August 2026

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Chartered Institute of Taxation.

TAXADVISER

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Reducing the tax gap

Tax simplification, clearer communication and the better use of data

From relief to exposure

Business owners should review succession plans following business relief reforms

Where there's a will...

Poorly drafted or outdated wills can create unexpected inheritance liabilities

Stamp duty land tax

The impact of a solvent member's voluntary liquidation on SDLT group relief clawback

HELEN WHITEMAN
JANE ASHTON

Welcome
The spirit of Summer

We hope that you are enjoying some of the wonderful weather that we have been experiencing across parts of the UK so far this summer.

Our technical teams have been busy following Tax Update 2026 Day on 23 June, when the government published a raft of measures for comment aimed at 'simplifying and modernising' the tax system, alongside proposals to 'strengthen compliance'. These included consultation documents, draft legislation and calls for evidence. Our technical teams have been reviewing and digesting the proposals in advance of making our submissions.

As our technical teams write the responses, they are always keen to hear members' thoughts, views and concerns about the measures announced. Please do share your experiences with us, as your feedback helps to shape both the tone and content of the technical teams' responses.

The ATT and CIOT have also been working closely to support and guide the rollout of Multi-Factor Authentication (MFA) to agent accounts. MFA is a vital security measure, as HMRC's online services for agents are often a target for fraudulent activity. Our work has ranged from challenging HMRC's initial proposals to supporting members with practical guidance and articles. We hope that all agents are making good progress with implementation and taking advantage of the phased approach to test their plans before MFA becomes mandatory between 28 September and 15 October.

While there has been plenty of work to do, we still have time for celebration. The ATT welcomed new members, prize winners and their guests to their latest admissions ceremony held at the Merchant Taylors' Hall on 26 June. This is always one of the highlights of the ATT calendar, and it is wonderful to see new members celebrating with families and friends. CIOT President Paul Aplin hosted a Parliamentary Reception on 6 July with speeches from Dan Tomlinson, Lord Craig Mackinlay CTA and James Wild. You can read more about the evening on page 64.

Continual professional development remains central to maintaining the high standards expected of our members. We would like to highlight two events taking place this autumn.

The first is the CIOT's popular annual Autumn Residential Conference 2026, running from Friday 18 until Sunday 20 September. Set in the beautiful and historic Queens' College, Cambridge, this offers an engaging weekend of learning, insightful discussions, practical application and valuable networking. You can register at: www.tax.org.uk/arc2026.

The second date is for ATT Fellow members. On Thursday 8 October, the ATT will hold its Fellows' Webinar from 1pm until 2.30pm. Free to ATT Fellows, these sessions provide a unique opportunity to enjoy the company of fellow members and take part in discussions led by our Technical Officers. Discussion topics are yet to be announced, so do bookmark the Fellows' Webinar registration page for further details at: tinyurl.com/23744svu. You can find out more about applying for Fellowship at: www.att.org.uk/fellowship.

Finally, although we are only two-thirds of the way through the year, the ATT's Director of Public Policy, Emma Rawson, has already received two incredible accolades. In May, she won the Outstanding Contribution to Taxation by an Individual at the 2026 Taxation Awards, followed in June by the award of an OBE (Officer of the Order of the British Empire) in the King's Birthday Honours List. Both awards recognised Emma's 'service and vision' in supporting HMRC, tax agents and taxpayers during the introduction of Making Tax Digital for Income Tax. We are immensely proud of Emma and delighted that she has received this well-deserved recognition.

Enjoy your summer, especially if you are taking a well-earned holiday, and we look forward to seeing you all soon!

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CONTENTS

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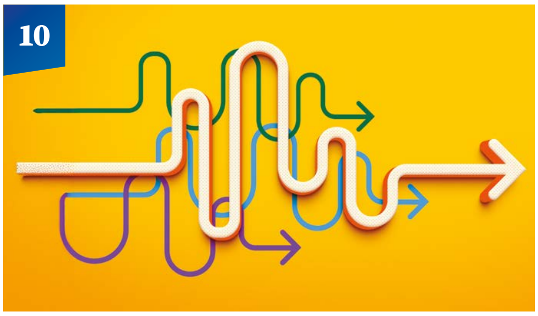

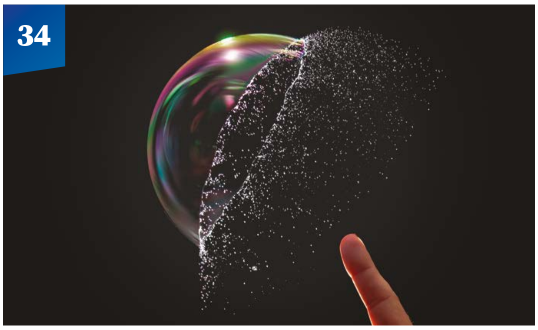

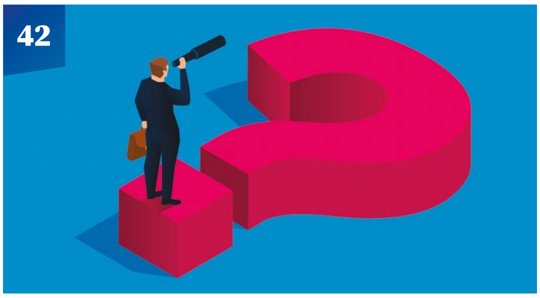

Regulars

ONLINE PICKS OF THE MONTH

The Capital Goods Scheme
VAT recovery on property and disposals
tinyurl.com/2m7up5bn

Pension withdrawals and consolidations
Avoidable tax charges and lost protections
tinyurl.com/2s4mkmwx

The ethics of AI
How to maintain transparency
tinyurl.com/3wcjhff8

PAUL APLIN
PRESIDENT

Through another lens

> We can only build better tax administration if there is a genuine willingness to understand the viewpoints of all stakeholders.

I recently spent two weeks off the west coast of Greenland and took lots of photographs of icebergs. I used a wide-angle lens to capture the vastness of the seascapes and a telephoto lens to compress perspective and emphasise scale. A polarising filter darkened the skies to add drama, and my mobile phone camera recorded video. What on earth, you must be thinking, does any of this have to do with tax?

Well, things can look very different depending on how you view them. That applies just as much to tax policy as it does to photography. Take three of my core themes for this year: small business burdens, simplification and digitalisation.

I spent 40 years of my life advising small, micro and nano businesses and saw the real-life impacts of tax policy on them. My view was formed not only by examining their records but, more importantly, by spending time with them and talking to them. That approach was ingrained from the first week of my training, when an audit manager told me: 'Talk to the cleaner as well as the MD. They work in the same business but see it in completely different ways – and you need to understand both.'

Contrast that with the view often held by policymakers. A few years ago, one official I was speaking to pointed to a PowerPoint slide and said: 'You see, we know a huge amount about small businesses.' The statistics were impressive, but what was missing was any sense of the human stories and businesses behind them. I understood the difficulty: our jobs, information sources and perspectives were different almost by design.

Happily, there are mechanisms to help share perspectives. CIOT staff and volunteers attend numerous meetings with officials to convey the experiences of individual taxpayers and businesses, as well as those of the agents who play an absolutely indispensable role in making the tax system work. Our colleagues in the CIOT's Low Incomes Tax Reform Group provide a voice for the unrepresented. We do this, as I said in my last President's page, because our Royal Charter requires us to 'promote the sound administration of the law for the public benefit' and to 'make recommendations for the improvement or simplification of the law and practice of taxation'.

We are, of course, not alone in this endeavour. Our colleagues at the ATT, other professional bodies and TaxAid also provide different perspectives. It is why CIOT works closely with organisations such as the Institute for Fiscal Studies and CenTax. It is also why we work hard to build strong relationships with officials and politicians.

Our annual Parliamentary Reception is an important part of that work. At this year's event in July, I spoke alongside our Parliamentary sponsor, Lord Mackinlay of Richborough (who is also a CTA and has deep personal knowledge of the issues small businesses face), the Exchequer Secretary Dan Tomlinson MP and his Parliamentary Shadow James Wild MP. In the audience were senior officials including HMRC's First Permanent Secretary JP Marks, his colleague and Director General of Policy & Strategy Jonathan Athow and head of the MTD project Craig Ogilvie.

In my speech, I emphasised the importance of understanding the burdens small businesses face, the opportunities for simplification and the need to work more openly together if we are to build better tax administration. On simplification, I offered a simple idea: why not include a statement in every Tax Information and Impact Note (TIIN) accompanying a new tax policy explaining exactly how the policy furthers simplification or, if it doesn't, how that is justified?

