number of polls on its TikTok channel. The results were then used as the basis for myth-busting articles and social media posts, covering topics from higher rate income tax to tax evasion and the perennial favourite,

the VAT treatment of Jaffa Cakes. We were pleased to see our myth-busting TikTok videos get over 3,500 views during the week.

Meanwhile, professionals shared the tax myths that they encounter time and again on LinkedIn and other social media channels.

### Day Three: Understanding your taxes

Mid-week, the focus shifted to practical support, ensuring that those who need help most know exactly where to find it.

At the ATT, we took the opportunity to promote our wide range of short, easy-to-follow YouTube videos, which are designed to explore key tax topics clearly and simply (see [www.youtube.com/@ourATT](http://www.youtube.com/@ourATT)). These cover issues such as side hustles, self-employment, Making Tax Digital (MTD) and taxation of the state pension – and much more. We also published a new guide covering the 2026-27 tax year updates and key actions for individuals.

The CIOT signposted the valuable resources produced by its Low Incomes Tax Reform Group (LITRG), which are available on its website – and which are a must-read for the unrepresented (and a handy resource for agents too).

### Day Four: Volunteering and careers in tax

On Thursday, we celebrated the human side of tax. We highlighted that a career in tax is rarely just about numbers; it's a blend of law, technology and problem-solving.

At the ATT, we showcased how we can support members to get involved in delivering schools and careers sessions. We also featured members who shared their 'why I chose tax' stories.

A joint CIOT and ATT 'Leaders in Tax' webinar brought together senior figures from across the profession to share personal reflections on their careers and leadership journeys. These stories demonstrated that the profession offers a dynamic career with the chance to make a real difference. A recording is available for those unable to attend on the day.

### Day Five: The benefits and value of using a qualified tax adviser

The final day highlighted an important message: why taxpayers should choose an adviser who is qualified, insured and subject to professional body oversight. We shared new guides for the public on choosing and working with tax advisers, as well as the benefits of using a CIOT or ATT-qualified adviser.

Testimonials from practitioners helped to reinforce the dangers of bad

advice and the security and reassurance that comes from working with a qualified professional.

### Invaluable input from the profession

Although Tax Awareness Week started as an ATT and CIOT project, it quickly became clear that if it was to achieve its full potential, it would need to be a collective effort involving the wider profession.

We were therefore delighted to see not only our staff and volunteers active during the week, but also the wider membership. Several firms took part, using Tax Awareness Week as a platform to showcase the great work they do and the opportunities that a career in tax can bring. Content ranged from videos sharing individual career paths, to myth-busters and even the odd office party!

We are incredibly grateful to those students, members, employers and supporters of ATT and CIOT who helped to make Tax Awareness Week a reality. It was heartening to see such a wealth of stories and opinions shared throughout the week. At the end of the day, Tax Awareness Week didn't just raise awareness; it also highlighted the breadth and value of the entire profession. So a big thank you to everyone who got involved.

### What comes next?

The first ever Tax Awareness Week was an undoubted success in terms of visibility. However, Rome wasn't built in a day, and low levels of tax awareness can't be fixed in a week.

We hope to make Tax Awareness Week an annual event, so please do get in touch with me if you have any comments, feedback or suggestions on how we can build on this year's momentum. In the meantime, the ATT and CIOT will continue our work to raise awareness across these important areas, and we will see you again at the same time next year!

 You can find more information about this year's Tax Awareness Week at [www.att.org.uk/tax-awareness-week](http://www.att.org.uk/tax-awareness-week) and [www.tax.org.uk/tax-awareness-week](http://www.tax.org.uk/tax-awareness-week).

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# Workplace nursery schemes

## The parent trap

Misunderstanding the tax-free exemption for employer-provided childcare can lead to unexpected tax, NICs and penalties.

by **Susan Ball and Sarah Hewson**

### Key Points

#### What is the issue?

HMRC is increasingly challenging workplace nursery schemes, making it clear that many fail to meet the statutory conditions for the childcare exemption under ITEPA 2003 s 318.

#### What does it mean to me?

Where the exemption is incorrectly applied, employers face significant income tax and NIC liabilities, potential penalties, and scrutiny of associated salary sacrifice and OpRA arrangements.

#### What can I take away?

Workplace nursery schemes should be continually reviewed to establish who the scheme employer is and whether there is real financial risk and management involvement in substance, not just on paper.

For many years, employer-supported childcare in the UK was closely associated with childcare vouchers. These arrangements were widely used, relatively well understood and provided a straightforward mechanism for employers to support working parents in a tax-efficient manner. Employers also benefited from employer NIC savings, making vouchers a familiar component of reward strategies.

That landscape changed permanently in October 2018, when childcare voucher schemes were closed to new entrants and replaced by the government's Tax-Free Childcare scheme. While existing participants were able to remain in voucher schemes, the closure marked the end of a longstanding and visible form of employer involvement in childcare support.

Since then, options for employers wishing to support working parents have become more limited. Tax-Free Childcare provides government support directly to parents, but it sits outside the employment relationship: childcare is arranged by the parent, not the employer, and no employer NIC savings arise. For many employers, this has reduced both the incentive to provide childcare support and its prominence within reward packages.

Against this backdrop, attention has returned to the exemption for employer-provided childcare under s 318 of the Income Tax (Earnings and Pensions) Act (ITEPA) 2003 (the ‘childcare exemption’). Although this exemption has existed since 1990, it has taken on renewed significance in a post-voucher environment.

The exemption is primarily intended to apply to childcare facilities provided by an employer on its own premises for its own employees – the traditional ‘workplace nursery’. In recent years, however, it has increasingly been relied upon in more complex arrangements involving commercial childcare providers and third-party scheme operators and, frequently, salary sacrifice.

These commercially marketed workplace nursery schemes are often promoted as modern, flexible solutions that replicate the tax efficiency of childcare vouchers without requiring employers to operate a nursery themselves. However, HMRC has made clear that many such arrangements do not meet the statutory conditions for exemption. Updated guidance issued in 2022 and again in 2024 confirms that HMRC is scrutinising these schemes closely and that employers may face significant tax and NIC exposure where the exemption has been incorrectly applied.

This article examines HMRC’s concerns, the key technical risks for employers, and what advisers should be encouraging clients to do now.

### The childcare exemption: scope and limits

The childcare exemption applies where an employer provides care for an employee’s child and specific statutory conditions are met. Where it applies, the value of the childcare provided is exempt from income tax and NICs.

Broadly, the exemption applies where all of the following conditions are satisfied:

- **Condition A:** The care is provided for a qualifying child of the employee.
- **Condition B:** The childcare premises meet relevant registration requirements and are not used wholly or mainly as a private dwelling.
- **Condition C:** The premises on which the care is provided are made available by the employer alone, or the partnership requirements are met.
- **Condition D:** The arrangement is open to all employees generally (or where the scheme employer has multiple sites, the scheme is open to all employees at the relevant location).

Conditions A and B are usually straightforward and rarely controversial. In practice, the technical difficulty almost always arises in relation to Condition C, and to a lesser extent Condition D, particularly where employers seek to rely on partnership arrangements involving commercial providers.

### HMRC’s renewed focus on commercially marketed schemes

HMRC’s concerns regarding workplace nursery schemes are not new, but they have been articulated with increasing clarity in recent years. Updated guidance in HMRC’s Employment Income Manual (EIM 21972), together with commentary in Agent Update 121 (July 2024), places particular emphasis on arrangements involving commercially marketed workplace nursery schemes.

HMRC has highlighted several recurring features of these arrangements. In particular, some scheme operators have historically promoted their services as ‘HMRC approved’. HMRC has been explicit that it does not approve workplace nursery schemes and does not endorse any arrangement as tax compliant. While some providers have adjusted their marketing language (for example, referring to the schemes as ‘HMRC friendly’), HMRC’s position remains unchanged.

A central concern is whether the statutory conditions for exemption are met in substance. Section 318 requires that, under the arrangements, the employer is ‘wholly or partly responsible for financing and managing the provision of the care’. HMRC has observed that, in many commercially marketed schemes, employers have little or no substantive involvement in either financing or management, notwithstanding contractual assertions to the contrary.

HMRC has also drawn attention to a recurring misunderstanding as to what it means for an employer to be ‘providing’ childcare for the purposes of the exemption. Where the employer’s role is limited to facilitating access to a third-party provider operating at arm’s length, the exemption is unlikely to apply.

Responsibility for applying the exemption correctly rests squarely with the employer. Where the statutory conditions are not met, the employer must not apply the exemption and must correctly report and account for any resulting taxable benefit, including consideration of the optional remuneration arrangement (OpRA) rules where salary sacrifice is involved.

Taken together, HMRC’s guidance signals a materially increased risk of challenge for workplace nursery arrangements involving commercial

providers. Employers and advisers should assume that such schemes are firmly within HMRC’s compliance spotlight.

### What is the employer actually providing?

Before considering the statutory conditions in detail, it is worth stepping back and asking a fundamental question: what is the employer actually providing?

The childcare exemption applies to the ‘provision for an employee of care for a child’. This is a critical concept and one that is often misunderstood in practice.

Where the employer provides childcare – for example, by operating a nursery itself or jointly operating a facility with other employers – the exemption may apply, subject to the statutory conditions. By contrast, where the employer simply meets or reimburses an employee’s childcare costs, the employer is not providing childcare but settling the employee’s pecuniary liability.

Where the contract for childcare exists between the employee and the nursery, payments made by the employer (whether directly to the nursery or by reimbursing the employee) are likely to be treated as taxable remuneration under Income Tax (Earnings and Pensions) Act 2003 s 62, rather than exempt childcare provision. This risk arises even where payments are made directly to the nursery, if they are made on the employee’s behalf.

Some workplace nursery schemes rely on the employee entering into a direct contract with the nursery, with the employer paying the nursery under a parallel arrangement. Whether the exemption can apply in such cases will depend on the precise contractual structure, including whether there is a genuine tripartite agreement and whether the employer can properly be said to be providing the childcare.

Although HMRC’s published guidance has focused primarily on partnership requirements, employers should not assume that the distinction between provision and reimbursement will remain unchallenged.

### Condition C: partnership requirements

Condition C requires that either the employer alone makes the childcare premises available, or the partnership requirements are met. Most commercially marketed workplace nursery schemes seek to rely on the partnership route.

To qualify, the employer must be wholly or partly responsible for both

## KEY QUESTIONS FOR EMPLOYERS TO ASK

### Contracts and structure

- Who is the designated scheme employer?
- What contracts are in place and who are the parties?
- Is the employee party to any contract with the nursery?
- Is the employee required to make any payments directly?

### Financial responsibility

- How are fees calculated?
- Does the employer contribute beyond standard nursery fees?
- Who bears the risk of fee increases or operating losses?
- Has the employer provided any guarantees or underwriting?

### Management involvement

- What level of management input does the employer have?
- Are there regular meetings and who attends them?
- Does the employer have genuine influence over childcare delivery?
- Is the employer represented on a management or oversight body?

financing and managing the provision of childcare. HMRC's guidance makes it clear that these requirements must be satisfied in substance, not merely by contractual form. Token involvement or purely contractual participation will not be sufficient to meet the partnership test.

### Financing requirements

To meet the partnership requirements, employers must assume material financial responsibility for the provision of childcare.

In assessing whether this requirement is met, HMRC will examine how the employer's financial contributions are structured and whether the employer bears any genuine financial risk. Arrangements where the employer's payments are determined solely by reference to the nursery's standard fee rates for individual children, with no wider financial exposure, are unlikely to demonstrate material financial responsibility.

Arrangements that do not take account of the nursery's broader operating costs – such as business rates, staff salaries, utilities and maintenance – may indicate that the employer is insulated from the financial realities of running the childcare provision.

Indicators of material financial responsibility may include the employer:

- providing capital funding or start-up finance;
- underwriting operating losses or guaranteeing a minimum level of income;
- contributing to fixed costs such as rent, rates, utilities or maintenance; and
- entering into financial guarantees or other commitments that are not directly linked to the number of children attending.

The common feature of these indicators is the assumption of financial risk and long-term commitment by the employer. Where an employer's financial exposure rises and falls solely by reference to the number of employee children attending the nursery, HMRC is likely to conclude that the financing limb of the partnership requirements is not satisfied.

### Management requirements

The management requirement presents an equally significant challenge. HMRC expects employers to have genuine and substantive involvement in the management of childcare provision.

HMRC will consider the nature and substance of employer involvement, including whether there are regular management or review meetings, whether those meetings are meaningful, and whether the employer has the ability to influence outcomes rather than merely receiving updates.

The role of employer representatives is also relevant. Where an employee is appointed to a management or oversight body, HMRC expects clear evidence that the individual is empowered to act on behalf of the employer and does so in practice.

Indicators of meaningful involvement may include the employer having influence over:

- operational policies or standards;
- how childcare is delivered across the nursery population;
- staffing matters, including training standards; and
- the allocation or prioritisation of childcare places.

Mere consultation, or attendance at meetings without real influence, is unlikely to be sufficient.

### Joint childcare provision

Condition C also permits joint provision with other employers. In such cases, the employer must still be involved in the arrangements, contribute to both financing and management, and ensure that the statutory requirements are met in relation to the particular scheme.

### The scheme employer

The legislation refers to the 'scheme employer' – the employer operating the childcare scheme. The scheme employer must be party to the arrangements, make the premises available, and meet the financing and management requirements.

In practice, many workplace nursery arrangements fail to identify clearly who the scheme employer is. Where a commercial provider enters into arrangements with multiple employers to provide childcare at the same premises, each arrangement may constitute a separate scheme, each with its own scheme employer.

Alternatively, HMRC may argue that only one employer can be the scheme employer at a particular facility. If that is the case, other participating employers may fail to meet the statutory conditions, even if they believe they are part of a joint arrangement. This risk is often overlooked but may be decisive.

### Condition D: availability

Condition D requires the childcare arrangement to be open to all employees generally, or where the employer has multiple sites, to all employees at the relevant location. Nurseries may also be available to other workers on the site, such as contractors or employees of other employers.

While usually less contentious than Condition C, advisers should still ensure that eligibility criteria are consistent with the statutory requirements and do not inadvertently restrict access.

### Salary sacrifice and OpRA considerations

Many workplace nursery schemes are offered in conjunction with a salary sacrifice arrangement.

Where the appropriate processes and controls are in place, a salary sacrifice scheme can be effective regardless of whether the childcare exemption ultimately applies. While salary sacrifice can be effective in principle, a HMRC review of a workplace nursery scheme is likely to extend to the effectiveness of the salary sacrifice itself.

- HMRC may consider whether:
- the employee genuinely agreed to a change to contractual terms of their employment;
  - the arrangement can be reversed at will;

- the salary sacrifice was applied retrospectively; and
- cash pay was reduced below the national minimum or living wage.

Where the childcare exemption applies, workplace nursery provision is specifically excluded from the Optional Remuneration Arrangement (OpRA) rules, as set out at ITEPA 2003 ss 69A and 69B. Where it does not apply, however, OpRA will generally result in a fully taxable benefit.

### Consequences where the exemption does not apply

Where the childcare exemption is incorrectly claimed, the consequences of a challenge by HMRC can be significant. The benefit may need to be reported through payroll or on Form P11D and may be subject to income tax and Class 1A NIC.

HMRC can initially assess income tax for up to four years and Class 1A NIC for up to six years. Interest will be due on any underpaid amounts, and penalties may apply, particularly where HMRC considers that reasonable care was not taken. Employers should consider whether voluntary disclosure is appropriate and, in some cases, whether settling employees' tax liabilities is

desirable, recognising that this step will itself give rise to additional tax and NIC costs.

### What should employers do now?

Employers operating workplace nursery schemes should continually review their arrangements in light of HMRC's updated guidance.

As a first step, employers should understand how their scheme operates in practice, including reviewing contracts,

identifying the scheme employer and assessing their actual role in financing and managing childcare provision. Salary sacrifice arrangements should also be reviewed.

Where there is any uncertainty, employers should seek independent advice. Early identification of issues may allow employers to restructure arrangements or make voluntary disclosures to HMRC, potentially mitigating penalties.

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# Share exchanges Just and reasonable adjustments

New legislation rewrites share exchange anti-avoidance rules, introducing just and reasonable adjustments while keeping the 'main purpose' central.

by **Nikhil Mehta**

Once in a while (but not often), taxpayers win cases in the courts where there is an alleged tax avoidance element. This happened in *Delinian Ltd (formerly Euromoney Institutional Investor plc) v HMRC* [2023] EWCA Civ 1281 and *Wilkinson and others v HMRC* [2023] UKFTT 695 (TC). Both cases related to share exchanges for capital gains purposes – corporation tax on chargeable gains in *Delinian*, where the taxpayer was a company;

and capital gains tax in *Wilkinson*, where the taxpayers were individuals.

The question in both cases was whether the taxpayers could claim share reorganisation relief under Taxation of Chargeable Gains Act (TCGA) 1992 s 135, or whether relief should be denied because a main purpose of the exchange was for tax avoidance under TCGA 1992 s 137(1).

The taxpayers won both cases – in *Delinian*, quite emphatically, as HMRC lost at every stage up to the Court of Appeal –

## Key Points

### What is the issue?

Court decisions in *Delinian* and *Wilkinson* limited HMRC's ability to deny share exchange relief where tax planning affected only part of a wider commercial transaction. In response, new legislation at TCGA 1992 s 137 allows 'just and reasonable' adjustments where arrangements relating to an exchange have a main tax avoidance purpose.

### What does it mean to me?

HMRC can now counteract only the tax-advantaged element of an exchange, potentially preserving relief for unaffected parts or innocent shareholders – but the test of 'main purpose' remains central and contentious.

### What can I take away?

The battleground will shift from whether an exchange forms part of a wider scheme to how 'main purpose' and 'just and reasonable' adjustments are applied in practice.

and the matter did not proceed to the Supreme Court.