On Making Tax Digital, I said that while there is now a very open and constructive dialogue, that had not been the case during the first seven years of the project. Had that openness existed from the outset, I believe that MTD could have been delivered earlier, better, at a lower cost and with less controversy. We have to learn that lesson, and I think we have: share the problem, work together and co-create solutions. In other words, write the script together. We can only do that if there is a genuine willingness to understand the perspectives of all stakeholders. It is a constant work in progress, but I am optimistic about the current direction of travel.

More optimistic, perhaps, than I am about resolving my own immediate administrative burden: how to simplify my collection of hundreds of digital images of Greenlandic icebergs. Perhaps all I need is someone else's perspective.

Paul Aplin
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Chartered Institute of Taxation.

ELE THEOCHARI
DEPUTY PRESIDENT

Sharing the journey

> A career in tax should be open to everyone, and all are welcome.

Hello and welcome to this month's Deputy President's page. I hope you're all enjoying the summer so far and finding some time to relax and recharge.

At our AGM in July, I took on the role of Deputy President, succeeding Barry Jefferd, who will now take on the role of President. I'm really looking forward to working with Barry for another year, alongside our new Vice President, Richard Freeman.

To briefly introduce myself, after studying Philosophy and Politics at Leeds University, I headed to Bristol to begin my corporate tax career at Grant Thornton. While completing my ATT and CTA qualifications, I decided to specialise in R&D tax credits and have stuck with that ever since! Over the past decade, I have worked in a variety of businesses and have had the pleasure of meeting so many of our members and readers of this magazine along the way.

The last few months have been full of successes and joyful occasions for the ATT. In June, we were all over the moon to hear that our very own Emma Rawson had been awarded an OBE in the 2026 King's Birthday Honours, following her Outstanding Contribution to Taxation by an Individual award at the 2026 Tolley's Taxation Awards earlier this year.

We are all so proud of Emma and the relentless dedication and expertise she brings to supporting HMRC, taxpayers and schoolchildren across the country. Her knowledge never ceases to amaze me, and I'm always grateful for her guidance. Both awards are thoroughly deserved!

Later in June came the Admissions Ceremony, where we welcomed our new members, prize winners and their families and friends to Merchant Taylors' Hall to celebrate the culmination of years of hard work, and the dedication of studying alongside work and other commitments.

This was my first Admissions Ceremony since joining Council and the Leadership team and, despite it being one of the hottest days of the year, it was a wonderful occasion. I also had the pleasure of reading out each member's name, making it an especially memorable experience.

Moving into July, I would like to congratulate everyone who passed their examinations. Across the board, these are the highest marks we have seen for some time, with our examiners commenting on how better prepared the candidates were following the move to a closed-book exam format. Our students should be so proud of their achievements. If you have now completed your final exams, I hope you enjoy having your evenings and weekends back! I hope to see many of you at the next Admissions Ceremony so we can celebrate your success.

One of the aspects of this role that I enjoy the most is the opportunity to meet members from across the country. Although we work in different sectors, firms and specialisms, our conversations soon turn to familiar themes: the pace of legislative change, increasingly complex compliance obligations and, of course, the challenge of explaining all of this to clients who understandably wonder why tax never seems to get any simpler. For me, that is where the real value of professional qualifications and membership organisations lie.

Since joining the ATT Council in January 2023, I have served on a range of committees across both the ATT and the CIOT. Two key threads have run consistently through both my career and my committee work: professional standards and equality, diversity and inclusion (EDI).

Both will remain priorities throughout my year as Deputy President. It is essential that we continue to promote the highest ethical and professional standards, and work closely with our trusted colleagues at HMRC to achieve this common goal. At the same time, we must ensure that a career in tax remains open and accessible to people from all walks of life, including working closely with employers in creating opportunities for those with a range of disabilities. A career in tax should be open to everyone, and all are welcome.

As we look ahead to the autumn and beyond, many of our students will be gearing up for their first or next round of studies, and I wish you the best of luck! In the meantime, I'm excited to meet many of our members at branch events and continue to champion the work the ATT are doing.

I do hope you all enjoy the rest of the summer – and until next time!

Ele Theochari
ATT Deputy President
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London Tax Network

LTN Tax Conference 2026

8 September 2026
08:30 – 17:30
in person and online

Venue: Arundel House
Arundel St, Temple, London
WC2R 3DX (nearest tube: Temple)

Kevin Offer
Partner - Hardwick and Morris LLP
Private Client Update

Patrick Bock
Barrister, Old Square Tax Chambers
Pensions - the deathly double whammy

Siobhan Duncan
Barrister, Temple Tax Chambers
Inheritance Tax planning after the Finance Bill

Caroline Fleet
Partner - Crowe UK
The changing landscape of Property Taxes

Nick Wright
Associate Director- Jerroms Miller
The OMB Succession Toolkit

Mala Kapacee
Director - London Tax Network Ltd
Tax Investigations

Greg Mailer
Partner - BCL Solicitors LLP
Informants and enforcement: the era of the whistleblower?

Kevin Hindley
Partner & Head of Corporate and Real Estate Tax
Hybrid mismatch rules

LTN Tax Conference 2026 is a full day, hybrid event. In person ticket prices include breakfast, lunch and refreshments.

Reserve your place now!

Tickets from £300 + VAT including booking fees.
Go to tinyurl.com/42x7nydd or scan the QR code to book.

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News

REGULATION

Review calls for simpler tax system

Tax complexity is undermining competitiveness

An independent review of UK tax administration has concluded that excessive complexity is harming business growth and competitiveness, while placing a disproportionate compliance burden on smaller businesses.

The report, 'Tax complexity: the impact on UK competitiveness and growth', was led by Andy Richens, formerly of the Office of Tax Simplification (OTS), together with Professor Peter Jelfs, Professor Kevin McMeeking and Sam Sherwood. Supported by ICAEW, the project revisited the OTS's 2014 review of tax competitiveness, examining progress over the past decade and identifying priorities for further reform.

Drawing on evidence from 35 meetings and roundtables, the review concludes that complexity continues to undermine certainty, discourage investment and increase administrative costs. It makes 35 recommendations to simplify tax administration, improve HMRC guidance and reduce unnecessary compliance burdens.

Among the proposals are calls for a post-implementation review of Making Tax Digital for Income Tax before its further expansion, greater certainty around research and development tax reliefs, simplification of capital allowances and corporation tax rules, and improvements to HMRC's approach to clearances and taxpayer support.

The full report is available at: http://bura.brunel.ac.uk/handle/2438/33569. *Tax Adviser* will publish a feature by Andy Richens examining the report's findings and recommendations next month.

POLITICS

Burnham sets out early tax agenda

John Healey and Emma Reynolds take charge at the Treasury

Andy Burnham has become Prime Minister following his election as Labour leader, appointing former Defence Secretary John Healey as Chancellor in the first major reshuffle of the new administration. Emma Reynolds has been appointed Chief Secretary to the Treasury. Together, they will lead the government's approach to tax and public finances as it prepares for its first Budget.

Healey inherits a challenging fiscal position, with pressure to support economic growth and public services while maintaining market confidence and operating within the government's fiscal rules. His immediate priorities are expected to include preparations for the Autumn Budget and decisions on how to fund Burnham's wider domestic programme.

At time of writing, the new Prime Minister has already announced that VAT on household electricity bills will be removed from 1 October as part of a package of measures aimed at easing cost of living pressures, saving the average household around £45 a year. The measure will be funded through savings elsewhere in government spending.

Burnham has also reaffirmed that his government will not increase the main rates of income tax, VAT or NICs, indicating that any future revenue-raising measures are likely to focus on other areas of the tax system.

SUSTAINABILITY

EU eases sustainability reporting

Revised reporting standards aim to reduce costs

The European Commission has adopted revised European Sustainability Reporting Standards (ESRS), significantly reducing the reporting burden for companies while maintaining the quality and usefulness of sustainability disclosures.

Announced on 3 July, the revised standards form part of the European Union's wider programme to simplify corporate reporting requirements. The changes reduce the number of mandatory disclosure datapoints by more than 60%, while cutting the overall volume of reporting requirements by more than 70%. The Commission estimates that the revisions will reduce reporting costs for companies by more than 30%.

Alongside the revised ESRS, the Commission has adopted a voluntary sustainability reporting standard for smaller companies outside the scope of the Corporate Sustainability Reporting Directive (CSRD). The aim is to provide a proportionate reporting framework while helping smaller businesses respond to sustainability information requests from customers, investors and lenders without complying with the full regime.

The Commission said that the changes respond to concerns that sustainability reporting requirements had become overly complex and costly, particularly for businesses with fewer resources. The revised standards are intended to focus reporting on information most relevant to investors and other stakeholders, while supporting the European Union's wider competitiveness agenda.

The reforms are likely to be relevant to UK businesses with operations in the European Union, and to advisers supporting multinational groups and clients with cross-border reporting obligations.

COMPLIANCE

HMRC proposes customer correction notices

New obligations for taxpayers to correct errors

HMRC has published draft legislation introducing a new statutory obligation for taxpayers to correct inaccuracies in tax returns and other documents once they become aware of them, alongside a new Customer Correction Notice regime. The proposals formed part of the government's Tax Update 2026 package published on 23 June, with draft legislation released on 13 July for technical consultation.

Under the proposals, taxpayers would be required to take reasonable steps to correct an error after it has been identified. HMRC would also gain the power to issue a Customer Correction Notice requiring a taxpayer to review their position and either correct the inaccuracy, make a disclosure or explain why no correction is required.

The government says the measures are intended to improve compliance by making expectations clearer and encouraging taxpayers to correct errors voluntarily, allowing HMRC to focus more of its compliance resources on complex cases. The proposals would also amend the penalty regime, including treating some uncorrected inaccuracies as deliberate if taxpayers fail to take reasonable steps to rectify them.

The consultation runs until 7 September. If implemented, the new regime would represent one of the most significant changes to the rules governing tax errors in recent years and is likely to prompt advisers to review procedures for identifying, assessing and correcting inaccuracies for their clients.

PERSONAL TAX

Government consults on Self Assessment reform

Proposals to collect more income tax through PAYE

The government has launched a consultation on proposals to collect more income tax through PAYE, reducing the need for some taxpayers to make balancing payments under Self Assessment. Published as part of the Tax Update 2026 package, the consultation explores how more tax could be collected in real time where HMRC already holds sufficient information, such as through employers and pension providers. The aim is to reduce the number of taxpayers facing unexpected liabilities at the end of the tax year, while simplifying the administration of Self Assessment.

The government says the proposals could improve the accuracy of tax collected during the year, reduce payment shocks for taxpayers and lessen the administrative burden associated with annual tax returns. Self Assessment would continue to play an important role for taxpayers whose affairs cannot readily be dealt with through real-time reporting.

The consultation runs until 15 September. Any reforms are not expected before the end of the decade. The proposals nevertheless represent a significant step in the government's longer-term ambition to modernise tax administration and reduce reliance on the traditional Self Assessment process.

COMPLIANCE

Consultation on HMRC enquiry powers

HMRC's information and inspection powers for the digital age

The government has published draft legislation to modernise HMRC's information and inspection powers, with the aim of making compliance checks more effective in an increasingly digital economy. Published on 13 July as part of the Tax Update 2026 package, the proposals would amend the information and inspection powers contained in Finance Act 2008 Sch 36, while also updating the legislation governing computer records in Finance Act 2008 s 114. The government says the changes will help to ensure that HMRC's powers remain fit for purpose as businesses increasingly store and manage records electronically.

Among the proposed changes are measures to improve HMRC's ability to obtain and process information during compliance checks, support international information exchange and update references to computer records to reflect modern technology. The reforms would also improve the operation of information notices. The measures form part of the government's wider programme to modernise tax administration and strengthen compliance powers.

The technical consultation closes on 7 September. Advisers are expected to examine closely how the revised powers could affect future compliance enquiries and the practical operation of information notices, particularly as businesses move towards fully digital record-keeping.

PERSONAL TAX

HMRC issues pension inheritance tax guidance

New guidance prepares advisers for April 2027 reforms

HMRC has published a technical note providing further detail on how unused pension funds and death benefits will become subject to inheritance tax (IHT) from 6 April 2027. Released on 14 July alongside draft legislation, the guidance explains how the new regime will operate in practice and the responsibilities of personal representatives and pension scheme administrators.

The guidance introduces the new 'Pensions Direct Payment Scheme', allowing pension scheme administrators to pay IHT directly to HMRC from pension death benefits in certain circumstances. It also explains the proposed use of 'withholding notices', enabling personal representatives to require pension scheme administrators to retain part of a beneficiary's entitlement until any IHT liability has been established and paid, helping to reduce the risk of underpaid tax where estates include unused pension funds.

Pension scheme administrators will face new administrative obligations, including providing valuations and information to personal representatives before probate has been granted in some cases. HMRC says further guidance and supporting tools will be published ahead of the changes taking effect in April 2027.

The guidance provides advisers with an early opportunity to prepare for the new processes and consider their impact on estate planning and pension death benefits.

EMPLOYMENT TAX

Supreme Court clarifies LLP tax rules

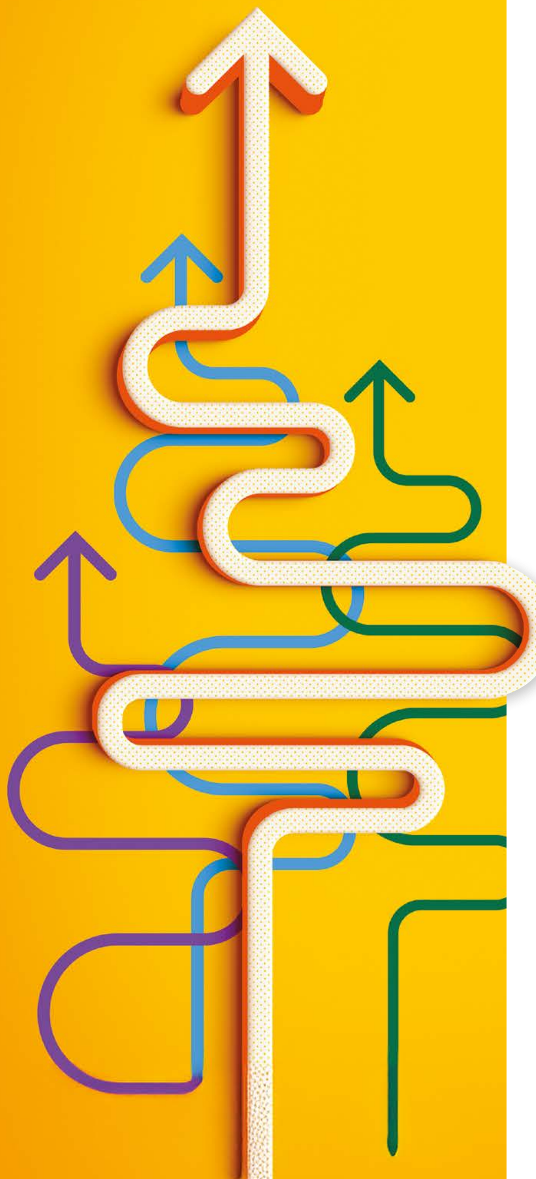
Implications for the professional services sector

The Supreme Court has unanimously dismissed BlueCrest's appeal against HMRC in *HMRC v BlueCrest Capital Management (UK) LLP* [2026] UKSC 18, providing important clarification on the application of the salaried members rules for limited liability partnerships (LLPs).

The judgment, handed down on 1 July, considered whether certain members of the hedge fund should be taxed as self-employed partners or as employees under the salaried members regime introduced in 2014. The Supreme Court upheld HMRC's position that most of the members' remuneration amounted to 'disguised salary'. It also clarified the test for determining whether an LLP member has 'significant influence' over the affairs of the partnership.

The court concluded that such influence must arise from the legally enforceable rights and duties conferred by the LLP agreement, rather than from an individual's seniority or day-to-day responsibilities. While the case has been remitted to the First-tier Tribunal to apply the correct legal test to the facts, the Supreme Court's interpretation is now authoritative.

Advisers believe the judgment will have implications across the professional services sector. LLPs that rely on the 'significant influence' condition to keep members outside the salaried members rules may wish to review their governance arrangements. HMRC has indicated that it will consider whether updates to its published guidance are required following the ruling.



Reducing the Tax Gap
The role of simplification

Tax simplification, clearer communication and better use of data can improve compliance, reduce errors and narrow the UK's Tax Gap.

by Bill Dodwell

The current government has set three objectives for HMRC: to improve customer service, modernise the systems used to manage the tax system, and reduce the Tax Gap. At the same time, many people comment that our tax system is too complicated.

What does simplification mean?

In 2021, the Treasury asked the Office of Tax Simplification to write a report on what is meant by simplification.