HMRC clearly did not welcome these decisions. So much so, that it has introduced changes to the reorganisation provisions, now contained in the current

Finance Bill, to counter the effect of those cases. The word 'spoilsports' comes to mind. This analysis proceeds on the basis that the draft legislation will be enacted in its current form.

I am closer to the *Delinian* decision than to *Wilkinson*. I thought the courts were right in their conclusions, and I derived considerable comfort from being able to point to a decision (particularly for foreign clients) demonstrating that not all cases involving tax avoidance go against the taxpayer. And what a decision – victories in the First-tier Tribunal, the Upper Tribunal and the Court of Appeal!

Unlike the taxpayer, HMRC can propose changes to the law when it loses a case. If the government considers it appropriate to do so, it simply legislates.



## Unlike the taxpayer, HMRC can propose changes to the law when it loses a case.

### The cases

#### The case of *Delinian*

In *Delinian*, a corporate seller, EPCL, sold its stake in another company. The original consideration was to consist mainly of shares, with the balance in cash. However, at the behest of a tax director who was brought into the negotiations at a late stage, the (taxable) cash component was replaced with preference shares so that the entire consideration took the form of shares. The transaction would then qualify for rollover relief under TCGA 1992 s 135. Further, because of the terms of the preference shares, their future redemption would also be tax free by virtue of the substantial shareholdings exemption. It was argued that even if there was a tax avoidance purpose in replacing cash with preference shares, it was not a main purpose of the overall arrangements under s 137(1). Relief, therefore, should be available for the entire exchange.

HMRC disagreed. It argued that the whole exchange formed part of a scheme with a main tax avoidance purpose. Relief should be denied in full, not merely in respect of the portion of the exchange involving the preference shares. There was, it argued, no scope for dissecting the exchange into a 'good' part and a 'bad' part.

#### The case of *Wilkinson*

*Wilkinson* involved several members of a family selling shares in a successful business for a consideration consisting of shares and loan notes. The appellants

consisted of the mother and father, and their three daughters. The parents received a mixture of loan notes and cash for their shares, whereas the daughters received shares and loan notes. As part of the family's capital gains tax planning, the daughters had been gifted shares by their parents before the sale and sold those shares to the third-party purchaser as part of the overall transaction. Their loan notes were structured to be redeemed a year and a day after the sale so as to qualify for entrepreneurs' relief. The daughters also sold their consideration shares at that time to an affiliated company. There were other selling shareholders, but they were not involved in the appeal.

The critical question was whether, under s 137(1), the exchange of shares and loan notes by the appellants formed part of a scheme or arrangements with a main purpose of tax avoidance.

This necessarily required identifying the relevant scheme or arrangements. The First-tier Tribunal found that this was the overall commercial deal to sell the company to the third party: the exchanges formed part of that broader transaction. The family's capital gains tax planning was not a main purpose of that overall deal. In addition:

- The substantial bloc of other minority shareholders had no involvement in the capital gains tax planning.
- Even for the appellants, the value of the capital gains tax planning represented only a very small part of the total financial gain (about 4%).
- The purchaser could have withdrawn if dissatisfied with the capital gains tax planning – it was not a condition of the deal.
- It was clear that the appellants would have proceeded with the sale even without the capital gains tax planning.

#### The structural difficulty in s 137(1)

There is an inherent difficulty with s 137(1) and with HMRC's arguments. Section 137(1) permits relief only if the exchange 'does not form part of a scheme or arrangements of which the main purpose, or one of the main purposes, is avoidance of liability to capital gains tax or corporation tax'. There is a separate limb dealing with bona fide commercial reasons, but that is not relevant here.

The total exchange must not form part of the scheme or arrangements. In plain English, the words 'form part of' suggest that the scheme or arrangements must be larger than the exchange itself.

But if the scheme relates only to part of the exchange (and a small part at that), as it did in both *Delinian* and *Wilkinson*, how can the exchange form part of that? It is rather like trying to fit an elephant into a Mini – and the original 1959 model

at that! Admittedly, the elephant would not fit into the current model either.

In *Wilkinson*, the 'scheme' was the wider commercial transaction, not merely the exchange, and that broader transaction clearly did not have tax avoidance as a main purpose. I am not convinced you always need to identify a larger 'scheme or arrangements' where there is no main tax avoidance purpose. However, it remains necessary to test whether the exchange can properly be said to form part of the scheme which is said to have a tax avoidance purpose. If the alleged scheme is smaller than the exchange, there is no proper fit. Nor is there scope for distinguishing a 'good' part from a 'bad' part of the exchange if the latter is sufficiently significant to make tax avoidance a main purpose of the whole exchange.

#### The Budget proposal

A significant difficulty for HMRC under the existing wording of s 137(1) was precisely this conceptual issue. The new legislation seeks to address it. The legislation contains other features too, but my focus is on the substantive issue concerning the relationship between the exchange and the relevant arrangements.

Section 137(1) has undergone a dramatic makeover. Gone is the reference to bona fide commercial reasons (they did not add much anyway). Gone is the problematic wording about what 'forms part of' what. The new s 137(1) only applies to 'arrangements relating to an exchange'. Corresponding changes have been made to reconstruction relief in s 136, but I am concerned only with exchanges here. The revised s 137(1) and new s 137(1A) state:



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1. This section applies in respect of arrangements relating to an exchange as regards which s 135 applies if the main purpose, or one of the main purposes, of the arrangements is to reduce or avoid liability to capital gains tax or corporation tax.
- 1A Any such reduction or avoidance that would (in the absence of this section) arise from such arrangements is to be counteracted by the making of such adjustments as are just and reasonable (in light of the reduction or avoidance).

Had this wording applied in *Delinian*, rollover relief would presumably have been denied only in respect of the part of the exchange involving preference shares. In *Wilkinson*, appropriate adjustments would have been made in relation to the five Wilkinson family members, while the other sellers would have been unaffected.

Two further changes are worth mentioning. The 5% safe harbour in s 137(2) has been repealed. The apparent thinking is that minority shareholders will in any event be protected unless their exchange forms part of the tax avoidance arrangements – in which case there is no good reason to spare them.

The new provisions apply to the issue of consideration shares or debentures by a purchasing company on or after 26 November 2025, subject to certain transitional protections for clearance applications made before that date. HMRC has published interim guidance in an appendix to the Capital Gains Manual at CG-APP19.

Perhaps the most important new concept is the introduction of ‘just and reasonable’ adjustments for arrangements with a main purpose of tax avoidance. This phrase has been the subject of much judicial scrutiny in the context of loan relationships for unallowable purposes (Corporation Tax Act 2009 ss 441 and 442). Broadly, those provisions deny tax relief for funding costs to the extent that a corporate debtor has a loan which has ‘unallowable purposes’. Section 441(3) provides that:

‘The company may not bring into account for that period for the purposes of this Part so much of any debit in respect of that relationship as on a just and reasonable apportionment is attributable to the unallowable purpose.’

Section 442 defines ‘unallowable purpose’. Unlike the former s 137(1), which treated bona fide commercial purposes separately from tax avoidance, s 441 effectively conflates the two concepts. An unallowable purpose cannot

be among the business and commercial purposes of the company. Section 442(4) states that a tax avoidance purpose can qualify as a business or commercial purpose only if it is not a main purpose of the company in entering into or being party to the loan relationship.

If the deduction for funding costs relates to a business or commercial purpose (which may include a tax avoidance purpose, provided it is not a main purpose), then it is allowable. This is quite a sophisticated way of allowing apportionment. A cruder alternative would simply have been to outlaw all tax avoidance purposes, whether a main purpose or not.

**“**  
**It is now beyond doubt that rollover relief is available for the ordinary share-for-ordinary share exchange.**

Despite the apportionment mechanism, the courts have not been enthusiastic about permitting apportionment where the facts show several purposes, including a main tax avoidance purpose. In recent legal decisions – particularly those of the Court of Appeal in *BlackRock HoldCo 5 LLC v HMRC* [2024] STC 740 and *Kwik-Fit Group Ltd v HMRC* [2024] STC 897 – apportionment was rejected because the deductions were held to be wholly attributable to the tax avoidance purpose. As Falk LJ observed in *Kwik-Fit*: ‘In summary, it is an objective exercise which requires apportionment by reference to the relevant purposes. The exercise is a fact-specific one.’

Notably, there is no express apportionment wording in the new s 137(1A). In the context of unallowable purpose situations, apportionment is appropriate because the focus is on a single corporate taxpayer, its reasons for entering into (or remaining party to) a loan relationship, and the amount which it has claimed by way of deduction. That amount may be reduced in appropriate cases, if there are several purposes. This is a purely quantitative exercise – especially as, to date, the higher courts have rejected apportionment in favour of an ‘all or nothing’ approach. The deduction is held to be wholly attributable to a tax avoidance main purpose, and therefore denied: all for the Exchequer, nothing for the taxpayer.

There is no apportionment wording in the new s 137(1A). In s 137 cases, there may be one or more taxpayers entering

into the exchange, and each may have different purposes. The common tax objective is the deferral of capital gains tax liability under s 135. HMRC’s interim guidance indicates that this deferral alone will not trigger s 137 – something more in the way of tax avoidance is required for it to be engaged.

Accordingly, it is easy to see that in the case of multiple sellers, it is perfectly straightforward for relief to be given to those who seek no additional tax benefit beyond rollover. No adjustments under s 137(1A) are required for such ‘innocent’ sellers.

The ‘just and reasonable’ treatment applies only to the tax-avoiding seller. Suppose, as in *Delinian*, the seller receives a mixture of ordinary shares and preference shares, the latter designed with a further tax objective beyond rollover. Under s 137(1A), it is now beyond doubt that rollover relief is available for the ordinary share-for-ordinary share exchange, even if denied for the ordinary share-for-preference share exchange. This is just and reasonable. The adjustment would operate to deny relief only in respect of the latter.

Of course, the battleground will remain the identification of a ‘main purpose’. It will also remain contentious in cases where a taxpayer would not have entered into any part of a *Delinian*-type exchange – ordinary and preference shares alike – without the expectation of the enhanced tax benefit.

The ‘just and reasonable’ feature in the unallowable purposes provisions is quantitative, whereas under the new s 137(1A) it is qualitative. In the former, you look at the amounts only in determining what is just and reasonable. In the latter, you look at the nature of what was done to determine which parts, if any, should be denied relief – and, in cases of multiple sellers, the result may differ for each.

It is inevitable that the ‘just and reasonable’ wording in s 137(1A) will be tested in the courts. One hopes that the judiciary will in due course recognise that the phrase serves a different function here from that in the loan relationships regime.

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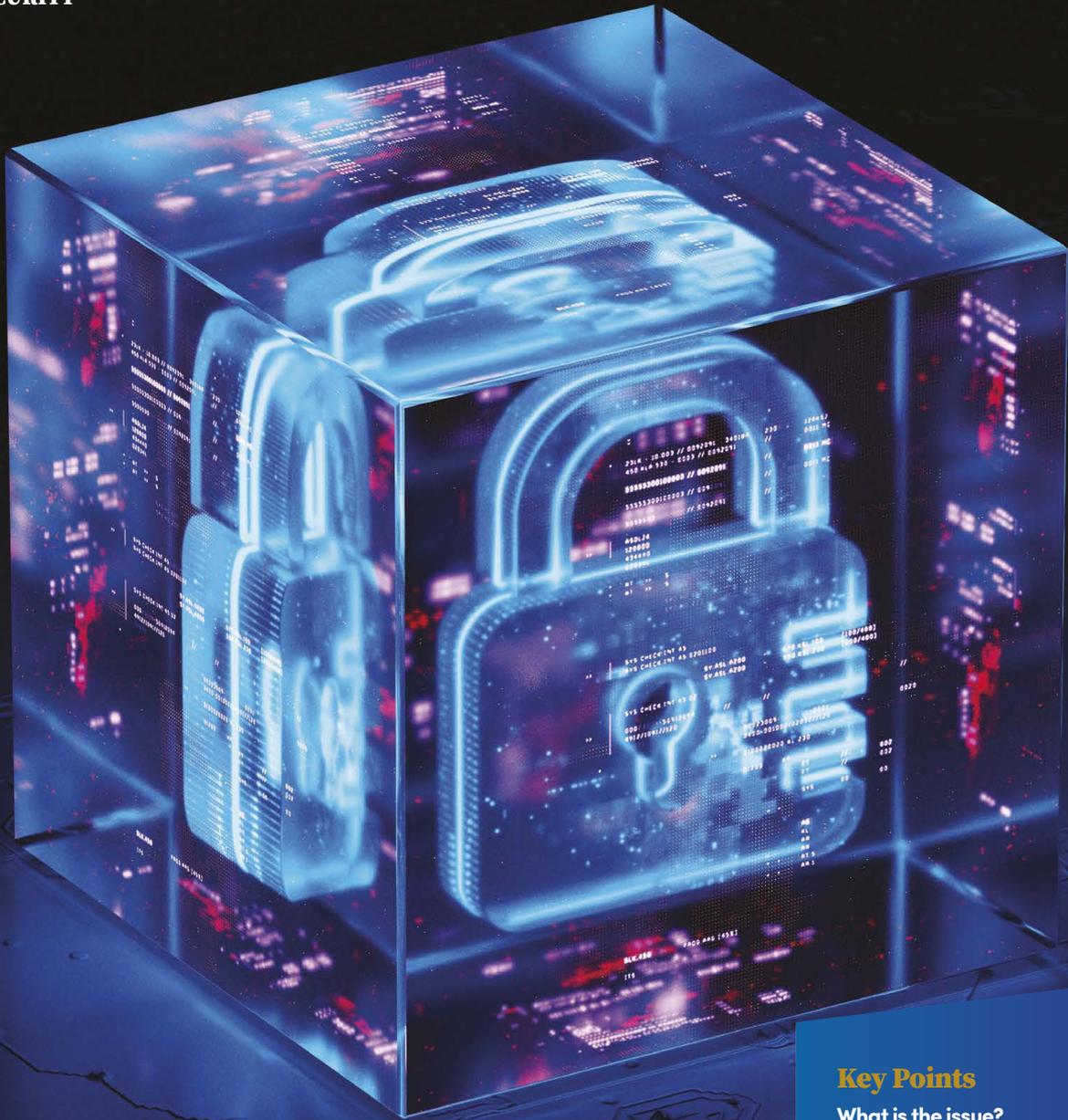
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# Cyber controls Tax risk governance

After a sharp rise in 'nationally significant' cyber attacks, we ask how tax professionals can support cyber incident preparedness.

by Sheila Pancholi and Flora Barnes

## Key Points

### What is the issue?

Cyber attacks are rising sharply and can severely disrupt tax functions, exposing organisations and advisers to financial loss, compliance failures and regulatory penalties.

### What does it mean to me?

Tax teams and firms face real risks to filing obligations, data security and client trust, particularly as digitalisation and AI increase dependence on interconnected systems.

### What can I take away?

Tax professionals must be embedded in cyber incident planning, ensure robust controls and testing are in place and treat cyber resilience as a core part of tax risk governance.

Cyber attacks are having a significant impact on both UK citizens and the economy. Whether you are part of an in-house team or work in a professional tax firm, it is vital to understand what a cyber attack could mean for your organisation and for taxpayers.

Recent figures from the National Cyber Security Centre (NCSC) show a sharp rise in 'nationally significant' cyber incidents, which can cause significant business disruption and financial loss. These attacks have more than doubled already in the last year alone. Between September 2024 and August 2025, the NCSC recorded 429 cyber incidents, of which 204 were classed as 'nationally significant' – a 130% increase on the previous year. The scale and frequency of these incidents underline the growing sophistication of threats and the widening range of organisations affected.

### The scale of cyber attacks

The impact of cyber incidents varies but businesses can lose all access to systems and data, including enterprise resource planning and payroll systems, resulting in severe disruption. In extreme cases, systems can be down for weeks, causing huge financial losses, as well as serious reputational damage and loss of trust.

For tax teams, system outages can prevent the submission of returns, particularly for VAT and payroll. This is an even bigger problem now that Making Tax Digital for VAT is dependent on direct data links, and could lead to HMRC penalties, missed claim windows and large backlogs of work once systems are restored. The corruption of underlying data can also compromise audit trails. It should be noted that HMRC generally accepts that computer or software failure may amount to a reasonable excuse in relation to late-filing penalties.

Cyber incident planning must consider how an attack could affect the services you provide – including the ability to file returns and safeguard taxpayers' data. Firms should also prepare for how to communicate any data breaches of sensitive information and manage the regulatory and reputational consequences for your business.

Data protection failures may attract penalties from the Information Commissioner's Office, potentially compounded by other regulatory regimes. For example, where fraud is involved, a company could face criminal liability under the Economic Crime and Corporate Transparency Act 2023.

### The evolving threat landscape

The rapid adoption of generative AI means that safeguarding data is now even more vital – no business can assume that it is safe. Businesses must adopt a mindset of 'when, not if' about cyber attacks, ensuring their cyber risk and anti-fraud measures are robust. This includes regular training for staff to ensure that they understand the most common risks and the red flags to look out for.

Most cyber attacks rely on social engineering – in other words, tricking someone into granting access to their systems – so tax advisers need to be trained on what to look out for and how to report any risks. Cyber incident plans need to be tested regularly – ideally through simulated cyber attack exercises – to ensure that they work effectively in practice.

### Tax teams and cyber incident planning

In-house tax teams should coordinate with their Chief Information Officer or senior leadership team to ensure that the tax function is fully integrated into the organisation's cyber incident response planning. The cyber incident plan should include a prioritised list of critical systems, clearly setting out which need to be restored first following an attack.



### Cyber incident planning must consider how an attack could affect your ability to file returns and safeguard taxpayers' data.

Although many organisations already have a cyber incident plan, some have yet to consider all potential cyber risks from a tax perspective, meaning that exposure in this area may not have been quantified. Tax is increasingly an area where many in-house teams and firms are adopting the use of AI for elements of their work, further expanding the organisation's cyber footprint. Without sufficient awareness of AI-related vulnerabilities and safeguards to address them, businesses could find themselves exposed to heightened cyber risk.