It actually did us some good to think more deeply about improving the tax system, and we came up with these principles:

- Tax simplification is not a policy objective in itself, but should be a core consideration for government to support taxpayers through the design, implementation and administration of tax policy.
- Lack of clarity on the purpose or outcome of the rules can impact productivity, growth and investment decisions, while unintended incentives create the potential for distortions.
- Undue administrative burdens and unclear obligations create costs for taxpayers, intermediaries, advisers and government.
- Simpler design should make compliance easier and cheaper for taxpayers, while also making the system easier for HMRC to administer.
- People should be empowered to make the right decisions through better understanding of the choices open to them.

Do governments think about tax simplification?

I suspect many people look through all the announcements at a Budget and wonder where tax simplification fits in.

The Scottish government's income tax rates illustrate the point:

SCOTTISH INCOME TAX RATES 2026 TO 2027

Taxable income	Tax rate	Band
up to £12,570	0%	Personal Allowance
£12,571 to £16,537	19%	Starter rate
£16,538 to £29,526	20%	Scottish basic rate
£29,527 to £43,662	21%	Intermediate rate
£43,663 to £75,000	42%	Higher rate
£75,001 to £125,140	45%	Advanced rate
Over £125,140	48%	Top rate

These rates, with six bands and unrounded thresholds, were designed so that a Scottish resident earning up to the median income pays less tax than someone in the rest of the UK. This munificent benefit is worth up to 50 pence per week. It is clearly a matter of political judgement as to whether this is worth the complexity it adds to the tax system.

Westminster hasn't helped. There was originally a very good reason not to devolve the taxation of savings income to Scotland: the withholding of 20% basic rate tax from interest. But that has not applied for many years and is highly unlikely to return. Yet savings income still has not been devolved, so the unlucky Scottish taxpayer has little chance of working out their tax liability or understanding their effective rates.

I believe that economist and Financial Times commentator Professor John Kay wrote that VAT was only possible thanks to the development of computers. Today, the same applies to income tax.

Key Points

What is the issue?
The government has made reducing the Tax Gap one of HMRC's key objectives, but achieving this will require more than increased compliance activity. Simpler tax rules, better use of data and clearer communication all have an important role to play.

What does it mean to me?
Tax advisers should expect HMRC to make increasing use of third-party data and analytics to improve compliance, while continuing to focus attention on the small business sector, which accounts for the largest share of the Tax Gap.

What can I take away?
Reducing the Tax Gap is not simply about more enquiries. Tax simplification, better-designed systems, improved taxpayer understanding and effective use of technology can all help to improve compliance and reduce errors.

© Getty images

Lots of people will think of the High Income Child Benefit Charge here. Sir David Gauke was the tax minister at the time, and he has commented on a number of occasions that the government was aware of the complexity of the charge, but that the policy aim was to remove benefits from households where one person earned over £50,000.

I don't think we, as technical people, can object to the charge simply because it is more complicated. However, we can justifiably ask whether the Treasury and HMRC devoted sufficient resources to minimising the compliance burden on individuals and households.

The High Income Child Benefit charge also highlights another point. Tax is frequently used as part of a wider policy objective. Why wasn't the DWP asked to introduce a means test on child benefit? The answer is that it did not have the capability. Only HMRC has the ability to levy charges on a wide range of individuals and businesses.

It's hard to introduce simplification

Timing

The first challenge with any programme to improve our tax system is that it takes time, even when the decision makers are on board. Take, for example, an OTS report, 'Making better use of third party data'. Our individual tax system is built around PAYE, introduced in 1944. PAYE has evolved, including the addition of National Insurance and benefits in kind. However, it still covers just over 80% of income tax liabilities. What opportunities are there to add extra sources of third-party reporting?

The OTS report was published in July 2021. In April 2023, HMRC issued a consultation, followed by another in 2025, both referencing the OTS work. That has led to legislation and, from April 2028, the system for reporting bank and building society interest to HMRC will be greatly improved, alongside enhancements to card data. This length of time is necessary because both HMRC and data providers need to build systems to manage the data.

Part of the change requires banks and building societies to obtain a taxpayer's National Insurance number, which is fundamental to making sure that data ends up in the right place rapidly. I think HMRC is on record as saying that it currently matches about 80% of interest data to individual taxpayers; the new system should boost that to over 95%.

This project illustrates the link between simplification and better compliance. There is no doubt that it will reduce the tax gap, as not everyone with taxable income reports it. And I do not mean maliciously – we simply don't make it easy for individuals to report income outside the Self Assessment regime. The key point, however, is the length of time it takes to introduce something of this scale.

Lack of political credit

One area of complexity is the basic point that not all business expenses are tax-deductible. Of course, it is understandable that there are no deductions for penalties and entertaining, as a matter of public policy. But the nuances over capital and revenue costs are surely unhelpful. Why is there no tax relief for the cost of surveying the seabed to locate wind turbines? Why are the costs of entering into a short lease not deductible, while the costs of renewing it are? Why is there no tax relief for refurbishing a property to let, or installing the usual white goods, yet the costs of replacing existing ones are allowable?

> **The first challenge with any programme to improve our tax system is that it takes time.**

In the world of micro business and micro landlords, we can expect that many claims for business expenses simply go through without anyone realising. In many cases, people in business and landlords will simply claim for business costs. Even when a tax adviser explains the rules, many will see them as making little sense. It is not helped by the fact that the cash basis ignores most of these issues.

Of course, if you're in the Treasury, you are probably thinking it is unlikely that time or money will be found to fix these obvious problems. But that doesn't alter the fact that the UK is out on a limb compared to other countries in not simply allowing business expenses to be deductible. It is one of the reasons why overseas investors regard the UK tax system as complex.

Intractable VAT

There's a lobby to broaden the UK VAT base by removing zero rates and exemptions. The problem, of course, is that voters believe that they bear the cost of VAT.

We all know that better-off people spend more on food because they have more money than less well-off people. But we surely know that if a future government abolished zero-rating on food, it would not only need to develop a new welfare system to support lower-income people but also work out how compensation should be provided. This would be a huge challenge – and it would not address the fundamental problem that voters would not be confident in the fairness of the outcome.

It seems to me that a more helpful approach would be to look at VAT boundaries.

There are tens of thousands of small cafés in the UK. Their owners have to struggle not only with the arcane boundaries within VAT, but also with the unbelievably complex VAT notices and commentaries.

Could we not explore some limited simplification? Cafés face strange and different rules for takeaway food and drinks, as well as differences between cakes and biscuits. Providing, for example, that anything cold taken away should be zero-rated would help a lot. And what about savoury snacks? Potato crisps are standard rated but corn-based chips are not. This encourages manufacturers to reformulate some of their products.

Could government ask HMRC to undertake reviews of areas like these and present them to voters as measures that would help small businesses?

The Tax Gap

The latest Tax Gap data was released on 23 June 2026 (see tinyurl.com/2xy4vcwj). The figures show that the estimated Tax Gap has increased since the 2025 report. The cash value is now estimated to be £59.2 billion for 2024-25, while the gap is at 6.4% of total theoretical tax liabilities.

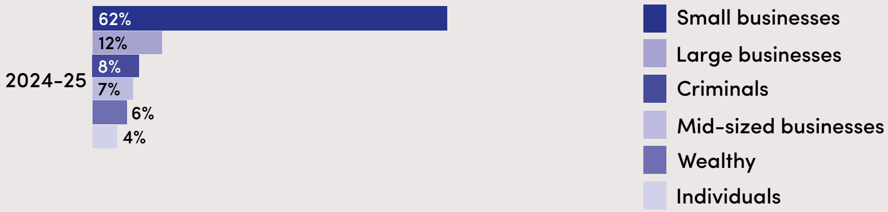
We should welcome HMRC's new approach of recognising that relatively firm estimates can be given for three years ago, while the two most recent years are presented as projections. The 2026 figures show that the estimates made last year were too low and the new 'indicative range' suggests that in all likelihood the Tax Gap didn't drop below 6%.

Although large businesses and wealthy individuals often dominate public debate, HMRC estimates that small businesses account for 62% of the overall Tax Gap. As the figure ***The tax gap by taxpayer group*** shows, this makes the small business sector by far the single biggest contributor to the gap and explains why improving compliance in that sector is likely to have the greatest impact on reducing the Tax Gap.

Small business compliance checks

HMRC's 2024-25 Annual Report reveals that the Department carried out 316,000 compliance checks during the year. This government has also funded HMRC to

THE TAX GAP BY TAXPAYER GROUP



HMRC'S GROWING USE OF THIRD-PARTY DATA

Everywhere we look, we see a growing need for data so that HMRC can make appropriate enquiries as part of its strategy to improve compliance and reduce the Tax Gap. Potential sources of information include:

- country-by-country reporting to tax authorities;
- the International Controlled Transactions Schedule (ICTS);
- the recently closed consultation on data from directors' loan accounts; and
- the recently introduced and forthcoming third-party data provision to HMRC and other tax authorities, including bank and building society interest, platform sales, crypto assets, and credit and debit card data.

This is a deliberate strategy to gather more and better data so that analytics can support upstream and downstream responses. Upstream means preventing errors through legislative or administrative change, or by alerting taxpayers to possible issues before they file.

HMRC's Transformation Roadmap also highlights significant investment in data capture and processing. This raises wider questions about the future direction of the tax system. For example, should we consider dropping the use of simplified three-line accounts within Making Tax Digital if more detailed reporting could improve compliance?

Better data not only improves tax compliance but can also benefit taxpayers. Pre-population is the obvious benefit, whether through more accurate tax codes for PAYE, figures automatically included in Making Tax Digital and Self Assessment returns, or by displaying data that HMRC holds from taxpayers' online accounts and the HMRC app, so that it can be checked before returns are submitted.

increase its compliance workforce by an additional 5,500 people over five years. We can all work out that even if most of those new recruits focus on micro business and individuals, there will still be limited checks covering the UK's 5.5 million micro businesses and landlords.

There is also a big question around the value of a micro business check, given that the additional tax recovered per taxpayer is so much lower than for Large Business and Wealthy & Mid-size taxpayers.

However, there is a widespread belief that the likelihood of an enquiry is lower today than it was in the past. Arun Advani of Warwick University published a paper some years ago on the value of tax audits, noting that taxpayers paid more attention to compliance for several years after an audit, before gradually slipping back into old habits.

This suggests that there is a benefit to the Exchequer, and perhaps to overall tax morale, in HMRC increasing the number of compliance checks into micro businesses.

> **There is a widespread belief that the likelihood of an enquiry is lower today than it was in the past.**

Other approaches to small business

However, closing the Tax Gap will require other approaches. Most people in business assume that all their expenses are tax-deductible. They often struggle to distinguish expenses deemed to be personal.

The difference between subsistence costs and entertaining can sometimes be blurred. Someone working in a café may buy a coffee and something to eat while using the café's Wi-Fi – but is that a personal cost? By contrast, paying more for a desk in a shared workspace often brings free drinks and food, which are treated as incidental to the deductible cost of the workspace.

Should we update the rules so that they are more aligned with modern working practices? We might also consider introducing flat-rate allowances for certain categories, such as home-working expenses or the cost of broadband. Better use of data is another important part of HMRC's strategy to reduce the Tax Gap (see ***HMRC's growing use of third-party data***).

Back to simplification: language

Every profession, activity and business organisation has its own beloved jargon. We sometimes assume that the objective is to make taxpayers learn our tax jargon, instead of thinking about how normal people might understand it.

Perhaps the most egregious example is the Self Assessment tax return. What does that term mean to any normal person? There isn't actually any element of 'self' in it. HMRC specifies the exact information it requires through the layout of the return. It then performs the tax calculation or requires third-party software to use its calculation. Wouldn't it be simpler just to call it a Personal Tax Return?

In conclusion

Closing the Tax Gap works best when it is combined with simplification. Looking again at tax reliefs and how they align with modern practice could reduce error at relatively modest cost. We also need to make tax easier to understand by adapting our language, rather than expecting taxpayers to learn ours.

Third-party data, and the many ways it can be used, will help both taxpayers and HMRC to reduce the Tax Gap. Pre-population has clear benefits, but we must also consider the risks and the question of taxpayer responsibility.

Embedding tax rules within software could also improve compliance, but it would need some reconsideration of the underlying rules. Setting consistent, enforceable standards for software developers is important, and working out how best to bring everyone along will take time and broad discussions.

This article draws on the Hardman lecture delivered by the author on 29 June 2026.

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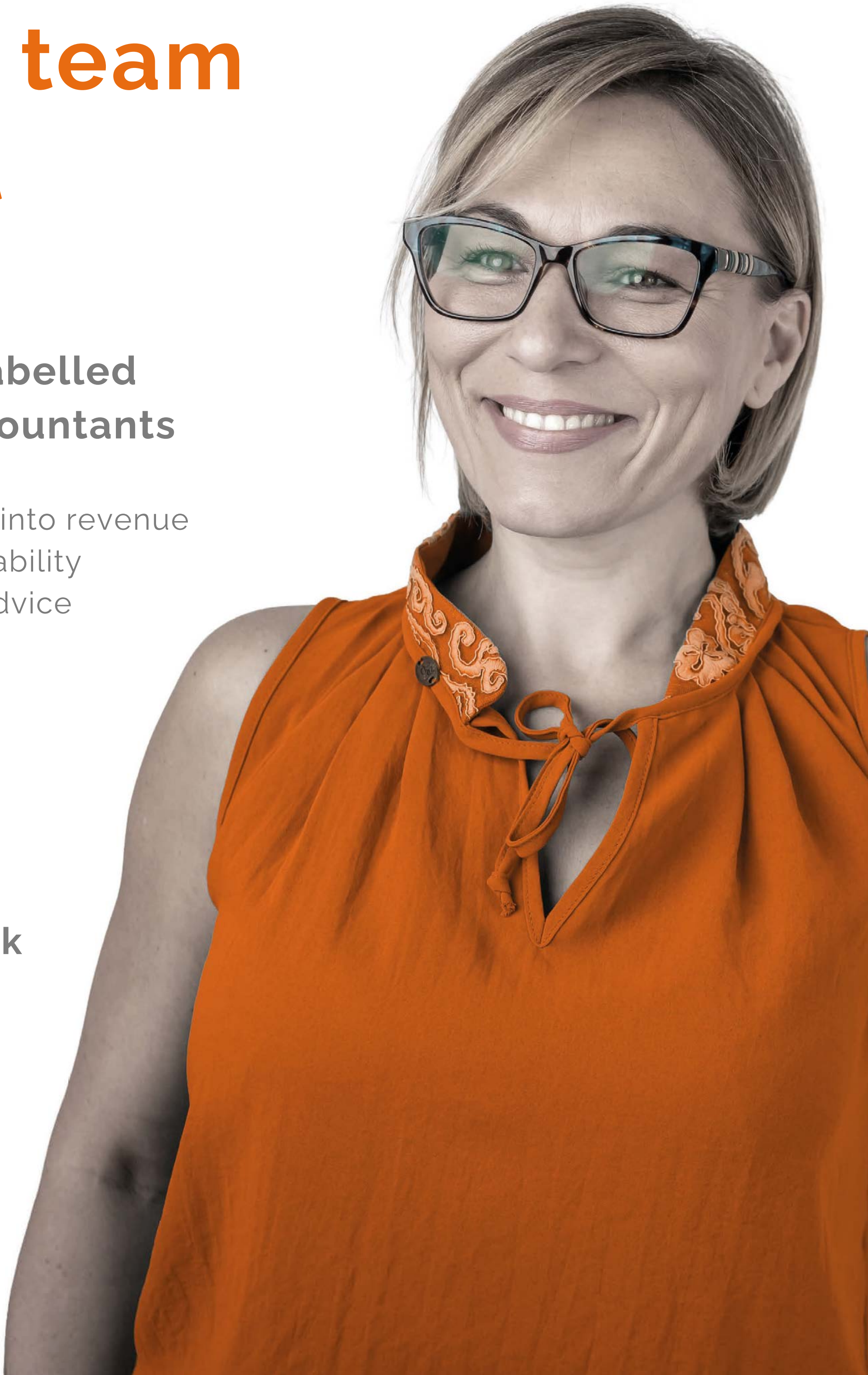

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The option to tax
A strategic solution

The option to tax is a cornerstone of VAT strategy, enabling recovery of input tax while managing risks in property transactions.

by Greg McNally

Key Points

What is the issue?
The default VAT exemption for most commercial property transactions prevents recovery of input tax and can trigger significant Capital Goods Scheme clawbacks, making property deals less profitable unless managed carefully.

What does it mean to me?
Using the option to tax can enable input tax recovery and protect against Capital Goods Scheme liabilities, but it brings complexity, including strict notification rules and risks of disapplication.

What can I take away?
The option to tax is a powerful but technical tool that must be applied correctly and monitored over time. Understanding disapplication risks and transaction structuring is essential, and professional advice is often needed.

For any business involved with property, understanding the VAT implications is critical. The default VAT treatment for most sales and leases of commercial property is exempt.

While this may sound straightforward, it creates a significant problem: any VAT incurred on costs related to that property – such as purchase, refurbishment or professional fees – cannot normally be recovered. This can turn a profitable project into a financial drain.