Plans should set out clear roles and responsibilities, internal and external communication strategies, and the specific procedures or 'playbooks' to be followed when systems are compromised. They must also take into account the wider regulatory landscape, relevant reporting requirements, and any dependencies on third-party suppliers. Since many cyber attacks and data breaches stem from weaknesses in third-party systems, organisations should also assess supplier cyber resilience to ensure adequate protection.

### Strengthening resilience and recovery

A detailed, well-tested cyber incident response plan is vital for quick recovery

### FURTHER READING

'The latest challenge: 21st century tax crime' by Simon York (September 2025, Tax Adviser). See [tinyurl.com/27x6cad6](https://tinyurl.com/27x6cad6)

following an attack, helping to protect taxpayers, limit downtime and minimise financial losses. In line with recent NCSC guidance, businesses should maintain accessible paper-based copies of their plans in case digital systems are unavailable. Regular testing and staff training are equally important.

In addition to forming part of the wider cyber incident response plan, the risk of cyber attack should be recognised within the overall tax risk environment – for instance, by including it in the tax risk and controls matrix. Strong cyber controls can be a key factor in how HMRC responds to penalty appeals under the 'reasonable excuse' grounds. In practice, a cyber attack may provide such a defence; however, as HMRC's focus on governance strengthens, and as cyber preparedness becomes standard practice, it will become harder to argue 'reasonable excuse' if cyber controls are inadequate.

Traditionally, many tax functions have regarded cyber security as the responsibility of the IT department. Yet those working in tax know that it is often one of the last areas to be considered when response plans are drawn up. Raising it on the agenda now will help to ensure the function is properly protected – and reduce the risk of serious surprises in the future.

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# AI, AI, No!

## Procedure becomes the problem

We consider a case where the litigation process itself became a source of conflict.

by Keith Gordon

The purpose of litigation is to enable the parties to a dispute to resolve it through an independent judicial process. The Tax Chamber has rules that are designed to facilitate that process, the underlying theme of which is ‘to enable the Tribunal to deal with cases fairly and justly’ – known as the ‘overriding objective’, in rule 2(1) of the Tribunal Procedure (First-tier Tribunal) (Tax Chamber) Rules 2009.

However, the case of *Elden v HMRC* [2026] UKFTT 41 (TC) demonstrates how things can go wrong during the litigation process itself and how the tribunal will sometimes need to resolve those issues in order to progress the resolution of the underlying tax dispute.

### The facts of the case

The case concerns closure notices issued to Mr Elden following HMRC enquiries into his 2013-14 and 2014-15 tax returns. The closure notices were issued on 15 February 2021 and the appeals against them were notified to the tribunal on 11 August 2023. The subject matter of the closure notices is totally irrelevant to the matters that the tribunal had to determine on this occasion. However, for context, it is worth noting that the amount of tax in dispute was approximately £210,000.

Mr Elden appointed a member firm of the ICAEW to represent him in the course of the appeal process. Although that would entitle HMRC to write solely to the representative firm, they actually copied Mr Elden in on most of the correspondence.

Early in the appeal process, the representative firm wrote to HMRC to request a copy of the technical advice that led to the closure notices. The firm indicated that if HMRC did not comply,

it would make an application to the tribunal for a direction compelling the provision of that information.

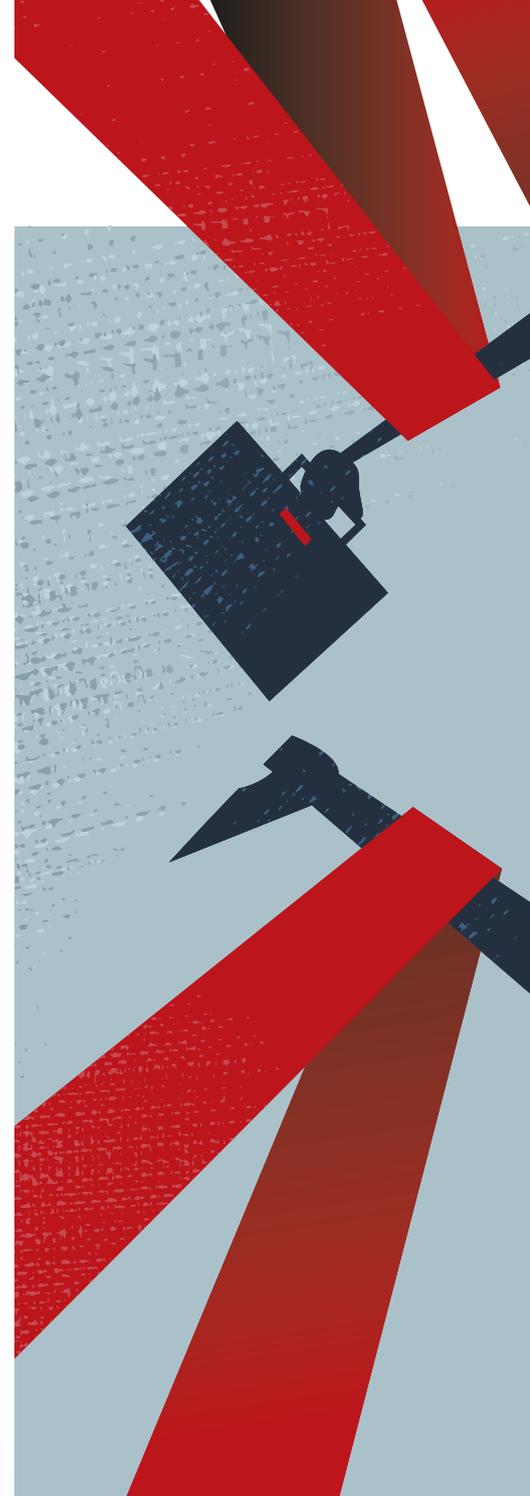
In response, HMRC requested further clarification of Mr Elden’s grounds of appeal. Later that day, the representative firm made its own request for further and better particulars, including an explanation of HMRC’s reasoning behind the closure notices.

The tribunal responded a few months later, noting that, procedurally, it is the appellant’s appeal and that the appellant is required to prove that the closure notices were wrong. The tribunal added that any failure by the appellant to make a positive case will mean that he is unlikely to be successful in his appeal. It is implicit that Mr Elden’s grounds of appeal were not clearly stated, and the tribunal thus proceeded to grant HMRC its request for further and better particulars (directing that these be produced by 8 April 2024). The tribunal did not consider that HMRC was required to provide the information sought by the appellant’s representatives.

Mr Elden did not comply with the direction to produce the further and better particulars by 8 April 2024. Accordingly, on 22 April 2024, HMRC applied to the tribunal for an ‘unless order’. HMRC sought a direction that ‘unless the appellant confirmed with[in] 7 days his intention to continue with the appeal and provide their [sic] amended grounds of appeal, then the appellant’s appeal should be struck out’.

Before the tribunal could process that application, Mr Elden eventually complied with the previous direction on 7 May 2024. HMRC duly withdrew the application.

HMRC then served its statement of case on 1 August 2024. (This is usually



### What is the issue?

A tax appeal became mired in procedural failures, tactical delays and the apparent misuse of AI by the taxpayer’s representatives, leading HMRC to seek a strike-out.

### What does it mean to me?

Litigation before the tribunal requires strict adherence to procedural rules and deadlines. Poor case management – including careless reliance on AI – can jeopardise a client’s appeal and attract judicial criticism or sanctions.

### What can I take away?

Treat tribunal directions as mandatory, not aspirational; ensure full and timely compliance; and, if using AI, verify all output carefully. Advisers unfamiliar with litigation should seek guidance, rather than risk prejudicing their client’s case.



application being made by HMRC on 28 November 2024.

On 2 December 2024, the appellant’s representatives then sent a list of documents. They did not send HMRC any of the documents on the list on the basis that HMRC would have had them all previously. In the representatives’ 2 December 2024 list, one item was ‘Witness statement – to be provided’. (Separately, the tribunal had directed that witness statements be served on the other side by 16 December 2024.) No such witness statement was ever provided. In addition, HMRC considered that it required a copy of three other documents from Mr Elden’s list, which were the subject matter of correspondence between the parties through January 2025.

On 28 January 2025, HMRC sought a strike-out of Mr Elden’s case.

So far as the missing witness statement is concerned, Mr Elden’s representatives informed HMRC that Mr Elden no longer wished to rely on a witness statement. Instead, he would give oral evidence on the day of the eventual hearing of his appeal.

Eventually, the tribunal directed that HMRC’s strike-out application be the subject of a separate hearing.

**Strike-out hearings**

There are several situations in which the tribunal can strike out an appellant’s case. In this case, HMRC was arguing that ‘the appellant has failed to co-operate with the Tribunal to such an extent that the Tribunal cannot deal with the proceedings fairly and justly’ (as per rule 8(3)(b)).

Ahead of that hearing, the parties were directed to provide skeleton arguments setting out their respective views on the merits of HMRC’s application in the light of the wording of rule 8(3)(b) and the relevant case law.

**The First-tier Tribunal’s decision**

The case came before Tribunal Judge Allatt. Summarising the litany of failings and unmerited applications being made on behalf of Mr Elden, the judge said that the representative firm ‘appears to be either unfamiliar with Tribunal case management or deliberately choosing to apply tactical delays at every point, or both’. However, the judge also noted that Mr Elden had been copied in on virtually all of the correspondence between the tribunal and/or HMRC and his representatives, adding: ‘He cannot fail to have noticed that his representatives were not complying with the relevant deadlines.’

The tribunal summarised the catalogue of failings as follows:

when HMRC is required to set out its understanding of the factual and legal position underpinning the decisions under appeal.)

Provision of the statement of case then triggers, under the tribunal’s rules of procedure, the parties’ obligations to notify each other of the documents that they would wish to rely on at the hearing. HMRC complied with that requirement on 30 August 2024. Mr Elden did not, although (subsequently) the tribunal superseded the requirement in the procedure rules, by directing the exchange of lists of documents by 18 November 2024. The directions also required that each party provide to the other side any documents that had already not been provided.

In the meantime, Mr Elden’s representative firm noted that HMRC’s

list of documents did not contain ‘any reference to the legal framework that you intend to rely upon, but merely copies of documentation sent between the parties’. The tribunal subsequently explained that HMRC’s explanation of the legal framework need not be provided until shortly before the hearing.

In late October 2024, HMRC tried to ascertain from the appellant’s representatives which documents on their list they did not have, so as to ensure that copies could be provided to them. HMRC received no response to this request. The representatives later stated that they had not received that message.

Although the appellant was required to send HMRC his list of documents by 18 November 2024, he failed to do so. That led to a further unless order

- repeated failures to comply with the tribunal’s directions and to keep to the time limits for such directions;
- an apparent lack of care in the information given to the tribunal; and
- (a point not yet mentioned but which will be picked up below) obfuscation in the representatives’ answer to the tribunal’s questions as to whether artificial intelligence had been used in the course of the preparation of their skeleton argument for the hearing.

However, the tribunal realised (from what was said at the hearing) that Mr Elden had not previously appreciated that there were positive advantages in producing a witness statement in advance, rather than expecting to turn up at the hearing and hoping that the tribunal would then permit him to explain his understanding of the facts. Mr Elden then asked for additional time to produce a witness statement.

This was a factor that the tribunal took into account when asking itself whether the failures were so great ‘that the Tribunal cannot deal with the proceedings fairly and justly’. In addition, there had been no scheduled date for the hearing of the appeal and therefore the provision of a witness statement (while late) would not preclude a fair hearing.

On the other hand, the judge was clear that the history of non-compliance (and non-co-operation) was such that a strike-out of Mr Elden’s appeal ‘would be fully justified’. Furthermore, the tribunal noted what had previously been observed in the case of *XG Concept Ltd v HMRC* [2017] UKFTT 92: ‘This catalogue of non-co-operation means that the Tribunal can reasonably extrapolate that the appellants’ conduct of the proceedings would continue in the same vein in the future were the case to proceed to a final hearing.’

There again, the judge noted that in *XG Concept*, the taxpayer did not attend the strike-out hearing, whereas Mr Elden did participate in this hearing and ‘was at pains to stress that he would ensure a change of attitude’. Accordingly, the judge was ‘satisfied that it would not be fair to extrapolate the conduct of the Appellant hitherto to automatically assume he will continue in the same vein’.

The judge acknowledged and expressly agreed with the statement in *Clarke v HMRC* [2018] UKFTT 123 (TC), which said that a tribunal excusing poor compliance when there is no good reason for it will encourage poor ongoing compliance in that case and also similar behaviour in other cases. However, she dealt with this by imposing a sanction that was less severe than an immediate strike out of Mr Elden’s case.

In short, the judge refused the strike-out application but imposed a firm deadline on the production of Mr Elden’s witness statement. If that deadline were not met (and it was met by the time that the decision was published), Mr Elden’s case would have been struck out.

**Commentary**

The decision of the judge in this case seems eminently sensible and fair. The tribunal was facing considerable recalcitrance by or on behalf of the taxpayer and it is not surprising that HMRC had had enough. I don’t wish to suggest that the decision was wrong in any way, but Mr Elden must consider himself lucky that the judge found a compassionate way of making her displeasure known but also reflecting that Mr Elden was probably more the victim of poor advice than the cause of the problem.

Another aspect of the case that was of particular interest was the apparent use of artificial intelligence by Mr Elden’s representatives and the tribunal’s approach to this matter.

Ahead of the strike-out hearing, the representatives submitted a skeleton argument which bore Mr Elden’s name (and, therefore, by convention, implied that it had been authored by him). A few days later, HMRC raised concerns ‘about the use of AI ... and the inaccurate citing of authorities within it’.

The matter was addressed at the hearing, where Mr Elden stated that he had not contributed to the preparation of the skeleton argument. When asked, his representatives ‘neither confirmed nor denied the use of AI’.

The judge accepted that the use or non-use of AI is itself not the important question. She acknowledged that AI is a powerful tool that can be used to great effect. However, its limitations are known and whoever relies on AI must ultimately be responsible for the finished product. The unchecked use of AI has an adverse effect on not only the case in question but also on the tribunal’s resources to deal with other cases.

In this case, the judge then read all of the cases referred to in Mr Elden’s skeleton argument. It became clear that the summaries of the cases as contained in the skeleton argument were far from accurate. She concluded that ‘the case summaries were produced using AI and that they have not been verified for accuracy with sufficient care as should be used when producing submissions for a Tribunal hearing’.

As a part of her decision, she imposed additional conditions in relation to any skeleton argument that Mr Elden puts forward in relation to the eventual

hearing of his appeal. Each case referred to must be accompanied by a full copy of the judgment, together with direct quotes from the judgment itself and a clear reference to the paragraph or line in the judgment. The skeleton must also contain a brief summary of the case and why it is relevant.

The judge has clearly and wisely recognised that AI is not going to go away, nor should it be banned from use in tribunal proceedings. However, it is a tool that contains dangers as well as advantages. Given the previous use of AI in this case, the judge has imposed sensible safeguards for the future handling of Mr Elden’s appeal. It remains to be seen whether these (or similar) safeguards will be rolled out more widely.

**What to do next**

It is fair to say that most professional advisers would respond to their clients more quickly than they would to HMRC. Furthermore, increasing delays by HMRC in its own correspondence reinforces the view that responses to officialdom are not necessarily the first priority.

However, when it comes to litigation – whether in the tribunals or in the courts – it is important to adopt a different attitude. Litigation solicitors will know that court orders and tribunal directions are to be adhered to (and are not mere targets). The tribunal rules expressly permit taxpayers to be represented – that is, advised throughout the litigation process – by tax advisers and accountants. Such advisers must recognise that the approach required in litigation is very different from the approach that they are likely to adopt in dealing with HMRC. Otherwise, they risk failing their clients.

Any adviser conducting litigation for the first time should seek advice about the process, rather than guess how it is done. Indeed, there is at least one case where a judge considered that an accountant’s conduct of the litigation process to be so detrimental that a referral was made to the accountant’s professional body.

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# Supply chain transformation

## VAT as an enabler

Supply chain transformation reshapes VAT liabilities, cash flow and compliance, requiring early tax involvement to ensure viable, efficient operating models.

by Clemens Hoelbling

Supply chain transformation – the strategic redesign of how goods are sourced, produced, moved and delivered – has become a board-level priority for multinational businesses over the past decade.

Its importance has intensified markedly in recent years. Geopolitical turbulence, the pandemic, export controls, volatile freight and energy costs, and increasing regulator intervention have fundamentally reshaped how goods are sourced, manufactured and distributed across borders. As a result, many long-established global operating models are being reassessed, fragmented or dismantled entirely.

These changes are usually driven by commercial, operational or risk-management considerations. However, they can have profound and sometimes unexpected VAT consequences.

Various factors will ultimately determine where VAT arises, when it becomes payable and whether it is recoverable, including:

- decisions about where goods are produced;
- where inventory is held;
- how goods are transported;
- who bears risk at each stage; and
- when legal ownership transfers.

For both in-house indirect tax specialists and tax advisers alike, supply chain redesign is therefore no longer a peripheral or niche issue. VAT considerations sit at the heart of supply chain viability, affecting working capital,

compliance risk, effective landed cost and the overall sustainability of new operating models. Advisers who are not involved early risk being asked to solve VAT problems only after key commercial decisions have been made, when options to mitigate risk or cost are already limited.

This article explores how multinational supply chains are evolving, why these changes matter from a VAT perspective, and the practical issues that in-house tax teams and tax advisers must consider when supporting clients through supply chain transformation projects.

### How global supply chains are changing

**Diversification and regional hubs** Rather than concentrating production in a single location, many multinational enterprises (MNEs) are now spreading risk across multiple sourcing and manufacturing jurisdictions through a range of models:

- near-shoring: moving production or sourcing closer to the end market;
- friend-shoring: sourcing from countries that are politically, economically or strategically aligned with the home country; and
- dual-sourcing: using two suppliers for the same product or component, often in different countries or regions.

This often results in the creation of regional manufacturing and distribution hubs designed to serve defined geographic markets. For example, Mexico has become

### Key Points

#### What is the issue?

Global supply chains are being redesigned for resilience and efficiency, fundamentally altering how, where and when VAT arises across borders.

#### What does it mean to me?

VAT is no longer a downstream compliance issue: supply chain decisions directly affect cash flow, working capital, registration exposure, irrecoverable VAT risk and the viability of new operating models.

#### What can I take away?

Indirect tax specialists need to be embedded early in supply chain transformation projects to map transactions, anticipate VAT consequences and ensure new models are both commercially and VAT-efficient.

increasingly important for North American supply chains, while Turkey, eastern Europe and parts of North Africa play a similar role for EU-focused businesses. This may shorten lead times and reduce geopolitical exposure, but it also introduces additional cross-border movements of goods and more complex VAT footprints.

From a VAT perspective, the increased number of cross-border flows can multiply the number of tax points, registrations and reporting obligations. Advisers supporting clients through these changes need to understand the detailed mechanics of how goods move through the redesigned network.

Governments and industry are also actively encouraging the development of regional manufacturing clusters – in sectors such as semiconductors, batteries, pharmaceuticals and critical raw materials – supported by subsidies, tax incentives and targeted investment. From a VAT perspective, these developments affect not only import and export flows but also the location of taxable supplies within regional blocs such as the EU.



inventory ownership, place of supply and VAT registration obligations. Where goods are stored locally, a VAT registration may be required even where sales contracts are concluded elsewhere. Advisers must also consider how internal transfers of inventory are documented, valued and reported for VAT purposes, particularly where goods move between group companies.

### Digitalisation, automation and customs procedures

Digitalisation and automation are now central to modern supply chains. Real-time visibility, digital-first logistics and integrated tax automation, such as e-invoicing, increasingly underpin supply chain operations. At the same time, tax authorities are also digitising, requiring businesses to model and understand VAT flows earlier and in much greater detail from day one.

Alongside this, there is an increased use of customs and special trade procedures, such as bonded warehouses, inward and outward processing, free zones and customs suspension regimes. These can allow firms to defer or avoid import duties and, in many cases, import VAT until goods are released to local markets. These tools are being revisited as global businesses seek to keep goods moving without triggering multiple tax points and places of supply.

### Why VAT matters in supply chain transformation

Most supply chain decisions are commercially or operationally driven, but the tax consequences are rarely incidental. While there may be opportunities to protect and create value from a VAT perspective, there are also material risks that need to be carefully managed.

### VAT cash flows and irrecoverable VAT risk

Changes to cross-border fulfilment models – including the introduction of processes for returned or recycled goods flows – often require businesses to restructure the group companies involved and when legal ownership of goods is transferred between them.

As a result, these changes can alter the point at which import VAT, EU acquisition VAT and domestic VAT become payable, with a direct impact on cash flow, working capital and margins. For example, where goods are imported into a regional distribution hub rather than directly into local markets, this can impact when VAT becomes payable, and in some cases may bring VAT liabilities forward earlier than anticipated.

Similarly, shifting from a centralised European warehouse model to multiple regional hubs can result in irrecoverable VAT on intra-group transfers if documentation or local VAT registration requirements are overlooked, eroding the anticipated cost savings of the new operating model.

VAT cash flow implications can also arise where non-established entities make domestic supplies of goods and are subject to local VAT accounting rules, such as domestic reverse charge mechanisms. In some cases, these rules can delay the recovery of domestic input VAT incurred on locally manufactured goods through overseas VAT refund mechanisms, with a direct impact on working capital.

### Compliance complexity and registration exposure

Multi-jurisdictional movement of goods and new fulfilment models – including drop shipments, third-party fulfilment and marketplace platforms – can create unexpected VAT registration and compliance obligations. Increasingly, these obligations are accompanied by digital real-time reporting and e-invoicing requirements.

Transitioning to multiple distribution hubs under a central inventory ownership model is likely to trigger multiple VAT registrations for a single legal entity. Failure to register and comply with local VAT rules in jurisdictions where goods are stored or sold can result in penalties, and irrecoverable VAT costs for both suppliers and customers.

### Systems and data challenges

Enterprise resource planning (ERP) and billing systems must be capable of meeting new VAT accounting, reporting and invoicing requirements. Managing multiple VAT registrations for one legal entity across different jurisdictions continues to pose challenges from an IT perspective, particularly where systems were not designed with such complexity in mind. Businesses should ensure that their processes are robust enough to capture and retain all necessary data.

System limitations remain one of the most common causes of delays to new supply chain models, deferring anticipated benefits and savings. Indirect tax professionals are therefore critical participants in transformation programmes, helping to translate operational decisions into system requirements, and ensuring that VAT obligations are addressed at the design stage rather than retrofitted later.



## The increased number of cross-border flows can multiply the number of tax points, registrations and reporting obligations.

Businesses must be alert to how these shifts can convert what were previously third-country movements into intra-regional supplies with different VAT treatments and compliance obligations.

### Inventory strategies, resilience and logistics redesign

Companies are also reassessing the trade-off between inventory costs and resilience. Many are holding higher levels of buffer stock and keeping their goods closer to end markets. This may involve the use of additional near-market distribution centres, which increases supply chain complexity. In some cases, this can also give rise to cross-docking models (where goods pass through a warehouse or distribution centre without being stored) or triangular flows of goods between suppliers, hubs and customers.

These developments can materially affect the place of taxation for new transaction flows, raising questions about

### Practical VAT considerations

The VAT consequences of new goods and transaction flows are not always obvious. Here are some of the key considerations that can support successful implementation.

### Mapping transactions and ownership transfers

The early mapping of new supply chain flows is critical to identifying their VAT consequences. Advisers should seek to fully understand the VAT treatment of new physical and transactional flows, including the resulting VAT registrations, compliance, reporting and invoicing requirements. This typically requires close collaboration with corporate tax, transfer pricing and legal teams, as well as supply chain, logistics and sales functions.

A clear understanding of the flow of goods, the point at which legal ownership transfers, the applicable International Commercial Terms (Incoterms) and transport arrangements is essential. Changes to Incoterms – for example, a move to delivered duty paid (DDP) – can shift VAT liabilities to the seller. Similarly, relocating manufacturing from a third country to the EU can create new intra-EU supplies with different VAT implications.

Timely, country-by-country transaction mapping can also identify potential VAT leakage and cash-flow implications at an early stage, allowing businesses to explore mitigation strategies, such as:

- call-off stock, which can allow goods to be held in a customer's country before sale without triggering an immediate VAT registration, subject to strict conditions;
- EU triangulation simplifications, which may allow an intermediary in a three-party cross-border supply chain to avoid VAT registration in the customer's member state;
- VAT grouping, where available, so that supplies between closely related entities are disregarded for VAT purposes; or
- export-related exemptions, provided the relevant export conditions and evidential requirements are met.

### Import VAT and customs procedures

New cross-border flows may require new or revised customs procedures. While the use of bonded warehouses and duty suspension regimes can significantly improve cash flow by deferring import VAT and customs duties, they also bring increased compliance and data requirements. These regimes are not quick fixes and require careful planning and system integration.

Many countries also offer import VAT deferral mechanisms. In the UK, Postponed Import VAT Accounting allows import VAT to be declared on VAT returns rather than paid upfront. While such regimes can result in a broadly neutral net cash impact, enhancing cash flow and working capital, they are often subject to conditions – including bank guarantees and robust IT and data systems – which advisers need to assess early.



### The early mapping of new supply chain flows is critical to identifying their VAT consequences.

### Digital VAT obligations and e-invoicing

Mandatory e-invoicing, real-time reporting and, in some countries, the pre-clearance of VAT invoices are expanding rapidly across jurisdictions. These requirements demand integrated data flows between ERP systems and local tax authority platforms, and often require a fundamental review of data quality, audit trails and document retention processes. Failure to comply can result in denied VAT recovery and significant penalties. Early engagement with IT teams, together with the piloting of digital compliance processes, is therefore an essential component of supply chain transformation.

### Marketplaces, platforms and fulfilment providers

The use of online marketplaces and fulfilment networks introduces significant VAT complexity. Increasingly, platforms are deemed to be the supplier for VAT purposes on B2C sales, shifting responsibility for VAT collection and remittance from the seller to the platform itself.

Where platforms collect and remit VAT – such as under the EU's One Stop Shop (OSS) or Import One Stop Shop (IOSS) regimes – it is essential to align commercial contracts, invoicing and evidential requirements to prevent double reporting or missed VAT flows. Businesses must assess whether to register for OSS or IOSS themselves, or to rely on platform-operated schemes, as this affects VAT cash flow, compliance obligations and the overall VAT footprint.

These rules are no longer confined to B2C or pure e-commerce models. Traditional B2B sectors are diversifying their routes to market and must now consider the VAT implications of using

marketplaces, platforms and third-party fulfilment providers.

### The cost of registrations

Each new registration creates recurring compliance, audit and local representation costs. Before adding a distribution centre or multi-country logistics hub, businesses should model the annual compliance cost and the day-one VAT cash-flow impacts, including import VAT, bond requirements and deferred import VAT systems. Many groups underestimate how compliance overheads can erode the benefits expected from a new supply chain model.

### Other indirect taxes

While this article focuses primarily on VAT, customs duties and other indirect taxes are also highly relevant to supply chain transformation. These include environmental taxes, such as the carbon border adjustment mechanism (CBAM), plastic packaging taxes and waste taxes. In a rapidly changing tariffs landscape, customs duties can materially influence sourcing, manufacturing and distribution decisions.

The data required for these taxes is often closely interlinked, particularly as businesses move towards integrated digital compliance and reporting systems. Tax and supply chain teams should adopt a holistic approach to data capture and process design to avoid compliance gaps and unlock efficiencies.

### In conclusion

Supply chain transformation will remain a board-level priority. VAT should not be an afterthought but a business driver affecting cash flow, working capital, landed cost, compliance footprint and the viability of network options. Transformation programmes must be cross-functional, with tax embedded from the outset rather than consulted after design. Early involvement allows tax teams to translate commercial options into quantifiable VAT cash flows, compliance obligations and operational requirements, helping to implement resilient, compliant and cost-effective supply chains.

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# Cash for information

## How HMRC is paying for intelligence

HMRC's strengthened whistleblower reward scheme aims to enhance tax enforcement, while presenting challenges for reporting quality and operational capacity.

by Michelle Sloane

In November 2025, HMRC formally launched an enhanced informant and reward scheme, marking a significant shift in the UK's approach to tackling serious tax avoidance and evasion. Announced in the 2025 Budget, the initiative represents a deliberate move towards using financial incentives to encourage whistleblowers, closely modelled on established programmes in the United States and Canada.

The stated aim is to harness credible third-party intelligence to uncover hidden non-compliance, reduce the tax gap, and strengthen HMRC's enforcement capabilities.

While the promise of increased compliance and deeper investigative reach is compelling, the introduction of a formal and potentially generous reward system raises a range of operational, ethical and resourcing challenges. These include the risk of a significant rise in vexatious or opportunistic reports, the strain on HMRC's capacity to assess and pursue incoming information effectively, and the broader implications for enforcement culture in the UK. This article explores both the intended and unintended consequences of the scheme, and places it within a broader global trend towards incentivised enforcement.

### The structure of the strengthened reward scheme

Under the strengthened reward scheme, individuals who provide information that enables HMRC to collect substantial unpaid tax can receive a share of the revenue recovered. HMRC's official guidance (see [tinyurl.com/22sc247n](https://tinyurl.com/22sc247n)) states that a reward may be payable where

information leads to the collection of at least £1.5 million in additional tax, with awards ranging from 15% to 30% of the amount collected (excluding penalties and interest). The scheme is primarily targeted at serious tax avoidance and evasion involving large corporations, wealthy individuals or complex offshore arrangements.

This marks a clear departure from HMRC's historical approach, which relied on a discretionary and relatively modest informant reward system. Prior to the 2025 reforms, HMRC did pay rewards for credible tip-offs, but amounts were limited and not calculated on a percentage basis. For example, during the 2024-25 tax year, HMRC paid out approximately £850,000 in informant rewards, despite receiving more than 160,000 reports of suspected tax fraud.

By contrast, the United States Internal Revenue Service (IRS) Whistleblower Program has, over many years, paid out substantial awards – often between 15% and 30% of recovered tax – and generated billions of dollars in additional revenue. Canada's Offshore Tax Information Program has similarly demonstrated the potential value of structured financial incentives. HMRC's new scheme explicitly draws on these international models.

### Increasing credible disclosures

One of the scheme's principal aims is to increase the volume of high-quality, credible disclosures. By aligning economic incentives with compliance objectives, the policy is designed to encourage insiders and other knowledgeable parties to come forward when they might otherwise remain silent.

### Key Points

#### What is the issue?

HMRC has introduced a strengthened informant and reward scheme that offers substantial financial incentives for whistleblowers to report serious tax avoidance and evasion, marking a significant shift in the UK's enforcement strategy.

#### What does it mean to me?

The scheme could materially increase HMRC's access to high-value intelligence, but it also raises risks around opportunistic reporting, operational strain and fairness.

#### What can I take away?

The success of the scheme will depend on HMRC's ability to triage information effectively, resource investigations adequately, and maintain transparency and trust in how rewards are assessed and paid.

Confidential sources, employees of multinational companies, tax professionals and intermediaries with insight into avoidance schemes or tax evasion now have a tangible incentive to report wrongdoing. In theory, this could help HMRC to penetrate opaque corporate and offshore structures, uncover orchestrated avoidance strategies, and initiate enforcement actions that would otherwise lie beyond its immediate reach.

Linking rewards directly to the actual tax recovered, rather than to discretionary lump sums, also

introduces a clearer and more proportional incentive. In systems such as the IRS whistleblower scheme, this approach has helped to generate a steady flow of high-value intelligence and deliver billions in additional tax revenue.

### The rise of vexatious and opportunistic reports

Any regime offering potentially substantial financial rewards is likely to attract attention beyond legitimate whistleblowers. Generous incentives may result in an increase in vexatious, speculative or opportunistic reports – submissions that allege wrongdoing but lack credibility, substance or actionable evidence.

This concern is not merely theoretical. Even before the strengthened scheme was introduced, HMRC experienced a surge in tip-offs. During 2024-25, reports reached record levels, while average reward payouts declined, suggesting that many disclosures lacked sufficient merit to justify enforcement action.

In practice, a flood of low-quality reports risks absorbing significant investigative effort before viable leads are identified. There is also a heightened risk of strategic or malicious reporting, where individuals submit unfounded allegations to harm competitors, pursue personal grievances or simply test the boundaries of the reward thresholds.

### Resource and operational challenges for HMRC

For the scheme to operate effectively and retain credibility, HMRC must be equipped to manage a potentially substantial stream of incoming intelligence. This includes resourcing for initial vetting, risk assessment, prioritisation and, where appropriate, referral to compliance or criminal investigation teams.

Unlike investigations generated by HMRC's own compliance activity, third-party disclosures can vary widely in format, detail and evidential quality. Robust triage systems will be essential to distinguish genuinely valuable intelligence from speculative or spurious submissions. This may require investment in specialist skills, including data analysis, pattern recognition and financial forensics.

Insufficient resourcing risks creating bottlenecks and delays, undermining confidence in the scheme. Potential whistleblowers are more likely to come forward if they believe their information will be assessed promptly and taken seriously. Delays or opaque decision-making could discourage participation over time.

Another operational challenge lies in balancing confidentiality with accountability. Safeguarding the identity of informants – particularly in high-profile cases – is critical. At the same time, the

## THE PROCESS OF SUBMITTING INFORMATION

HMRC accepts disclosures under the Strengthened Reward Scheme through its online reporting service for serious tax avoidance and evasion, hosted on GOV.UK. Reports are made via a secure web-based form, rather than by email. While anonymous reports are permitted, informants must provide contact details if they wish to be considered for a financial reward.

The reporting process is designed to capture structured intelligence rather than general suspicion. HMRC's guidance makes clear that it is seeking specific, first-hand information that can be assessed and prioritised. Informants are advised not to investigate matters themselves, alert the subject of the report or attempt to obtain information unlawfully.

When submitting a disclosure, HMRC expects sufficient detail to allow an initial credibility and risk assessment. In practice, this includes:

- **A clear description of the suspected activity:** explaining whether it involves tax avoidance, evasion or offshore non-compliance, and the nature of the arrangements involved.
- **The identity of the individuals or entities concerned:** including names, jurisdictions, and (where known) associated companies, trusts or intermediaries.
- **How the informant came by the information:** including their relationship to the subject (for example, employee, former employee, adviser, contractor or counterparty).
- **The scale and duration of the conduct:** such as how long it has been occurring and an estimate of the tax at stake, if known.
- **An indication of supporting material:** including documents, records or data that exist and could substantiate the disclosure. The online form does not allow attachments, but informants can explain what evidence is available and whether they can provide it if requested.

HMRC notes that the clarity and specificity of the information supplied will directly affect whether a report can be progressed.

Once a report is submitted, HMRC will acknowledge receipt but will not provide ongoing updates. Investigations arising from disclosures may take several years to conclude, and decisions about rewards are only made once additional tax has been successfully recovered. Even then, payments remain discretionary and are assessed against eligibility criteria, including whether the information was genuinely new, material and instrumental to the outcome.

reward framework must be sufficiently transparent to maintain trust in how decisions are made and rewards calculated. This balancing act adds further complexity to HMRC's administrative burden and requires careful policy design.

**Broader trends in enforcement: UK, US, Canada and beyond**

The introduction of financial rewards for tax whistleblowers aligns with a broader global trend across enforcement bodies. In the UK, agencies operating in financial regulation and economic crime, including the Serious Fraud Office (SFO) and the Financial Conduct Authority (FCA), have expressed interest in incentivised disclosure. In its 2025-26 annual business plan, the SFO publicly advocated for financial incentives similar to those used in the United States, while FCA publications reflect ongoing engagement with the issue.