Furthermore, making an exempt supply of a high-value property can trigger a substantial clawback of VAT recovered years earlier under the Capital Goods Scheme. Fortunately, there is a vital strategic tool that allows businesses to take control of this situation: the option to tax. This article will demystify the option to tax, explaining what it is, how to use it, and the critical pitfalls to avoid.

What is the option to tax?

The option to tax is a choice a business can make to change the VAT treatment of a property. It allows a person to charge standard-rated VAT on supplies of land or buildings that would otherwise be exempt.

The primary benefit is clear: by converting exempt rental income or a sale into a taxable supply, the business can recover the input tax on related costs. This directly addresses the problem of irrecoverable VAT and is the main driver for most decisions to opt to tax.

Crucially, the option attaches to the 'taxable person' for that specific property, not to the property itself. An option to tax does not pass automatically with the building and is a choice for each party.

How to opt to tax

Exercising an option to tax is a formal two-stage process that must be followed correctly for it to be valid:

1. **The decision:** The first step is to make a clear decision to opt to tax a specific property. This decision should be formally recorded (for example, in board minutes) and should state the property's address and the date the option is to take effect.
2. **Notification to HMRC:** The option only has legal effect once HMRC has been notified in writing. This notification must normally be made within 30 days of the decision, typically using Form VAT1614A. While HMRC has discretion to accept belated notifications, this is not guaranteed and requires clear evidence that the decision was made at the time claimed; for example, evidence that VAT has been charged and accounted for in line with the option.

An option to tax takes effect from the date specified in the decision, but it can never be applied retrospectively. Once made, it covers all future supplies of that property (including the entire building and its curtilage) made by that person until the option is revoked or disapplied. The option remains in place even if the building is later demolished.

This is a key point: notification can be backdated where you can demonstrate that a decision was made (for example, where VAT has been charged). However, the decision itself cannot be backdated.

It is important to note that HMRC no longer issues letters to acknowledge or confirm the receipt of an option to tax notification. If a notification is sent by email, an automated response will be generated, which serves as proof of receipt. For postal notifications, no acknowledgement is issued. The legal effect of the option is not dependent on this acknowledgement.

When is permission to opt to tax required?

A business cannot always opt to tax freely. If you have previously made exempt supplies, you may be required to obtain prior written permission from HMRC.

Permission is sought by submitting Form VAT1614H. HMRC will grant permission only if satisfied that it will result in a 'fair and reasonable' attribution of input tax. This may involve HMRC negotiating a special partial exemption method with the taxpayer to ensure fairness, particularly where the Capital Goods Scheme applies.

However, prior permission is not required if you meet one of the 'automatic permission conditions' set out in HMRC's guidance. These conditions cover situations where there is no prior exempt income or the risk of tax avoidance is low; for example, where the only exempt supplies were incidental to the main use of the property, or where the taxpayer agrees not to recover any pre-option input tax.

Revoking an option to tax

An option to tax is a long-term commitment, but it is not necessarily permanent. It can be revoked in specific circumstances:

- **The 20 year rule:** An option can be revoked 20 years after it first took effect. This is subject to conditions, one of which is that the property must no longer be subject to Capital Goods Scheme adjustments. Revocation is notified on Form VAT1614J.
- **The six month 'cooling-off' period:** An option can be revoked within six months of being made, provided no VAT has become chargeable as a result of the option and no additional input tax has been claimed.
- **Automatic revocation:** If the person who opted holds no interest in the property for a continuous six year period, the option is automatically revoked, subject to certain anti-avoidance exceptions.

Disapplying an option to tax

An option to tax is powerful, but it is not absolute. There are important situations where an option is 'disapplied', meaning it has no effect and the supply remains exempt by law.

Certain supplies are always exempt, regardless of whether an option to tax is in place. The most common example is the supply of a building intended for use as a dwelling or for a relevant residential purpose (such as a care home).

There are other ways, typically involving certification, to disapply an option to tax, but there is a commercial risk to be aware of. These forms are designed to reinstate the exemption and prevent irrecoverable VAT being charged to certain buyers, but they can have an unexpected financial impact on the seller. The most common certificates include:

- **Form VAT1614D:** issued by a person intending to convert a non-residential building into dwellings;
- **Form VAT1614G:** issued by a housing association acquiring land or buildings to construct affordable housing; and
- **Notification from a charity:** A buyer or tenant can disapply the option by confirming that the building will be used for a relevant charitable purpose (other than as an office). While no specific form is mandated, written confirmation is essential for the supplier's records.

When a seller accepts one of these certificates, they are legally prevented from charging VAT and the supply becomes exempt. This is where the link to the Capital Goods Scheme becomes critical. An exempt sale of a property that is still within its ten year Capital Goods Scheme adjustment period can trigger a clawback of previously recovered VAT.

Consider a developer who bought development land for £2 million plus £400,000 VAT three years ago, recovering the VAT in full and making minimal taxable supplies. They now agree to sell it for £2.5 million to a housing association, expecting to charge VAT. However, the housing association issues Form VAT1614G, disapplying the option. The sale is now exempt.

- **The consequence:** The exempt sale triggers a clawback of the VAT attributable to the remaining seven full years of the adjustment period.
- **The clawback calculation:** This amounts to: (£400,000 VAT / 10 years) x 7 years = **£280,000.**

The developer is suddenly faced with a £280,000 VAT liability. The guidance makes clear that disapplication cannot be agreed once the price has been settled. The seller must be given the opportunity to consider the impact of making an exempt sale so that it can increase the price or withdraw from the deal.

In this example, the developer would have needed to increase the exempt sale price to £2.78 million to achieve the same net return. This demonstrates the risks of accepting a disapplication certificate, and the need to assess any financial impact of disapplication before contracts are concluded.

The strategic dimension

The option to tax is not just about recovering VAT on day-to-day costs; it is also a crucial defensive tool. For example, a fully taxable business that buys a warehouse and recovers the VAT in full could face a significant Capital Goods Scheme clawback if it later sells that property without an option to tax in place. By exercising an option *before* the sale, the supply would have become taxable and the clawback would have been completely avoided.

The rules are also designed to prevent abuse. A complex anti-avoidance test can disapply an option to tax. This is primarily aimed at arrangements where a property is developed and then occupied by the developer, a connected person or a financier for exempt or non-business purposes.

The test is triggered if, at the time of the grant, the following apply:

- The property is, or is expected to become, a capital item for Capital Goods Scheme purposes.
- The grantor, a development financier or a person connected to them intends to occupy the property.
- The occupier's use is not 'wholly or substantially wholly' for making taxable supplies (known as 'eligible purposes'), with 'substantially wholly' defined as at least 80%.

If these conditions are met, the option is disapplied, the supply becomes exempt and input tax recovery is blocked. There are, however, de minimis thresholds that can prevent disapplication, such as occupation of no more than 2% of a building by a grantor or of 10% by a financier.

Transfers of a going concern

The interaction between the option to tax and transfers of a going concern (TOGC) rules is a critical area where mistakes can have disastrous consequences. For the sale of a property rental business to be treated as a TOGC (and therefore outside the scope of VAT), specific conditions must be met.

If the seller has opted to tax the property, the buyer must also opt to tax the property and notify HMRC before the 'relevant date' (usually the date of completion or, if earlier, the date a deposit is paid directly to the seller). The buyer must also notify the seller that their option will not be disapplied under the anti-avoidance rules.

Failure to follow this sequence can be costly. If the buyer opts to tax after completion, the TOGC conditions are not met. The transaction becomes a standard-rated supply, and the seller is then normally required to charge VAT on the full sale price. This leads to a huge, unplanned VAT liability for the buyer and potentially significant additional stamp taxes.

In conclusion

The option to tax is an indispensable tool for managing VAT on property. It enables recovery of input tax that would otherwise be lost and provides a vital defence against the long-term hazards of the Capital Goods Scheme.

However, this is not a decision that can be made and then disregarded; it requires ongoing diligence. The rules are complex and the commercial implications – particularly the risk of disapplication and the strict requirements for TOGCs – are significant. Understanding when an option can be overridden by a buyer is essential for protecting the financial outcome of a deal.

Due to the substantial sums often involved, businesses should always seek professional advice before making, or refraining from making, an option to tax.

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Key Points

What is the issue?
The restriction of business relief from 6 April 2026 means many business owners may face significant inheritance tax liabilities for the first time.

What does it mean for me?
Business owners should review their succession plans early to ensure there is a strategy to fund or manage any inheritance tax exposure.

What can I take away?
Lifetime gifts, trusts, insurance, liquidity planning and, in some cases, international structuring may all help, but require careful, tailored advice.