These developments mirror longstanding US programmes such as the IRS and Securities and Exchange Commission whistleblower schemes, which have demonstrated the value of third-party intelligence in supplementing traditional enforcement tools. Canadian programmes, though smaller in scale and subject to different eligibility thresholds, also illustrate how incentivised reporting can enhance enforcement reach and revenue collection.

The UK's adoption of a percentage-based reward model reflects an

acknowledgement that traditional investigative methods may be insufficient in an environment characterised by complex international tax planning, offshore vehicles and increasingly digitalised economic activity.

**Maintaining confidence**

For the scheme to succeed, HMRC must ensure that it operates with credibility, fairness and accountability. Eligibility criteria, reward calculations, and the treatment of borderline cases must be clear, consistent and well-communicated. While discretion will inevitably play a role, it should be supported by objective benchmarks and transparent processes.

Crucially, the availability of appeal or review mechanisms – such as those built into the IRS whistleblower programme – could significantly enhance trust among potential participants. Without meaningful avenues for challenge or redress, confidence in the system may be undermined.

**Conclusion**

HMRC's strengthened informant and reward scheme represents a bold and potentially transformative development in the UK's tax enforcement landscape. The policy seeks to elevate the role of third-party disclosures in detecting serious tax avoidance and evasion, drawing on international models that have delivered demonstrable results.

Ultimately, the scheme's effectiveness will depend on how successfully HMRC manages the associated risks, including opportunistic reporting, operational pressures and the need to maintain fairness and confidence in reward allocation. Adequate resourcing, transparent governance and a carefully calibrated incentive structure will be critical to unlocking its full potential.

 **The official GOV.UK page for submitting information under the Strengthened Reward Scheme is: [www.gov.uk/report-tax-fraud](http://www.gov.uk/report-tax-fraud)**

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## WELCOME

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## April Technical newsdesk

It would be remiss of me not to open this issue by wishing readers a very happy new (tax) year. An obvious gag, admittedly, but one that will no doubt echo around many tax workplaces as we slide into 2026-27. It is a moment that always brings a mix of renewed focus and quiet reflection across the profession.

And this new tax year is rather a special one: at long last, we have reached the official start date for Making Tax Digital (MTD) for Income Tax. Many commentators have described this as the biggest change to the tax system since the introduction of self-assessment in the late 1990s. It is, in many respects, a defining milestone for how taxpayers will interact with HMRC going forward.

And what a journey it has been to get to this point.

The story begins with the March 2015 Budget, when the government unveiled an ambitious plan to modernise the tax system, with George Osborne confidently declaring that the reforms would spell 'the death of the annual tax return'. The timetable was optimistic, with early proposals suggesting that most businesses would be reporting income tax digitally by 2018.

Consultation quickly exposed concerns and practical issues: the burden on small businesses, software readiness, and the challenge of quarterly reporting for those taxpayers whose accounting system still involved a carrier bag of receipts. The government responded by introducing the reforms in stages.

MTD for VAT finally arrived in April 2019. Income tax was meant to follow in April 2023, but pilot testing soon made it clear that quarterly reporting would constitute a far bigger behavioural shift

than MTD for VAT had required – prompting yet further delays, initially to April 2024... and then again to April 2026. It is understandable that some wondered whether it would ever happen at all.

But now, after more than a decade of consultation, delay and redesign, the digital future of income tax has (for some) finally arrived – even if it has taken rather longer than anyone first expected. However, many concerns about the behavioural shift and taxpayer readiness continue to loom.

Reaching this point of MTD mandation is only the beginning. There will undoubtedly be plenty of learning, adjustment and hiccups along the way – not just for advisers and firms but for HMRC and, importantly, for taxpayers themselves. The real work is just starting. In many ways, implementation will prove just as significant as the policy itself.

You will see that in this month's Technical Newsdesk, LITRG's Laura Cumins and ATT's Emma Rawson have summarised some of the MTD resources that both teams have developed to help advisers and taxpayers navigate the road ahead. Do check them out!

Finally, on a lighter note, the start of the tax year is always extra special for me because I happen to have a 6 April birthday (please, no need to send a card!). Perhaps a career in tax was inevitable. Though it does raise an awkward thought: if I happen to be self-employed when I reach state pension age, and the Class 4 NIC rules remain unchanged, it may also turn out to be the least tax-efficient birthday imaginable. Still, that's a problem for another decade... or two... maybe even three by the time my state pension date rolls around.

OMB EMPLOYMENT TAX

## The Income Tax (Construction Industry Scheme) (Amendment) Regulations 2026: CIOT comments

The CIOT has commented on draft Construction Industry Scheme regulations and suggested that improvements to HMRC processes would remove the need to reintroduce a requirement for contractors to make a nil return.

The CIOT responded to a technical consultation on draft regulations (The Income Tax (Construction Industry Scheme) (Amendment) Regulations 2026), which would exempt payments made to local authorities or public bodies from the scope of the Construction Industry Scheme. The draft regulations also require construction contractors to file a nil return when they have not paid any subcontractors in a month, unless they have notified HMRC in advance that they will not make any such payments that month. We considered that requiring a nil return when a contractor has not made any payment to subcontractors in a tax month would add an unnecessary administrative burden on tax compliant businesses.

The reintroduction of this requirement reverses the decision made in 2015 to scrap nil returns because they created unnecessary administrative burdens for both contractors and HMRC, and caused avoidable penalties and frustration for compliant businesses. Removing the obligation was intended to simplify the administration of the Construction Industry Scheme, reduce burdens without reducing compliance, and allow more subcontracting businesses to achieve and maintain gross payment status.

HMRC's reasoning for reintroducing nil returns is that they 'found that the removal of the nil filing obligation did not reduce administrative burdens

for contractors or for HMRC'. This is because erroneous late filing penalties have been issued, which could only be prevented by businesses voluntarily filing nil returns.

The CIOT recommended that government reconsider the proposal and refrain from reintroducing this additional burden on businesses. A better approach, we suggested, would be for HMRC to improve their processes and systems to prevent erroneous late filing penalties being issued.

The full CIOT response is available here: [www.tax.org.uk/ref1627](http://www.tax.org.uk/ref1627).

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OMB PERSONAL TAX PROPERTY TAX

## Making Tax Digital for Income Tax: new resources

ATT and LITRG publish new resources to help taxpayers and agents get ready for Making Tax Digital.

April marks a watershed moment for the tax profession: after a protracted lead-in, Making Tax Digital (MTD) for Income Tax is finally here. As mandation beds in, advisers will be navigating not only new compliance obligations but also the inevitable client questions that follow a change of this scale.

Recognising this, the ATT and the Low Incomes Tax Reform Group (LITRG) have developed a suite of practical guidance and resources designed to smooth the transition for both agents and unrepresented taxpayers.

The ATT's MTD resources can be accessed from our dedicated landing page ([tinyurl.com/2mu9b6a5](http://tinyurl.com/2mu9b6a5)). These include two popular sets of FAQs. The first covers MTD at a relatively high level (good for brushing up on the basics and sharing with clients), while a second collection of 'technical FAQs' goes into more complex areas. We also have practical toolkits and 'how to' guides on agent readiness and the Agent Services Account, as well as a handy summary flowchart to help taxpayers understand whether MTD might apply to them, and when. A recent addition to our MTD resources is our 'bite

size explainers' – short YouTube videos looking at key aspects of MTD, which again can be shared with clients and contacts.

Our monthly MTD peer-discussion groups have been extended until May and could run beyond this, depending on appetite. If you have not attended one before, they are a great way to speak to your peers about tips and practical advice on MTD. On 24 February, we also held the third in a series of virtual Q&A sessions, which attracted more than 1,100 registrations. Members of the ATT technical team provided a brief update on recent MTD developments before taking questions from the audience on all things MTD. The recording from the latest Q&A session is available from our landing page.

Finally, we continue to engage with HMRC on practical issues relating to MTD, and we encourage any members encountering issues to contact the ATT technical team at [atttechnical@att.org.uk](mailto:atttechnical@att.org.uk).

LITRG's MTD information hub has been designed to provide taxpayers who are unable to afford professional tax advice with free, clear and practical guidance on the new rules.

The hub comprises 12 guidance pages covering the whole MTD journey, from the basics of who the regime applies to through to the end of year tax return process. It includes worked examples illustrating how the new rules will work, as well as practical checklists and FAQs. All of the hub content is aimed at the unrepresented taxpayer and is written in

plain English, with links to further help if needed. The hub has been well received, attracting praise from HMRC stakeholders, and has even been linked to from BBC news.

While aimed at the public, the hub may also be a useful signposting tool for advisers.

You can find the LITRG information hub at: [tinyurl.com/4vwpx7bc](http://tinyurl.com/4vwpx7bc).

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PERSONAL TAX OMB INHERITANCE TAX AND TRUSTS EMPLOYMENT TAX

## Finance Bill 2025-26: ATT briefing on proposed HMRC powers relating to digital communications

The ATT raised concerns about a provision in the Finance Bill 2025-26 that would give HMRC new powers to require taxpayers to provide and maintain digital contact details.

Clause 258 of the Finance Bill (which may have become a Finance Act by the time of reading) will allow HMRC to issue outbound correspondence digitally as the default position.

While taxpayers may be able to opt out and continue receiving paper communications, the ATT notes that the scope of this opt-out remains unclear. The current proposals assume direct communication with the taxpayer only, so it is uncertain whether taxpayers who rely on agents will retain a meaningful ability to opt out, risking missed communications to the agent if paper messages are sent only to the taxpayer.

The legislation would also introduce mandatory provision of digital contact details at certain online interaction points. Without supplying or updating these details, taxpayers may be unable to complete online processes and could face the proposed penalty of up to £1,000 (subject to secondary legislation).

A central concern for the ATT is the potential severity of the penalty. No such penalty exists for failing to update a postal address, and similar administrative oversights elsewhere in the tax system rarely attract sanctions. If the maximum potential penalty for failing to update an email address is enacted via secondary legislation, it would risk unfairness and inconsistency.

The proposals also raise security considerations. Taxpayers whose digital accounts have been compromised may be unable to update their details for extended periods. Penalising individuals during a period of cyber-vulnerability would add unnecessary pressure when support is most needed.

The ATT supports the long-term aim of modernising HMRC's digital services. However, the current proposals focus heavily on one-way communication from HMRC to the taxpayer, without ensuring that taxpayers or their agents can respond digitally.

The ATT further highlights gaps affecting specific groups: deceased taxpayers, digitally excluded individuals, and taxpayers who rely on agents.

### Recommendations

To address these issues, the ATT recommends the following measures:

#### Penalties and compliance

- Replace the £1,000 potential fixed penalty with a lower maximum amount.
- Introduce a soft-landing period, reasonable excuse provisions, and a defined timeframe (we suggest a 90-day window) for updating digital contact details.

#### Communication and agent access

- Implement a two-way digital communication system.
- Provide full agent access to digital

communications between HMRC and the taxpayer through the Agent Services Account, including the facility for the agent to respond digitally.

#### Vulnerable and special-case users

- Set out clear procedures for personal representatives and move to postal communication upon notification of death.
- Ensure robust opt-out options for digitally excluded individuals.

#### Security and system testing

- Conduct consultation, user testing and sandbox trials before rollout.
- Provide mechanisms for reporting security breaches and restoring safe access.

The full ATT briefing is available here: [www.att.org.uk/ref513](http://www.att.org.uk/ref513)

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## OMB LARGE CORPORATE PROPERTY TAX Business rates reform

In responding to the 'Business Rates and Investment' Call for Evidence, the CIOT's core message is the need for certainty and predictability to promote investment.

In our response, the CIOT welcomed HM Treasury's Call for Evidence to inform the reform of business rates in England. However, it is unclear to us whether the government is still committed to a **new** system of business property taxation (as set out in Labour's manifesto in 2024) or whether only the current business rates system is under consideration. We suggest that a broad statement of the scope and timing of the intended reform would provide certainty.

The government records its commitment to a progressive business rates system, which it equates with businesses occupying higher value properties paying more. Progressive tax rates are usually concerned with the redistribution of income and reducing the tax incidence on those with a lower ability to pay. However, for a property tax based on rental value, the link with progressivity is not as clear to us. We suggest that the risk of unintended consequences warrants further research.

#### Incidence: owner or occupier?

The Call for Evidence asked for views on

the benefits and downsides of a system where the property occupier is liable for business rates, compared with one where liability falls on the owner.

After detailing the pros and cons, we concluded that as there is an inverse relationship between rental values and business rates (higher business rates will, to some degree, be reflected in lower rents and vice versa), it seems reasonable to conclude that some of the effective economic cost of business rates already falls on the owner. Therefore, transferring liability to the owner may not be as significant as it first appears in terms of incidence, at least in the longer term.

Changing the incidence of charge to the owner could have wide-ranging effects in transition, requiring a clear timetable and full transparent consultation.

#### Slab v slice

The Call for Evidence asks about the wider benefits or downsides of a 'slice'-based tax as opposed to the current largely 'slab'-based system. We suggest that the cost and revenue effects of transitioning from a slab to a slice-based system would require evaluation in the context of the current requirement for revaluations to be fiscally neutral.

We note also that where thresholds are not updated for inflation, fiscal drag is a feature of both the current slab system and a slice-based tax. A commitment to review the thresholds at the point of revaluation, particularly if under the current system the new multiplier for rateable value of £500,000 or above is recording a surplus, would seem consistent with encouraging investment.

#### Improving administration and communication

We suggested the following:

- a single comprehensive guide on how business rate reliefs are applied, to provide consistency and clarity;
- consideration should be given to how proposed changes to valuation methodology are managed by the Valuation Office, to provide certainty for affected sectors; and
- all the data underpinning a valuation should be presented at one level, but with a help sheet one click away that explains how rents are analysed, adjusted to the Antecedent Valuation Date and rateable value determined.

The full CIOT response is available here: [www.tax.org.uk/ref1626](http://www.tax.org.uk/ref1626).

Kate Willis *kwillis@ciot.org.uk*

GENERAL FEATURE OMB PERSONAL TAX

## HM Treasury Call for Evidence: ATT and CIOT make recommendations on tax support for entrepreneurs

The ATT and CIOT responded to a HM Treasury Call for Evidence on existing tax incentives to support business investment in the UK.

The Call for Evidence ([tinyurl.com/3vpuptzy](https://tinyurl.com/3vpuptzy)) sought views on the success of venture capital schemes such as the Enterprise Investment Scheme and venture capital trusts, and tax-advantaged share schemes for scaling companies, specifically the Enterprise Management Incentive. Encouraging investors to reinvest after a successful business exit and the effectiveness of business asset disposal relief were also explored.

### ATT response

Whilst welcoming the increase in scheme limits for venture capital trusts and the Enterprise Investment Scheme from April 2026, we noted the ‘all or nothing’ nature of these reliefs in our response. This results in an investment no longer qualifying for relief if a company goes over the threshold for only one of the conditions, even by a small amount. We suggested that the government considers a similar approach to that used for determining a micro, small or medium sized entity for company accounts purposes, requiring a minimum number of conditions (rather than all) to be met.

We also welcomed the extension of the period in which an Enterprise Management Incentive option can be exercised from 10 years to 15 years.

In terms of other ways to support entrepreneurship, we felt there should be greater publicity of employee share schemes and the tax incentives for investing, and suggested how a ‘small company’ ISA could help strengthen investment in the UK. The need for better support for smaller businesses that start as sole traders and micro businesses was also highlighted.

### CIOT response

The CIOT response highlighted where complexities and high administrative demands reduce the effectiveness of venture capital schemes, share schemes and business reliefs, drawing on our members’ experiences of supporting businesses, entrepreneurs and investors to provide specific examples of the challenges faced.

We made recommendations on ways to improve the existing schemes and suggested

options for new reliefs that could be explored to better achieve the government’s aims of encouraging an entrepreneurial, risk-taking environment in the UK.

Noting previous reviews on business tax carried out by the Office of Tax Simplification, we recommended a more comprehensive review of existing qualitative and quantitative data to gain insights into where tax policy can most add value.

Although not directly referred to in the Call for Evidence, both the ATT and CIOT drew attention to the need for a joined-up government strategy aligning tax policy with other potential barriers to success for growing businesses. One example given was introducing a statutory classification for employment status so that businesses have greater certainty over the treatment of all those who carry out work for them. The CIOT also suggested ways in which businesses could be supported with cashflow issues stemming from inheritance tax due on the death of an owner, following the changes to business property relief.

The full ATT response can be found at: [www.att.org.uk/ref514](https://www.att.org.uk/ref514)

The full CIOT response is available at: <https://www.tax.org.uk/ref1606>

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INDIRECT TAX PROPERTY TAX

## The case for a local visitor levy in England: CIOT response

A consultation seeking views on the design of a new mayoral power to create a visitor levy for overnight stays in England was announced in Budget 2025 and published on the same day. Revenues generated by the levy, if introduced, would be reinvested locally to make places more attractive to visitors, as well as residents and businesses. Although the consultation was not tax focused, the CIOT responded to demonstrate how a visitor levy system may interact with the tax regime.

### Local powers versus increased complexity

The purpose of devolved powers is to allow local government to make decisions impacting their own area. In our response, we highlighted that accommodation providers (that is, those supplying hotels,

holiday homes or similar non-residential accommodation) operating across multiple geographical areas in England may experience increased tax and administrative complexities if the visitor levy has local variations in the way it operates.

Accordingly, our preference would be for standardised rules wherever possible, although we noted that this may not be achievable with devolved powers.

### VAT liability of a visitor levy: background

A visitor levy charged by a local authority would be outside the scope of VAT as it is a non-business activity by a public body. That is, VAT Act 1994 sections 4(1), 5(2) and 41A do not apply.

The consultation document states that the preferred position is for the accommodation provider to be the party liable for the visitor levy rather than the visitor, as this allows for a compliance and penalty regime to apply to accommodation providers, which is easier to enforce.

As noted above, the visitor levy charge from the local authority to the accommodation provider would be outside the scope of VAT. However, it is anticipated that accommodation providers will recharge an amount equivalent to the visitor levy to visitors to recoup the addition cost. The VAT liability of this additional charge must therefore be considered, and the position depends on whether the accommodation provider is registered for VAT.

### VAT registered accommodation providers

If the accommodation provider is registered for VAT, the charge to the visitor – whether included via an increased room rate or as a separately itemised fee – would, in principle, be subject to VAT at the standard rate, as it would be treated as additional consideration for the supply of chargeable accommodation, subject to the 28 day reduced value rule below.

### VAT rule for stays exceeding 28 days

We highlighted a potential VAT complication if the visitor levy cap for a maximum number of consecutive nights is greater than 28 consecutive days, known as the ‘reduced value rule’. If the government wants to avoid this complication, we suggested that setting a visitor levy cap of 28 days or less would achieve this.

For VAT registered accommodation providers, the reduced rate rule means that VAT is charged at the standard rate of 20% for the first 28 consecutive days of the visitor’s stay. From day 29, no VAT is charged on accommodation, although a charge for ‘value of facilities’ must be levied (an approximate VAT rate of 4% for supplies from 29 days onwards – see part 8 of VAT

GENERAL FEATURE

## Scotland: Finance and Public Administration Committee: evidence on legacy issues

The CIOT gave evidence at a meeting of the Scottish Parliament’s Finance and Public Administration Committee on Tuesday 10 February on legacy issues, to inform a report for the successor committee.

Lindsay Scott (Technical Officer) gave evidence for the CIOT, alongside Stephen Boyle (Auditor General for Scotland), Dr João Sousa (Fraser of Allander Institute), Michael Clancy (Law Society of Scotland), Professor David Heald (University of Glasgow) and Professor David Bell (University of Stirling).

The objective of the session was to reflect on the work of the committee over the course of the 2021–26 Scottish parliamentary session and contribute to a discussion on legacy issues to inform a report for the successor committee, in advance of the Scottish parliamentary elections due to take place in May 2026. Prior to the session, the CIOT submitted written evidence, which was also informed by the work of LITRG.

The CIOT commended the committee for its strategic, year-round approach to budget scrutiny, its work to hold the Scottish government to account and drive improvements in the quality and transparency of budgetary information, its continued focus on more effective long-term financial planning, and its scrutiny of new tax legislation during the session. The CIOT did note the committee’s limited capacity for broader pro-active work during the session, which had largely been anticipated in 2021 given the volume of work the committee undertakes.

We suggested that the committee could have a pivotal, cross-party, strategic tax role, including reviewing the effectiveness of tax policy making in Scotland. A starting point could be a review of the Smith Commission package of taxes, given the milestones that the Scottish tax system has passed during this session and the upcoming ten-year anniversary of Scottish rates of income tax.

We reiterated the importance of post-implementation evaluation similar to that undertaken by the Scottish government for land and buildings transaction tax. The committee could potentially go further by reflecting on the overall viability of tax policy decisions in Scotland, not just whether the legislation delivers the tax policy as intended.

A reflection on what worked well, and what did not, in delivering the Smith Commission ([tinyurl.com/ynznvups](https://tinyurl.com/ynznvups)) package of taxes over the last decade could inform strategic, bigger picture thinking about the future of tax in Scotland, including challenging areas such as the taxation of wealth and property in Scotland, and its interaction with other areas such as council tax.

The session also covered the issues around low awareness and understanding of tax in Scotland, and the CIOT’s view that the committee could potentially play a role in scrutinising the work of the Scottish government in raising awareness of tax. For example, does the Scottish government ask HMRC for data on the number of intermediate rate taxpayers who claim the additional income tax relief to which they are entitled on relief at source pension contributions?

We supported the need for a review of the fiscal framework. There are three key elements to the fiscal package in Scotland: tax, spending and the fiscal framework. The fiscal framework has led to increased dependency on UK measures being known before the Scottish Budget can be set, resulting in more reactive tax decision-making.

We also supported the committee’s recommendation to consider the timing of fiscal events and the need for a collaborative and constructive

relationship between UK and Scottish governments, particularly given the uncertainty around the UK Autumn Budget and the Minister of Public Finance confirming that there was no consultation on the introduction of new property income tax rates before the Budget.

The CIOT asked that a priority of the next committee be to revisit the outcomes of the Devolved Taxes Legislation Working Group and agree between Revenue Scotland, the Scottish government and the Scottish parliament how to move forward with the introduction of a regular legislative mechanism, such as a Scottish tax bill. This work has been largely paused since the Covid pandemic, yet there remains a list of current issues requiring legislative change, as well as potential future issues. We reiterated the importance of having a primary legislative mechanism to make technical changes to tax legislation to ensure the effectiveness of the Scottish tax system. We also referenced the consultation recently undertaken by the Welsh government to review its own tax legislative mechanisms.

In summary, we welcomed the work the committee has undertaken during the 2021–26 parliamentary session and the important role it plays in asking detailed questions that help to hold our political leaders to account and inform debate by improving transparency. We look forward to continuing to work with the committee in the next session.

The evidence session in the Scottish parliament can be viewed at [tinyurl.com/4hh6rhc8](https://tinyurl.com/4hh6rhc8) and the full CIOT written evidence is available here: [www.tax.org.uk/ref1614](http://www.tax.org.uk/ref1614)

Lindsay Scott

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notice 709/3 ([tinyurl.com/4rf7ewfm](https://tinyurl.com/4rf7ewfm)). As the visitor levy would have the same VAT liability as the supply of accommodation, any local visitor levy guidance should take account of this. For example, stating ‘charge 20% VAT’ on the visitor levy in cases involving stays of more than 28 consecutive days would not be correct.

### Unregistered accommodation providers

We recommended that any visitor levy guidance makes it clear that where unregistered accommodation providers increase their prices to recoup the costs of the charge by the local authority, this

additional income must be considered for the purposes of the VAT registration turnover threshold, currently £90,000 in a rolling 12 month period.

### Complications and clarity

We highlighted additional scenarios that the visitor levy guidance should consider, such as:

- Clarity as to which party is the accommodation provider in multiple-party supply chains.
- Where local authorities provide credits of visitor levies directly to visitors (for example, where an exemption was not identified at the time of booking), how

the visitor obtains a refund of VAT.

- The tax point for the visitor levy, which may differ from the tax point for VAT purposes.
- Where an accommodation provider makes a separate charge for the visitor levy plus VAT at the time of booking that is declared to the local authority, who the visitor should approach for a refund in the event of cancellations.

We noted that VAT guidance embedded within local authority visitor levy guidance would not have same level of reliance as VAT guidance published by HMRC on GOV.UK ([tinyurl.com/pkmecyw8](https://tinyurl.com/pkmecyw8)).

**Visitor levies in Scotland and Wales**

We highlighted our experiences of engaging on the Welsh and Scottish visitor levies, and areas to be considered if the conclusion of the consultation is that the government will move forward to legislate for a visitor levy for England.

The full CIOT response is available here: [www.tax.org.uk/ref1602](http://www.tax.org.uk/ref1602)

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GENERAL FEATURE **PERSONAL TAX**

**Incorrect bank interest issues**

LITRG recently published an article aimed at taxpayers, highlighting cases where there appear to be mismatches in the bank and building society interest included in HMRC’s tax calculations. We draw out a few key points that may be useful for advisers to be aware of.

HMRC increasingly relies on interest figures reported by banks and building societies to pre-populate customers’ records (although not self-assessment tax returns at present). This information is used to inform:

- the issue of PAYE notices of coding and tax calculations, such as P800s and simple assessments; and
- checks to ensure self-assessment tax returns are accurate and complete.

While this system works in many cases, discrepancies do occur and can result in unexpected or incorrect PAYE codes and tax calculations. Unexpected or incorrect figures can arise for a number of reasons:

- **Multiple accounts combined:** HMRC aggregate interest across various accounts without specifying the source

of each figure, which can make reconciliation difficult.

- **Use of estimated figures:** HMRC may use estimates in tax codes and tax calculations based on previous years, which can be out of date or misleading.
- **Recently opened or closed accounts:** New accounts may not yet appear in HMRC’s data, while closed accounts may continue to be reported or estimated inaccurately.
- **Dormant or forgotten accounts:** Small or dormant accounts can still accrue interest that taxpayers may overlook, even though the bank reports it to HMRC.
- **Basic data errors:** Straightforward mismatches can occur when HMRC attempt to attach bank-supplied information to taxpayer records, for example, to the wrong tax year.
- **Incorrect inclusion of non-taxable interest:** ISA interest and other exempt amounts may occasionally be included in error, including interest accrued on fixed-term accounts, which is not taxable until it is paid.
- **Joint account allocation issues:** Interest may not be split correctly between joint account holders.
- **Misassigned interest held on behalf of others:** Accounts managed under powers of attorney or held on bare trust can lead to income being attributed to the wrong taxpayer.
- **‘Scrambled’ information:** In rare but serious cases, interest belonging to entirely different taxpayers can appear.

These issues and errors can be particularly problematic for those with lower tax awareness or digitally excluded taxpayers, who may not have easy access to full financial records, HMRC’s Personal Tax Account, or the means to easily contact banks or HMRC to understand what is happening with their tax position. In some cases, taxpayers may assume HMRC’s information is correct and do not query it. In

others, incorrect figures may not be challenged because they do not result in over- or under-taxation in the current year, due to the availability of allowances, even though they can distort future tax codes and estimates.

**Practical steps for advisers**

Advisers may wish to review HMRC interest figures proactively for taxpayers who may be at risk, including potentially friends and family members. Alternatively, alerting clients to potential issues and encouraging them to scrutinise not only interest entries but also the wider tax calculation, such as ensuring the inclusion of allowances and reliefs, should help ensure accuracy.

Where discrepancies arise, advisers should be prepared to challenge HMRC’s figures and seek corrections, and/or support clients to do so themselves. Our full article provides further guidance on how to do this, based on our understanding of current processes.

We have asked HMRC for comment on our article and are seeking clarification of the process for correcting errors and omissions on tax codes and tax calculations. In the meantime, we would be very interested to hear from advisers about any similar issues they are seeing in practice, including:

- the types of errors encountered;
- how easy (or otherwise) it is to get HMRC to correct them; and
- whether certain groups of taxpayers appear to be particularly affected.

Any insights shared would be extremely helpful in building a clearer picture of how widespread these problems are and how they are affecting taxpayers.

You can find our article ‘Check the savings interest figure included in your tax calculation – it’s not always correct’ here: [tinyurl.com/5t3wtdzs](http://tinyurl.com/5t3wtdzs).

Meredith McCammond [mmccammond@litrg.org.uk](mailto:mmccammond@litrg.org.uk)

**Other Recent Submissions**

**CIOT**

		Date sent
National Insurance Contributions (Employer Pensions Contributions) Bill 2025	<a href="http://www.tax.org.uk/ref1611">www.tax.org.uk/ref1611</a>	23/01/2026
Future of council tax in Scotland	<a href="http://www.tax.org.uk/ref1597">www.tax.org.uk/ref1597</a>	30/01/2026
Finance Bill 2025–26 briefing: Other International Matters	<a href="http://www.tax.org.uk/ref1631">www.tax.org.uk/ref1631</a>	03/02/2026
Finance Bill 2025–26 briefing: Non-UK residents	<a href="http://www.tax.org.uk/ref1633">www.tax.org.uk/ref1633</a>	03/02/2026
Updating HMRC’s guidance on Real Estate Investment Trusts	<a href="http://www.tax.org.uk/ref1647">www.tax.org.uk/ref1647</a>	10/03/2026

**LITRG**

Finance Bill 2025–26 briefing: Basic rate limit and personal allowance for tax years 2028–29 to 2030–31	<a href="http://www.litrg.org.uk/11164">www.litrg.org.uk/11164</a>	07/01/2026
Universal Credit review	<a href="http://www.litrg.org.uk/11170">www.litrg.org.uk/11170</a>	21/01/2026
Finance Bill 2025–26 briefing: Data-gathering	<a href="http://www.litrg.org.uk/11181">www.litrg.org.uk/11181</a>	03/02/2026

**ATT**

Finance Bill 2025–26 briefing: practical consequence of increased tax rates for savings income	<a href="http://www.att.org.uk/ref505">www.att.org.uk/ref505</a>	09/12/2026
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# Briefings

## National Insurance Bill CIOT-drafted amendment passes in Lords

Cross-party support for changes to salary sacrifice cap legislation.



Lord Leigh

Lord Mackinlay

An amendment drafted by CIOT for Conservative peer Lord Leigh of Hurley, a chartered tax adviser, passed in a vote in the House of Lords on the National Insurance Contributions (Employer Pensions Contributions) Bill on 5 March. This is the Bill capping NIC relief on pension salary sacrifice

arrangements at £2,000 a year. Lord Leigh's amendment would exempt salary sacrifice pension contributions over the £2,000 limit from being included in student loan repayments definitions. It was one of five government defeats on the Bill in the Lords, highlighting ongoing concerns

about fairness and unintended financial consequences for affected graduates.

Proposing it, Lord Leigh explained that one benefit of pension salary sacrifice can be to reduce earnings liable to NIC for student loan repayment purposes. This is because the liability to repay student loans is, for employees, based on their earnings liable to NIC. He said that if salary sacrifice pension contributions above the cap are treated as earnings for NIC purposes, it 'will mean higher effective repayments for some borrowers, reduced disposable income and a further distortion of incentives around pension savings'.

Other peers speaking in favour of the amendment included Conservative shadow minister Baroness Neville-Rolfe, Lib Dem spokesperson Baroness Kramer and non-affiliated peer Baroness Altmann. It passed by 208 votes to 142.

During the same debate, the minister confirmed that the £2,000 cap will apply to each employment that an individual undertakes. That announcement was made in response to amendments by Lord Leigh (again drafted in conjunction with CIOT) and by another CTA, Lord Mackinlay of Richborough, which had sought to amend the Bill on this issue.

It is likely that the government will use their large majority to reverse the Lords amendments when the Bill returns to the Commons on 23 March. That will send the Bill back to the upper House to see whether the Lords insist upon their amendments.

## Political update

CIOT, ATT and LITRG work with politicians from all parties in pursuit of better informed tax policy making.

It has been a busy time for CIOT and ATT on the political front. In addition to engagement on the Finance and National Insurance bills reported on elsewhere in this section, there has been activity in Scotland, Wales and at Westminster.

In February, CIOT Technical Officer Lindsay Scott gave evidence to the Scottish Parliament's Finance and Public Administration Committee, which is preparing a legacy report ahead of May's elections. She told the committee that the Scottish tax system has become more complicated as a result of devolution and that better

awareness of the Scottish Parliament's powers over tax policy is needed.

Also north of the border, CIOT joined with ACCA in March to host a roundtable of politicians and senior professionals in tax and accountancy on issues related to devolved taxation. MSPs Michelle Thomson (SNP), Liz Smith (Conservative), Michael Marra (Labour) and Patrick Harvie (Green) discussed their parties' proposals for tax and the economy ahead of the May election. The Lib Dems and Reform were also invited.

In Wales, CIOT attended a series of roundtable events organised by the

Enterprise Forum during early 2026 to hear party representatives, including the Welsh Conservative leader Darren Millar and Labour's Economy Secretary Rebecca Evans, set out their economic and business plans ahead of the Senedd election. At separate events, CIOT engaged with Reform UK's deputy leader Richard Tice and Lib Dem Trade and Investment spokesperson Joshua Reynolds about their parties' tax plans.

The House of Commons Business and Trade Committee's February report on Small Business Strategy draws on evidence from CIOT witness Alison Kerrey about how damaging inconsistency and uncertainty can be for small firms.

MPs concluded that future policy changes must model how small businesses will be affected by tax changes and seek feedback from smaller firms about potential impacts.

## Inheritance tax

# Lords IHT report

A House of Lords report on the government's inheritance tax reforms has endorsed changes that CIOT and ATT have been calling for, including a longer deadline for payment and the need for early guidance on bringing pensions into IHT.

The Lords inquiry saw substantial engagement from both organisations, with John Bunker and Emma Chamberlain appearing as witnesses for CIOT and Helen Thornley for ATT. The final report cited ATT 41 times and CIOT 44.

Helen Thornley described the committee's recommendations as 'pragmatic and fair-minded', reflecting the considerable administrative burden that

the new system could place on PRs. These administrative pressures are not merely theoretical. Stakeholders have warned that without sufficient lead time, clearer rules and simplified processes, PRs could face significant practical difficulties in valuing estates, liaising with HMRC and meeting compliance obligations. Concerns have also been raised about the risk of delays in estate administration if payment deadlines remain too tight, particularly where complex assets or pension arrangements are involved.

 **A longer article on this report appeared in March's online edition of *Tax Adviser* at: [tinyurl.com/5457py6h](http://tinyurl.com/5457py6h)**

## In the news

Coverage of CIOT and ATT in the print, broadcast and online media

'John Barnett, vice-president of the CIOT, said there are many wealthy Americans clamouring to gain the right to reside in the UK following the election of Trump. "Britain is a natural place for them to come. Tax is less important to them than their immigration status."

*Daily Telegraph, 17 January*

'HMRC said it will cost an average of £320 to switch to government-approved software, then £110 a year after that, but experts said it could be four times that much. About 850,000 landlords and the self-employed are expected to have to use the Making Tax Digital system from April, according to the CIOT.'

*The Times, 24 January*

'It is concerning that with a little over two months to go until [Making Tax Digital] goes live, there are still many unrepresented taxpayers unsure about what they need to do to be ready, and this could store up problems both for them and for HMRC further down the line.'

*Laura Cumins, LITRG Technical Officer, Daily Telegraph, 1 February*

'February is the point at which preparation really matters. The message isn't to panic, but to act now – check if you're affected, get the right software in place, and seek advice early if you need it.'

*Emma Rawson, ATT Director of Public Policy, Daily Express, 6 February*

'People selling unwanted personal items such as their children's old clothes or toys are not likely to be trading. Therefore, even if it is a significant amount, any money they make is generally not taxable.'

*Victoria Todd, Head of LITRG, Daily Telegraph, 13 February*

'Emma Rawson, director of public policy at the ATT, said the ongoing service issues meant "the increase in complaints is sadly unsurprising. Although HMRC are making investments in staff levels and training, there is clearly more work to be done here."