From relief to exposure

Estate planning for business owners

Business owners should review succession plans following business relief reforms, using practical strategies to manage, fund or reduce inheritance tax exposure.

by Tom Evennett

Many shareholders in family and owner-managed businesses will face an inheritance tax exposure on succession that previously may not have existed. The new combined £2.5 million allowance applies to the value of property that would otherwise qualify for 100% business relief or agricultural property relief (APR). Qualifying value above that allowance will generally receive relief at 50%, producing an effective inheritance tax rate of 20% on that excess, assuming the 40% death rate applies.

For high-value private company shareholders, this can create a significant liquidity problem. A £50 million trading company that previously might have passed free of inheritance tax could now give rise to a £9.5 million liability, before taking account of other reliefs or exemptions. This article focuses on the practical considerations for shareholders who hold qualifying business assets and have not yet considered how the post-6 April 2026 business relief rules will affect their succession plans. It does not cover the detailed mechanics of the new business relief regime, the tests for qualifying assets or the excepted asset rules in detail, except where noted below.

Commercial and family considerations

Before turning to the tax analysis, the shareholder's family position, commercial objectives and wealth aspirations should be considered. Relevant questions include:

- Does the shareholder have a spouse or civil partner?
- Does the shareholder wish to pass the business to the next generation?
- Are children or wider family members involved in the business and capable of assuming ownership or management responsibility?
- Is the business likely to be sold, retained, transferred to the next generation or managed by non-family executives?
- Does the shareholder have philanthropic ambitions?
- Does the shareholder wish to protect the business for future generations?
- Could the shareholder or their family cease to be long-term UK resident?

These objectives will often determine whether outright gifts, trust structures, insurance, shareholder agreement changes or a sale are appropriate options. Once they have been explored and understood, the tax position can be considered. The changes to the operation of business relief and APR from 6 April 2026 make that analysis more complex, and planning should retain sufficient flexibility to accommodate changes in personal circumstances, the economic environment and future tax rules.

The 'do nothing' scenario

Once the non-tax considerations have been addressed, it is helpful to consider the practical effect of the new rules. For example, a shareholder who dies owning a £50 million private trading company could face a significant inheritance tax liability under the post-6 April 2026 regime.

Assumptions:

- The deceased held 100% of the shares in a private trading company valued at £50 million.
- The shares qualify in full for business relief, including 50% relief on the value above the £2.5 million allowance. There are no excepted assets or non-qualifying subsidiaries, although this should be kept under review.
- The nil-rate band has already been used against other assets.
- No spouse or civil partner exemption applies.
- Only one £2.5 million 100% relief allowance is available. No transferable allowance is claimed.

On these assumptions, the £2.5 million allowance shelters the first part of the value in full. The remaining £47.5 million receives 50% relief, leaving £23.75 million chargeable to inheritance tax. At 40%, the resulting liability is £9.5 million. See the calculation in the box above.

Where a transferable spouse or civil partner allowance is available and claimed, the 100% relief allowance could increase to £5 million. In that scenario, £45 million would be subject to 50% relief, resulting in a chargeable value of £22.5 million and inheritance tax of £9 million.

Share valuation is critical in determining inheritance tax exposure. Professional valuation advice should be sought, particularly where issues such as minority or control discounts, shareholder rights or recent arm's length transactions may affect the valuation.

The options broadly fall into four categories: funding the liability; transferring value during lifetime; preserving relief; and considering residence and situs issues. Due to the inheritance tax reforms, lifetime options may warrant review even where no immediate action is required.

CALCULATION:

Item	£
Value of shares	£50 million
Less: 100% business relief on first £2.5 million	(£2.5 million)
Balance subject to 50% relief	£47.5 million
Less: 50% business relief on balance	(£23.75 million)
Chargeable value	£23.75 million
Inheritance tax at 40%	£9.5 million

Liquidity considerations

The central question is how the inheritance tax liability will be funded. Even with the instalment regime, an estate needs sufficient funds to meet the liability over time without destabilising the business. Advice should consider the cost of funding, including any tax cost of extracting funds from the company.

1. Instalments

From 6 April 2026, property qualifying for business relief or APR falls within the interest-free instalment regime, subject to the statutory conditions. Broadly, the tax attributable to qualifying property may be paid in ten equal annual instalments if written notice is given to HMRC.

For a transfer on death, the first instalment is due six months after the end of the month of death. Instalments on property qualifying for business relief or APR are generally interest-free where the statutory conditions are met and each instalment is paid on time.

The instalment regime is a cash-flow mechanism rather than a funding solution. The tax remains due in full; the instalments merely spread the payment obligation over time. The unpaid balance may become due immediately if the relevant property is sold. Interest may also arise in certain circumstances, including a late assessment, an increase in the tax payable or a sale of the property. In the £50 million example above, instalments may reduce the immediate liquidity pressure, but they do not remove the need to fund the £9.5 million liability over time.

2. Life assurance

One option is a whole-of-life or term insurance policy providing a dedicated sum to meet inheritance tax liabilities. Where policies are written in trust for the intended beneficiaries, the proceeds should generally fall outside the insured's estate for inheritance tax purposes, provided the trust is properly established and maintained.

The cost of premiums must be weighed against the benefit, particularly for older or higher-risk policyholders. Cover should be reviewed periodically against the value of the business and the expected inheritance tax exposure.

3. Company-funded

The company itself may provide the source of funds. Potential mechanisms include a post-death buyback of shares, the redemption or cancellation of shares, a loan or a dividend. Where a post-death purchase of own shares is contemplated, advisers should consider the company law requirements, including distributable reserves, together with the tax treatment of the payment received by the estate. Where such a purchase is used to fund inheritance tax, advisers should also consider the specific inheritance tax provisions dealing with company purchase of shares from an estate. These include the requirement that the proceeds are applied in satisfaction of inheritance tax within the relevant period and the restrictions where the liability could reasonably be met from other resources without undue hardship. The income tax treatment of a purchase of own shares should not be assumed to be capital in nature: income treatment may apply unless the statutory capital treatment conditions are satisfied.

All options require careful analysis of the relevant company law requirements, together with the income tax, capital gains tax and corporation tax consequences.

Depending on the route under consideration, key areas are likely to include the transactions in securities rules, business relief qualification, excepted asset status and, where relevant, the loans to participators rules. Share valuations may also be advisable.

In short, funding an inheritance tax liability by extracting funds from the company may be an option, but it raises significant complexity because of the number of potentially interacting rules. Whether it is appropriate will depend on the precise facts and circumstances.

4. External liquidity reserves

Building a separate investment pot outside the trading company can provide liquidity to meet inheritance tax on the business assets. However, that fund may itself form part of the inheritance tax estate. To meet the £9.5 million liability in the example above, a separate investment fund of around £16 million would be required if that fund is also subject to inheritance tax at 40%. The fund would need to grow broadly in line with any increase in the value of the business and the associated inheritance tax exposure, requiring periodic review.

Lifetime transfers

Transferring value during lifetime remains one of the most effective ways of reducing the value of the death estate, although the reforms introduce some additional considerations.

1. Outright gifts

An outright lifetime gift can be effective where it fits the shareholder's overall succession and wealth plan and there are appropriate family members to receive the shares. A lifetime gift of shares to an individual will generally be a potentially exempt transfer.

If the donor survives seven years, the gift falls outside the scope of inheritance tax. This may be relevant for shareholders who wish to pass on their businesses during lifetime, whether by a single transfer or a series of gifts, although the seven-year window applies to each gift. However, there are tax considerations for such a transfer:

- Gifts between connected persons, including shareholders and their children, are treated as deemed disposals at market value for capital gains tax purposes. Gift relief under TCGA 1992 s 165 may prevent an immediate capital gains tax charge, but eligibility should be considered at an early stage. In particular, the residence position of the donee, the nature of the shares and any later change in residence within the clawback period should be reviewed, as relief may be restricted or clawed back.
- If the donor dies within seven years, the potentially exempt transfer becomes chargeable. Business relief may still be available on death, but the conditions must be tested carefully, including whether the donee still owns the relevant business property or qualifying replacement property at the relevant dates.

For example, where the shares were gifted in full five and a half years before the donor's death, assuming they continue to qualify for business relief and ignoring the nil-rate band position, the donee would likely face an inheritance tax liability of £3.8 million after business relief and taper relief. In this scenario, tax would be charged at 40% of the usual 40% rate due to the application of taper relief.

Although this is £5.7 million less than the 'do nothing' scenario, it remains a substantial liability. Subject to the wider planning undertaken, donees may therefore wish to consider term life assurance on the donor's life during the seven-year period to provide liquidity should inheritance tax become payable.