*Financial Times, 28 February*

## Finance Bill

# Finance Bill adds complexity

During report stage debate on the Finance Bill on 11 March, the Lib Dems put forward a new clause drafted with support from CIOT, which sought an assessment of the impact of the Bill on the complexity of the tax system and on the time and cost of tax administration for taxpayers and their representatives, as well as for HMRC.

CIOT had said the Finance Bill as a whole will mean 'more taxpayers, more tax returns and more work for tax

collectors, as well as taxpayers and their advisers'.

Proposing the amendment, Lib Dem spokesperson Charlie Maynard highlighted that the tax system is 'getting bigger and more complex' and that the government, with a big majority, has 'a real opportunity to do some serious thinking about how to simplify, root and branch, our tax code'. The minister told MPs he was open to ideas for simplification. The new clause was not pressed to a vote.

## Employment status

# Self-employment concerns

LITRG are calling for HMRC and the government's new Fair Work Agency to work together to address the misuse of self-employment status.

This follows a recent radio programme examining the potential scale and nature of false self-employment in the UK labour market. Speaking on Radio 4's *File on 4 Investigates*, LITRG Technical Officer Meredith McCammond said it was 'frankly ludicrous' that low-paid workers in factories, offices or shops were being classed as self-employed,

adding that it was hard to see how false self-employment would not be used as a loophole by some hirers to avoid the raft of new measures coming in via the new Employment Rights Act.

Meredith added: 'Because false self-employment cuts across both tax and employment rights, oversight and action must do the same. We are calling on HMRC and the new Fair Work Agency to work together on a coordinated strategy to address false self-employment and maintain confidence in both the tax system and the labour market.'

## Finance Bill

## Ministers pressed over wide scope of HMRC powers

Shadow ministers highlighted CIOT and ATT concerns over scope, safeguards and complexity during committee stage debate.

CIOT and ATT views and analysis were cited in 28 different debates during the Finance Bill's committee stage, as MPs subjected the Bill to clause-by-clause scrutiny over five days in January and February. CIOT had provided 16 briefings to MPs ahead of the debates, the ATT 14 and LITRG a further five.

### Tax adviser registration

Our concerns were particularly prominent in relation to the impact of the proposals for registration of tax advisers on reputable firms and practitioners. CIOT had warned that the legislation was too broadly written, with HMRC asking tax advisers to trust it not to use the powers inappropriately.

The Shadow Economic Secretary Mark Garnier took up this issue during the debate, expressing concern that the registration conditions in the Bill contain neither sufficient safeguards nor a reasonable excuse defence (a CIOT suggestion) for late filing or minor underpayment. CIOT's representation also urged the inclusion of a clause to provide that HMRC must act in a 'reasonable and proportionate' manner, reflecting the nature and scale of any alleged misconduct. This proposal was put to the minister by Joshua Reynolds, the Liberal Democrat spokesperson.

Responding, the Exchequer Secretary Dan Tomlinson said the tax authority would only suspend a firm or adviser 'after due process, including offering opportunities to comply and a chance for the adviser to explain whether there is a good reason why they are unable to do so. HMRC will not use these powers for minor breaches.' However, he did not believe there was a need to put anything further into legislation.

In its representation to the committee, ATT expressed concern at the speed with which registration is being introduced. ATT called (as did CIOT) for mandatory registration to be delayed. The Shadow Economic Secretary put this to the minister, stressing the importance of 'getting this right'. The minister replied that while

registration comes in from 18 May, it will be phased in.

Also raised by CIOT and ATT, and highlighted in debate, were the change from targeting 'dishonest conduct' to 'sanctionable conduct', and the injustice of a statutory review automatically concluding in HMRC's favour if the authority fails to deal with the review request in a timely way.

The minister declined to make further changes in these areas. He did, however, bring forward a series of amendments so that the issuing of a DOTAS or DASVOIT penalty will no longer be an automatic breach of the registration conditions. This was an issue the professional bodies had raised with the government.

Attention was also drawn to a number of CIOT and ATT concerns about the scope and wording of Part 6 of the Bill (Avoidance). Shadow ministers asked how the government would tackle offshore promoters and how 'likely to be marketed' would be defined. The Economic Secretary responded that the wording had already been narrowed but that HMRC would 'work with stakeholders in developing the fine detail' of the measure.

### Former non-doms

CIOT made detailed representations on the parts of the Bill amending last year's legislation on the taxation of non-doms. The Shadow Exchequer Secretary James Wild encouraged the government to take account of the 'sensible steps' suggested by CIOT to address complexity, retrospectivity and unintended consequences in the legislation. The Conservatives tabled an amendment in support of CIOT's proposal to extend the temporary repatriation facility (TRF) to non-UK residents and trusts.

Responding, the Economic Secretary Lucy Rigby quoted CIOT's overall welcome for the shift from domicile to residence as the basis for taxing people who are internationally mobile. However, she resisted the amendment, arguing that: 'Widening the scope of the [TRF] to allow non-residents to benefit



Mark Garnier MP

Dan Tomlinson MP

from the reduced charge without living or contributing in the UK would remove any incentive to become or remain a UK resident.'

### Employment expenses

ATT suggested that the new statutory exemption applying to flu vaccinations (among other things) should also be extended to COVID vaccines. This was raised by both Garnier, the shadow minister, and by a Labour backbencher. The minister resisted, stating that flu jabs are low in cost and seasonal, while other vaccinations 'vary significantly in cost and frequency'.

CIOT's observation that the current situation means two employees with identical working arrangements and costs are treated differently for tax purposes solely on the basis of their employer's reimbursement policy was also highlighted during the debate.

### Other issues

Other issues discussed by the committee included ATT's concerns about the VAT treatment of charitable donations by businesses and about disproportionate penalties for not updating digital contact details.

Shadow ministers also took up LITRG's concerns about the potential complexity of the new winter fuel payment charge, as well as the failure to extend the loan charge settlement opportunity to those who have already fully settled and/or paid the charge.

CIOT concerns about definitions and safeguards in the umbrella companies legislation, the broad drafting of the clause bringing 'diverted profits' within corporation tax, and a lack of clarity and certainty within the carbon border adjustment mechanism were also raised and debated.

Wild, the shadow minister, thanked CIOT and ATT at the end of the committee stage for their 'valuable submissions'.

Reports on Finance Bill debates can be read on the CIOT website: [tax.org.uk/finance-bill-2025-26](https://tax.org.uk/finance-bill-2025-26)

## Tax media

## Advising Ambridge



Barry Jefferd

Fans of *The Archers* will be familiar with the long-running storyline about who will inherit and run Brookfield, the Archer family farm. But how common are the

dilemmas facing David and Ruth Archer? And what advice would you give them if they were your clients?

These were some of the questions facing ATT Deputy President Barry Jefferd when he was invited to take on the

role of 'Brookfield's accountant' as a guest on an edition of *The Archers Podcast* in February, focusing on the succession at Brookfield. Barry, a long-time fan of the Radio 4 show, joined host Emma Freud and fellow guests Felicity Finch (who plays Ruth Archer) and Mike Wilkins (a *Bake Off* contestant and farmer) to discuss the issues facing farming families when it comes to questions of inheritance.

Barry, who is a Tax Partner at George Hay Chartered Accountants in Bedfordshire, said: 'I have been an avid *Archers* fan for years. In its 75th year, it continues to cover real-life scenarios over



a real timeline. It was a great experience bringing the fictional world of Ambridge to everyday advice.'



Listen to the podcast at: [www.bbc.co.uk/sounds/play/p0mtr852](http://www.bbc.co.uk/sounds/play/p0mtr852)

## Spotlight

## HMRC's Employment Status and Intermediaries Forum

This is a key engagement channel through which HMRC and external stakeholders, including representatives from the CIOT and LITRG, discuss a wide range of issues relating to employment status and labour supply arrangements.

Originally established as the IR35 Forum following a commitment in the 2011 Budget to improve the administration of IR35, the group now operates under its broader name of HMRC's Employment Status and Intermediaries (ES&I) Forum, to reflect its wider focus on employment status and intermediaries more generally.

Meetings typically include HMRC updates on perennial issues such as the off-payroll working rules, umbrella companies and managed service companies. Recently, they have explored how the various deeming provisions within the Income Tax (Earnings and Pensions) Act 2003 interact, developments relating to HMRC's Check Employment Status for Tax (CEST) tool, and specific technical issues affecting both advisers and businesses navigating status determinations.

HMRC also welcomes stakeholder presentations to the group. Topics have included the elective deduction model (see [tinyurl.com/52kt9nd5](http://tinyurl.com/52kt9nd5)) and an IR35 'Green Card' clearance facility proposal as a potential way to simplify off-payroll working rules. Members' contributions, drawing on their knowledge of the complexities of the labour market, help to improve HMRC's understanding and ensure practical challenges are reflected

in how rules are explained, administered and, where necessary, refined.

**Outputs**

Members are occasionally invited to review draft guidance prior to publication, allowing our input to improve clarity and taxpayer understanding. This has included engagement around updates to HMRC's Employment Status Manual following its success in the *PGMOL* case, and guidance connected with Spotlight 67 on managed service companies (see [tinyurl.com/mrucy7em](http://tinyurl.com/mrucy7em)).

**Administration**

The ES&I Forum aims to meet quarterly. Meetings are either held remotely or in person at 100 Parliament Street. It is co-chaired by an external representative selected by members; the current co-chair is CIOT volunteer Sarah Hewson.

The forum's terms of reference and agreed minutes are published on GOV.UK (see [tinyurl.com/2ejstv3](http://tinyurl.com/2ejstv3)).

**Membership**

Membership is drawn principally from representative and professional bodies, ensuring a broad range of perspectives from across the labour supply chain. Regular participants include CIOT and

LITRG, the Association of Independent Professionals and the Self-Employed (IPSE), the Association of Professional Staffing Companies (APSCO), the Confederation of British Industry (CBI), the Freelancer and Contractor Services Association (FCSA) and the Institute of Chartered Accountants of Scotland (ICAS), alongside HMRC officials.

Status expert Rebecca Seeley Harris is ES&I's newest member, representing the Employment Status Consultative Committee (ESCC). This is a group of employment tax experts recently established by Justine Riccomini (former co-chair of ES&I) to tackle issues within the employment status framework.

**Why it matters**

Contingent labour is very important to the economy, but employment status and intermediary arrangements remain areas of significant complexity and risk. Issues such as false self-employment and the use of disguised remuneration models affecting lower-paid agency workers continue to generate concern for LITRG and other stakeholders.

The ES&I Forum provides a structured channel for engagement at a senior level on these issues. It allows stakeholders to raise systemic concerns, seek clarity on HMRC's approach to tackling non-compliance, and escalate practical issues on behalf of taxpayers – particularly those who may be unrepresented – such as the need for clear, accessible and tailored guidance.

For professional and representative bodies alike, the forum plays an important role in ensuring that experience from across the labour market informs HMRC's approach to status and intermediaries.

Meredith McCammond  
[mmccammond@litrg.org.uk](mailto:mmccammond@litrg.org.uk)

## Tax system reform

# ATT's top 10 requests for change



The ATT has published a list of its 'top 10' asks for the tax system in 2026.

These suggestions for reform call on HMRC and the government to implement practical reforms to improve compliance, reduce errors and improve taxpayers' and agents' interactions with the tax system.

These requests do not call for new taxes or reliefs but instead focus on fixing areas where the tax system does not work as intended, leading to confusion, delay and unnecessary contact with HMRC.

The top 10 asks are:

1. **Make it easier to stay in self-assessment:** Taxpayers should be able to remain in self-assessment where it helps them to get their tax right first time, rather than being removed automatically by HMRC if they don't meet the requirements to file tax returns.
2. **Secure electronic communications with HMRC:** Taxpayers and agents

need secure online channels to communicate with HMRC anytime, anywhere, to avoid the current post and phone delays.

3. **The ability to track HMRC processing:** A digital tracking system (similar to that used by HM Passport Office) would confirm receipt of post, forms and returns. This would provide comfort to taxpayers that HMRC has received their submission and allow them to easily monitor progress.
4. **Dedicated HMRC support during the rollout of Making Tax Digital:** MTD is the biggest change to income tax since self-assessment. HMRC needs adequate resources to support the 3 million taxpayers affected.
5. **Simplifying simple assessment:** When HMRC calculates liability using its own data instead of requiring a self-assessment return, taxpayers need

to be able to see clearly what information has been used, with digital routes to check and amend it.

6. **Merge the inheritance tax nil rate band and residence nil rate band:** Merging the two bands into a single nil rate band would make the inheritance tax system simpler and fairer.
7. **Revisit marriage allowance:** The relief has been eroded by inflation and causes complexity, so a review is needed.
8. **Uplift outdated allowances:** Outdated exemptions and reliefs (such as employee mileage and inheritance tax) should be increased in line with inflation.
9. **Simplifying taxation of the state pension:** Current rules are complicated and not widely understood, so simplification is needed.
10. **Improve the agent experience:** Agents should be able to see and do everything their clients can, and more taxes should allow for multiple agents to be appointed.

 You can read more about all of these recommendations on the ATT website at [www.att.org.uk/top-ten-asks](http://www.att.org.uk/top-ten-asks). Please email us at [atttechnical@att.org.uk](mailto:atttechnical@att.org.uk) if you have any comments, or suggestions for future requests.

## ADIT

# Students celebrate their latest ADIT achievement!

More than 400 international tax professionals, in over 50 countries, are celebrating passing exams towards the CIOT's ADIT (Advanced Diploma in International Taxation) qualification.

The online exams in December saw 424 students successfully pass at least one exam, with 84 students passing their third module and thereby achieving the full ADIT qualification. A further six students, from Romania to India to Oman, have demonstrated their international tax research proficiency in the last six months by completing ADIT through the extended essay route.

Of the new ADIT holders, six were awarded a distinction for excellence in their exams.

CIOT President Nichola Ross Martin said: 'Many congratulations to our newest ADIT graduates for their outstanding achievements in the latest examinations. At CIOT, we continue to be impressed by the knowledge, skill and commitment of our students across the world; their dedication to their ADIT studies alongside other commitments is truly inspiring. We look forward to

welcoming as many students as possible at the ADIT Awards Ceremony later this year.

'I am also pleased to commend the recipients of our six medals and prizes, sponsored by tax industry leaders, which highlight remarkable performances from students across each module in the most recent examinations.

'We hope to continue seeing many ADIT students, graduates and International Tax Affiliates attending and participating in our exciting programme of events for 2026, whether online or in person. These events provide valuable opportunities for the ADIT community to come together to share knowledge and extend their professional networks.'

The ADIT qualification is now held by 2,464 tax practitioners, approximately 500 of whom have chosen to subscribe with the CIOT as International Tax Affiliates since achieving the qualification.

The following candidates will receive awards for their achievements in December's exams:

- Padrig Davies of Glasgow, who is employed by HMRC, is awarded the Heather Self Medal for the best overall performance in Module 1 Principles of International Taxation.
- Jamie Roberts of Bristol, who is employed by PwC, is awarded the Raymond Kelly Medal for the best overall performance in Module 2.09 United Kingdom option.
- Lukasz Kazmierczak of London, who is employed by Warner Bros. Discovery, is awarded the Tom O'Shea Prize for the best overall performance in Module 3.01 EU Direct Tax option.
- Tarun Grover of Dubai, United Arab Emirates, who is employed by MMJS Consulting, is awarded the IVA Prize for the best overall performance in Module 3.02 EU VAT option.
- Peter Beckett of Edinburgh, who is employed by HMRC, is awarded the Croner-i Prize for the best overall performance in Module 3.03 Transfer Pricing option.
- Alison Taylor of Glasgow, who is employed by HMRC in Newcastle upon Tyne, is awarded the Wood Mackenzie Prize for the best overall performance in Module 3.04 Energy Resources option.

## New service

### Problems with HMRC systems and processes



A new ATT service aims to help tackle its members' issues with HMRC systems and processes.

Despite its flaws, one benefit of HMRC's now defunct Agent Forum was that it provided a route for agents to share their experiences of difficulties encountered when dealing with HMRC systems, services and processes. An agent could post a message about an issue on the site, allowing others to confirm whether they had also experienced the same problem. This helped both agents and HMRC to distinguish between widespread or systemic issues and those that were agent or client specific.

The ATT maintains close links with HMRC through more than 30 working groups, covering a wide range of taxes and HMRC services. (You can find out more on our Working with HMRC webpage at [tinyurl.com/5annafh8](http://tinyurl.com/5annafh8).) These groups provide valuable channels for raising issues encountered by members. However,

without real-life examples of where HMRC's systems and processes have gone wrong, HMRC can struggle to identify and resolve those problems.

To address this, and to fill the gap left by the closure of the Agent Forum, the ATT has launched a new facility for members to raise issues with HMRC systems and processes directly with the ATT technical team.

Members can submit evidence of issues, which our technical officers can then share more widely to establish whether others are experiencing the same problem. If enough members report similar issues and can provide supporting evidence (such as screenshots or tax calculations, anonymised except for a tax reference such as a UTR or NI number), the ATT can then present these as real-life cases to HMRC. By working with HMRC,

the aim is to identify solutions or provide practical guidance to members and the wider tax profession.

A good example of the type of issue this facility is designed to address was HMRC incorrectly adding Class 2 NICs to some 2024-25 tax computations (see [tinyurl.com/2kx7unhe](http://tinyurl.com/2kx7unhe)). Although this was eventually resolved, our technical team relied on ad hoc reports from members. The new process is intended to gather such evidence in a more structured way, enabling the ATT to raise systemic issues more effectively.

To support this, members are encouraged to report problems with HMRC systems that may be more than a one-off, client-specific issue. Members can view known issues on the ATT website and submit evidence either to support an existing issue or to highlight a new, potentially widespread problem. Technical officers will also share calls for evidence via LinkedIn and the weekly members' email, so members are encouraged to follow ATT updates so that we can raise any problems with HMRC.

 Find our 'Issues with HMRC systems and processes' webpage at: [tinyurl.com/yt8rt9pp](http://tinyurl.com/yt8rt9pp)

## Obituary

### Richard Todd

Obituary: Richard Todd (8 June 1966 – 22 February 2026), Past President of the Association of Taxation Technicians

We mourn the loss of Richard Todd, former President of the ATT, with both sadness and genuine admiration. Richard's steadfast commitment to the ATT and the broader tax community has created a legacy that will be valued long into the future.

Richard served the Association for over 20 years, sitting on several of its committees, where we were lucky enough to get to know him. He started his journey as Branch Secretary for the Northern Ireland Branch and was appointed Chair a year later. He joined the Member Steering Group, Professional Standards Committee and, in 2013, the Council, where he became President in 2021.

As President, he led with integrity, wisdom and an unwavering commitment to the profession. He believed in raising standards, supporting colleagues and strengthening the community he cared so deeply about. His leadership was steady

and thoughtful, always delivered with fairness and humility. Under his stewardship, the ATT's commitment to education and ethical practice was continuously emphasised, reinforcing its reputation as a leading authority and resource for taxation professionals.

Richard was an advocate for lifelong learning, ensuring members had access to the resources needed to keep pace with tax legislation and best practice. He was instrumental in supporting the quality and breadth of the ATT's educational activities and was still serving on the CPD working party at the time of his death.

Richard's leadership style was marked by integrity, warmth and a collaborative spirit. He was never one to seek the spotlight; instead, he focused on building consensus and nurturing the talents of those around him. His colleagues recall his generosity with time and advice, his calm demeanour and his determination



to see the ATT flourish as a respected professional body.

Richard was not only a respected leader and dedicated professional, but also a proud Irishman whose warmth and wit left a lasting impression on everyone who had the privilege of knowing him. His passing leaves a profound void in the profession and in the hearts of those who knew him. He will be remembered not only for his dedication and service, but for his kindness, laughter and the friendships he nurtured along the way.

Our thoughts are with Andrea his loving wife, his children and his wider family, friends and colleagues at this difficult time. May he rest in peace, and may his legacy continue to inspire us all.

## Webinar

## Leaders in Tax: careers, confidence and mentoring



CIOT and ATT marked International Women's Day 2026 and Tax Awareness Week with a Leaders in Tax webinar, bringing together senior figures from across the profession to share reflections on their careers and leadership journeys.

Chaired by Helen Whiteman, CEO of the CIOT, the panel featured Ali Sapsford (RSM), Claire Blackburn (PwC), Hazel Platt (Grant Thornton), Laura Mair (EY), Matt Batham (Deloitte) and Vicki Heard (KPMG). Drawing on their own experiences, the speakers discussed pivotal moments that shaped their careers, as well as the people and opportunities that supported their progression.

A central theme of the discussion was the concept of 'give to gain' – the importance of investing time in others, building professional relationships and contributing to the wider profession. Several speakers reflected on the role that

mentors and sponsors had played in their development, encouraging attendees to seek out honest feedback and guidance. The panel also highlighted that mentoring can be mutually rewarding, with mentors often gaining just as much from the relationship as mentees.

The importance of confidence and self-belief was another key takeaway. Panel members spoke about the value of being open about career ambitions and asking for opportunities, even when feeling uncertain. Reframing self-doubt – moving from 'I can't do that' to 'I can't do that yet' – was highlighted as an important mindset shift in supporting long-term career growth.

Panellists also reflected on the importance of running your own race rather than comparing career progress with others. Building strong professional relationships, investing in people and supporting colleagues were identified as critical factors in both career success and effective leadership.

Throughout the session, speakers emphasised the importance of kindness, generosity and 'cheerleading' others. Leadership in the tax profession, they noted, extends beyond technical expertise and includes creating opportunities for others to develop and flourish.

By bringing together senior leaders to share their experiences, the webinar offered valuable insights for professionals at all stages of their careers and reinforced the role that mentorship, openness and community play in shaping the future of the tax profession.

## Disciplinary reports

## Mr Joseph Brown

At its hearing on 23 January 2026, the Disciplinary Tribunal of the Taxation Disciplinary Board determined that Mr Joseph Brown of London, a member of the Chartered Institute of Taxation (CIOT) and director of CubicStone Tax Services Limited, was in breach of the Professional Rules and Practice Guidelines 2018 (as amended) (PRPG) in that he:

- failed to provide client due diligence records, AML risk assessments, policies and procedures, and related information in a timely manner or at all following repeated requests by the CIOT;
- provided documents that were incomplete and not of the required standard; and
- failed to respond appropriately to correspondence from the CIOT.

The tribunal ordered that Mr Brown be censured, fined £2,500, and provide specified AML-related documents and information to the CIOT by 31 March 2026. The tribunal also ordered that Mr Brown pay the TDB's costs of £3,220.

## Mr Harun Marshall

At its hearing on 20 January 2026, the Disciplinary Tribunal of the Taxation Disciplinary Board determined that Mr Harun Marshall, a student member of the Association of Taxation Technicians (ATT), was in breach of the Professional Rules and Practice Guidelines 2018 (as amended) (PRPG). He faced the following charges:

## Charge 1

1.1 In November 2022, the defendant attended a work event where he was under the influence and/or in possession of cocaine, an illegal drug;

1.2 Between September 2022 and the summer of 2023, the defendant caused distress and/or embarrassment to a work colleague by making comments relating to: (a) the staff member's sexuality; (b) the staff member's appearance and/or clothing; (c) drug use at company events.

## Charge 2

2.1 Consequent upon the facts and matters set out in Charge 1 above, the defendant:

- engaged in, or was party to, illegal behaviour, contrary to rule 2.2.2 of the PRPG; and/or
- did not uphold the professional standards of the CIOT and ATT and failed to take due care in his professional conduct and professional dealings, contrary to rule 2.6.2 of the PRPG; and/or
- conducted himself in an unbecoming, unlawful and/or illegal manner which tends to bring discredit upon himself and may harm the standing of the profession and/or the CIOT, contrary to rule 2.6.3 of the PRPG; and/or
- conducted himself in a manner that was not courteous and considerate towards those with whom he came into contact in the course of his professional work, contrary to rule 2.6.4 of the PRPG.

Mr Marshall admitted the charges in full.

The tribunal found all charges proved. The tribunal ordered that Mr Marshall be censured and fined £1,000. The tribunal also ordered that Mr Marshall pay the TDB's costs in the sum of £2,625.

 A copy of the tribunal's decisions and reasons can be found on the TDB's website at [www.tax-board.org.uk](http://www.tax-board.org.uk).

## Registration

### New HMRC

## agent registration rules: what you need to know



Starting in May 2026, HMRC will introduce a new requirement for 'tax advisers' to register and meet 'minimum standards'.

The stated aim is to raise standards in the tax advice market, support economic growth and close the tax gap. These requirements will apply to all firms that interact with HMRC on behalf of their clients, including those that already have an Online Services Account or Agent Services Account (ASA). They also introduce new conditions relating to the conduct of firms and those responsible for overseeing the provision of tax advice. More information can be found in the feature 'Tax adviser registration' by Lindsay Scott and Steven Pinhey on page 12 of this issue.

The timeframe for the rollout of the new registration requirements is:

- Agents without an ASA, Self-Assessment or Corporation Tax account: register from 18 May 2026.
- Agents with a Self-Assessment or Corporation Tax account (but not an ASA): register from 18 August 2026.
- Agents who only provide third-party payroll services on behalf of clients and do not interact with HMRC in any other way: register from 18 November 2026.

Existing agents who already have an ASA will not need to register. HMRC will contact them via their ASA when further information is required, although the detail and timing of this is not yet known. In the meantime, we recommend all agents to familiarise themselves with the rules and ensure their ASA contact details are up to date.

HMRC has so far published only limited guidance on the new requirements. To supplement this, CIOT and ATT have published FAQs to help members understand their obligations and the practical steps they need to take. These will be updated as further information becomes available. We also continue to engage with HMRC on its guidance and the practical roll out of the new requirements.

 For further information and guidance, see ATT FAQs: [tinyurl.com/rb3rvuk5](https://tinyurl.com/rb3rvuk5) and CIOT FAQs: [tinyurl.com/y5zp8fw3](https://tinyurl.com/y5zp8fw3)

### A MEMBER'S VIEW



## Tessa Brown

Employment Tax Manager, Larking Gowen LLP

This month's ATT member spotlight is on Tessa Brown, Employment Tax Manager, Larking Gowen LLP.

### How did you find out about a career in tax?

I was offered a short secondment within the Larking Gowen Business Tax Advisory Team while working in a general practice team and enjoyed it so much I made a permanent move.

### Why is the ATT qualification important?

I had worked for Larking Gowen for nearly 20 years, and had not studied for many of those, before I started studying towards my tax qualifications. The ATT qualification gave me the foundation to rebuild study skills, approach tax queries effectively and broaden my technical knowledge.

### Why did you pursue a career in tax?

Whilst I have enjoyed all the experiences I have had in my career, I enjoy the variety of work in tax. As well as meeting new clients and contacts, working in tax is also an opportunity to continually learn, given that we need to understand and consider the impact of changes to legislation and case law.

### Who has influenced you in your career so far?

I have had a huge number of influences in my career. I have worked with – and continue to work now – with managers who have been integral in passing on their technical knowledge and experience. There are newer members of the team who challenge me to look at things differently. I also cannot downplay the influence my family has had on my career. That support circle was invaluable in giving me the confidence to start taking exams again in my mid-thirties, whilst also running a home.

### What advice would you give to someone thinking of doing the ATT qualification?

This is tricky, as everyone learns differently. Maybe that is what I would say – work out how you learn and focus

on that. For me, it was question practice and associating technical areas with real life case studies.

### How would you describe yourself in three words?

Determined, inquisitive and creative.

### What are your predictions for tax advisers and the tax industry in the future?

My prediction is that AI will have the most immediate impact on the tax profession. Our own professional judgement and experience, and the personal relationships we build, will always remain central, but AI can support us in transforming research, improving accessibility and helping us plan more effectively.

### What advice would you give to your future self?

Keep being curious. When we are busy, it is easy to forget how important it is to take the time to read and learn. To ask questions and understand what is happening around you. As well as the rules changing, working practices change, as do HMRC policies. Taking the time to understand how all these changes interact makes for much better advice for your clients.

### Tell me something about yourself that others may not know about you.

I spend most of my spare time creating, be that textile work, painting or collage. Anything to keep my hands busy. It is another way of working within set parameters, so it fosters problem solving and thinking about the bigger picture.

### Contact

If you would like to take part in A member's view, please contact: Melanie Dragu at: [mdragu@ciot.org.uk](mailto:mdragu@ciot.org.uk)

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Due to the complexity of the world, our clients' teams are in demand and growing.

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You will play a critical role in advising clients on complex tax matters such as Inheritance Tax planning, trust structures, and long-term wealth strategies. Day to day this role will involve:

#### Key responsibilities

- Provide bespoke Inheritance Tax planning advice, including the use of exemptions, reliefs, gifting strategies, and business property relief.
- Assess clients' circumstances to recommend appropriate wealth structures, such as trusts or family investment companies.
- Identify and implement legitimate tax planning opportunities for individuals and business owners.
- Advise on and manage the ongoing implications of trust structures, including the 10-year periodic tax charge and exit charges.
- Maintain accurate records and prepare detailed, clear client reports and financial planning documents.
- Keep up to date of legislative changes and HMRC guidance that affect clients' tax and estate planning.

Not essential but would be beneficial:

- Advise on residence and domicile issues, including UK tax implications for non-domiciled or international clients

The ideal candidate will be an experienced Manager or Senior Manager and they are likely to be CTA or STEP qualified. You will need proven experience of working with owner managers and family estates. This firm can offer hybrid working, flexible and part time hours. Would consider a remote hire with some travel to the office.

**For further information contact Georgiana Head on 07957 842 402 or email her at [georgiana@ghrtax.com](mailto:georgiana@ghrtax.com)**



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# SENIOR MANAGER TAX ADVISORY TEAM

**"TAX WORK THAT'S ANYTHING BUT ROUTINE"**

**BASED IN THE MIDLANDS (NORTHAMPTON, MILTON KEYNES OR LEICESTER)**

**At TC Group - an innovative, rapidly growing Top 20 firm - doesn't just look at the numbers. They unlock opportunities and help SME business owners sleep easier at night.**

The team's looking for a brilliant tax professional who combines technical expertise with the spark that makes work rewarding for colleagues and clients alike. Reporting directly to TC SEM's\* Head of Tax and playing an active role in the running of the business, this role offers the chance to help lead tax advisory services for the region - a high-profile opportunity with clear potential for promotion and career development.

**Why TC Group?** They're a **Top 20 UK accountancy firm** with over **30 years' experience** - but they've never been the 'just do it the way it's always been done' type. They give their people the autonomy to shape their careers, with the support, training, and flexibility to make it happen.

**Your day-to-day might look a little like this**

- Building trusted client relationships through regular contact, insightful reporting, and face-to-face visits.
- Identifying and pursuing opportunities to grow client accounts across tax and TC's full range of services.
- Leading tax projects and helping develop team members.
- Supporting Owner Managed Businesses (OMBs) throughout the full business lifecycle.
- Working alongside friendly, talented colleagues who love sharing knowledge and cake (often at the same time).

**What you'll bring**

- Proven tax advisory experience gained in an accountancy firm, ideally ACA, ICAS, ACCA or CTA qualified.
- Strong communication and relationship-building skills.
- A proactive, solutions-focused mindset and great organisational skills.
- A flexible, collaborative approach and willingness to travel to other regional offices when needed.



**TC GROUP'S VALUES - "They're not just words on a wall" - but they do appear there:**

**DISTINCTIVE** - TC know what they do exceptionally well. It's their unique combination of skills, values and culture that make them distinctive. They're positively different and stand out for good reason.



**COURAGEOUS** - TC believe in themselves and are confident in meeting challenges head on. They're not afraid to step into the unknown, but only do so, once they've weighed up all potential outcomes.



**INCLUSIVE** - They respect, value and view people as individuals. They achieve what they do through collaboration, encouraging participation and new ideas.



**CARING** - In an increasingly challenging world, TC genuinely care about the wellbeing of their team, their families, their clients and how they approach and achieve success together.



**VALUABLE** - TC understand what they do every day is worthwhile. They create tangible value for their clients and their colleagues.



**PROGRESSIVE** - As a business, TC's never been content to 'stand still', so they'll always seek out new, more innovative ways of working, which will add further value to both their team and clients.



**Ready to join a team that's distinctive, progressive, and genuinely supportive? We can't wait to hear from you.**

**For further information, please contact our retained consultant Georgiana Head on 07957 842 402 or at [georgiana@ghrtax.com](mailto:georgiana@ghrtax.com) (ref.3583).**

# MAGNETIC NORTH

GUIDING YOU TO THE BEST TAX JOBS IN THE NORTH OF ENGLAND

## CORPORATE TAX PARTNER

### MANCHESTER

To £300,000 package

This global firm is looking to recruit an experienced and well connected corporate tax partner to lead and grow its presence across the North West. You will be joining a high growth, dynamic organisation and play a pivotal role in the development of its corporate tax practice. A truly rare and exciting opportunity for a driven corporate tax partner.

REF: A3778

## CORPORATE TAX MANAGER

### LEEDS / LIVERPOOL

To £65,000 dep on exp

This global accountancy firm is looking for a Corporate Tax Manager who wants to take the next step in their career within a dynamic, forward-thinking tax team. In this role, you'll manage a varied portfolio of mid-market and large corporate clients across a range of sectors, delivering a balance of high-quality compliance work and engaging advisory projects.

REF: 03770

## GROUP TAX MANAGER

### MANCHESTER

To £85,000 plus bonus

Due to ongoing growth our client, a PE backed group, is looking to recruit an experienced tax professional. You will help shape tax strategy, manage compliance & risk and support commercial initiatives with expert tax advice. The role could be offered on either part time or full time basis and our client offers hybrid working (50%).

REF: R3772

## TAX DIRECTOR

### NORTH EAST

To £six figures dep on exp

Our client is a leading regional firm with an established network of offices. As part of strong performance and continued growth it is now looking to expand its tax department and bring in a qualified Tax Director with either a private client or mixed tax background. Ambitious Senior Managers looking to make a step up into a Director role will also be considered.

REF: 03670

## CORPORATE TAX MANAGER

### MANCHESTER

To £65,000

The ideal candidate will be part of a high-performing team that delivers corporate tax compliance and advisory services to a diverse client portfolio, ranging from owner-managed businesses to larger UK and international groups. In addition to serving as a trusted advisor to clients, you will support tax-planning projects, develop long-term relationships, and play an active role in business development and networking.

REF: C3763

## TAX ADVISORY M OR SM

### WARRINGTON

To £75,000

An exciting opportunity has arisen for an experienced Tax Advisory Manager or Senior Manager based in Warrington. You will join a dynamic and independent tax advisory practice with a century-plus heritage of delivering outstanding business and tax advice across the UK. You will lead and grow a high-performing tax advisory function, providing strategic advice to a diverse client base, including owner-managed businesses and larger corporate groups.

REF: C3757

## IN HOUSE DIRECT TAX MANAGER

### MANCHESTER

To £72,000

This is an excellent opportunity to join the small in house tax function of a rapidly expanding group operating across multiple international markets. You will be responsible for the direct taxes for all UK and Irish companies as well as overseas tax compliance, withholding taxes and overseas tax audits. You'll also play a key role in a range of advisory work, such as tax due diligence, acquisition, corporate simplification and group tax policy, SAO and CCO requirements.

REF: R3773

## LOOKING TO RELOCATE TO THE NORTH?

We have some fantastic opportunities for tax professionals thinking about a move to the North, with roles from Head of Tax / Tax Partner through to Assistant Manager in all areas of tax and across all major locations. If you are considering relocating then please do get in touch and we can talk you through the northern tax market to help you make an informed decision.



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