2. Discretionary trusts

Where a shareholder does not wish to gift shares directly to descendants, or is not yet sure who should receive them, a discretionary trust may be appropriate.

Unlike a direct gift to an individual, a gift to a discretionary trust is a chargeable lifetime transfer and may give rise to an immediate inheritance tax charge. Before 6 April 2026, the chargeable lifetime transfer may have been reduced to nil where unrestricted 100% business relief was available. From 6 April 2026, however, 100% business relief is available only within the £2.5 million allowance and a lifetime transfer may therefore give rise to an immediate inheritance tax charge.

A phased programme of transfers into trust may be considered, although the interaction between the £2.5 million allowance, the donor's cumulative transfer history, the relevant property regime and possible death within seven years should be carefully modelled. As with direct gifts, there are other tax considerations:

- A gift into a discretionary trust is treated as a disposal by the donor and could trigger capital gains tax. Holdover relief under TCGA 1992 s 260 may be available for gifts that are chargeable transfers for inheritance tax purposes, and s 260 may apply even where the inheritance tax charge is reduced by business relief. The availability of s 260 is wider than that of s 165 gift relief, but restrictions must still be considered, including where the trustees are non-UK resident, the settlement is settlor-interested or residence-related clawback rules apply.
- Where the donor dies within seven years of the gift into trust, further inheritance tax may arise, depending on the extent to which the transfer is covered by 100% business relief.
- Trusts also involve ongoing costs, including ten-year and exit charges, which should be modelled alongside the shareholder's longer-term succession objectives.

Other lifetime planning options with additional advice may also be appropriate. Selling shares to family members and crystallising an upfront capital gains tax charge can be advantageous. Similarly, the bifurcation of shareholdings could support an orderly transfer of future growth in the business to the next generation.

International considerations

A business expanding globally may already be assessing whether a new international holding company structure would deliver commercial benefits. In that context, the shareholder's personal tax residence position should also be considered.

An individual who has been UK resident for at least ten of the previous twenty tax years will generally be treated as long-term UK resident and within the scope of UK inheritance tax on their worldwide assets. If they later become non-UK resident, they may remain within the scope of UK tax for between three and ten tax years, depending on their prior UK residence history.

Once an individual is no longer long-term UK resident, non-UK assets should generally fall outside the scope of UK inheritance tax, subject to important exceptions including UK-situs assets, UK residential property-related rules, trust rules and anti-avoidance provisions. Where the individual also holds shares in a non-UK holding company that are not caught by those exceptions, it may be possible for those shares to pass on death without a UK inheritance tax charge.

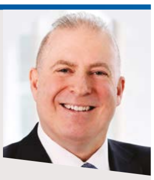
Such planning would only be appropriate where there is a genuine commercial rationale for an international holding structure and where it also aligns with the family's wider aims. Even then, the planning requires careful consideration of the particular facts and circumstances before any action is taken. Relevant issues include the statutory residence test, the transfer of assets abroad and settlements rules, capital gains tax exit and reorganisation issues, UK situs and UK residential property-related rules, relevant estate or inheritance tax treaty positions. From a corporate perspective, transfer pricing, economic substance, CFC rules, interest deductibility and withholding tax should also be considered.

In conclusion

For family and owner-managed businesses, succession planning extends beyond tax. Commercial and family objectives should be considered before assessing how the reforms might affect a shareholder's succession plan. However, the reforms to business relief mean that, for shareholders in businesses valued significantly above the £2.5 million allowance, there may now be a real and material inheritance tax liability where none was previously expected.

Opportunities remain to prepare for, fund or mitigate the liability. The instalment regime, lifetime transfers, insurance and international considerations may all have a role. However, each requires careful analysis of the specific facts and circumstances, together with sufficient time for implementation.

Inaction carries an increasing cost. As business values grow, so does the potential inheritance tax exposure. Business owners should address these issues early enough to evaluate the available options, implement an appropriate strategy and seek professional advice.



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Wimbledon tax traps
Corporate entertaining

Hospitality events can carry significant tax costs. Understanding the different treatment of client and staff entertaining helps businesses avoid unexpected liabilities.

Key Points

What is the issue?
The tax treatment of corporate hospitality events varies depending on whether clients, staff or a combination of both attend.

What does it mean to me?
Businesses need to distinguish between client, staff and mixed-attendance events, understand exemptions, and ensure any employment and corporate tax liabilities are dealt with correctly.

What can I take away?
Keep clear records of attendees, costs and business purpose, as poor record-keeping can lead to HMRC challenges, penalties and incorrect tax treatment.

by Simon Warne, Peter Bowles and Sarah Ousby

Wimbledon season is almost upon us: the sun is shining, the grounds crew are maintaining the impeccably mowed lawns and the iconic strawberries are ripening, ready for consumption in their thousands. For many businesses, hosting clients and staff at this quintessential British event is the epitome of summer indulgence. However, with HMRC paying close attention to sporting event hospitality, businesses need to take care to avoid turning a day at the tennis into a tax headache.

In this article, we have assumed that entertaining is not the company's trade, the entertainment is provided as a perk, and the business is VAT registered.

High level overview

Wimbledon hospitality costs for client entertaining generally receive no corporation tax relief, making such events tax inefficient. This article clarifies the distinction between client and staff entertaining and highlights common pitfalls.

- Staff-only entertainment events where the total cost does not exceed £150 per head (including VAT) may qualify for corporation tax deductions and income tax exemptions under the annual function exemption.
- Mixed client and staff events require careful cost allocation.
- The mix of staff and client attendees determines the corporation tax, VAT and employment tax treatment and therefore impacts the overall cost.
- Companies must maintain clear records and identify expenditure relating to clients, employees and private purposes. Poor record-keeping can lead to penalties and incorrect tax treatment.

Determining the correct tax treatment

A common misconception is that because client entertaining has an obvious commercial purpose, it should be tax deductible. However, UK tax legislation includes specific restrictions on relief for business entertaining.

The default position for client hospitality costs is that corporation tax relief is denied for the entire client-related expenditure under Corporation Tax Act 2009 s 1298. In addition, input VAT attributable to business entertaining of non-employees is generally irrecoverable. This includes all associated costs of provision, such as the costs of tickets (including debenture tickets), hospitality packages, food and drink, and related travel and accommodation. The restriction applies regardless of the commercial justification for the expenditure, including generating new business or maintaining existing client relationships.

In practice, however, Wimbledon events are rarely pure client entertainment. Employees will attend alongside clients in most cases, meaning the tax treatment of hospitality expenditure depends on the nature and purpose of the event as a whole.

The key question is whether the event is principally intended to entertain existing or prospective clients, or whether it is staff entertainment provided in connection with employment. Where the primary purpose is client entertainment, the attendance of employees in a hosting capacity does not alter the corporation tax position. The expenditure remains business entertainment and is not deductible in computing taxable profits. This treatment generally extends to employee travel and subsistence costs incurred in facilitating the entertaining.

The employment tax position is more favourable. Where employees attend solely to host clients, or where entertaining clients forms part of their duties, no income tax or NICs liability will generally arise in respect of the hospitality itself. Any associated travel and subsistence costs will need to satisfy the normal employment income rules, including the relevant workplace requirements where applicable.

By contrast, where hospitality is provided to employees as staff entertaining, the costs will ordinarily be deductible for corporation tax purposes and input VAT may be recoverable. Attention then must turn to the employment tax treatment, specifically whether a benefit in kind arises or a statutory exemption applies, such as the annual function exemption or the trivial benefits regime.

We have not considered the trivial benefits exemption in detail because, with a limit of £50 per person, it is unlikely to be relevant in the context of Wimbledon hospitality. However, it may be relevant for smaller events. For example, a staff-only day at Wimbledon could theoretically qualify for the annual function exemption under the Income Tax (Earnings and Pensions) Act (ITEPA) 2003 s 264 where the event is open to all employees, forms part of an annual programme of events and the total cost does not exceed £150 per head, including VAT. If the exemption applies, no income tax or NIC reporting obligation arises, making the event a relatively efficient employee benefit.

When the £150 limit was set more than 20 years ago, a hospitality day at Wimbledon may have cost less than £150 per person. Today, even with careful budgeting, remaining within the limit is likely to be challenging.

Where the annual function exemption is not available, the whole cost of attendance gives rise to a taxable benefit. Where family members attend, the cost attributable to those individuals is treated as incurred for the employee's benefit, thereby increasing the value of the benefit in kind. In practice, many employers settle the resulting liabilities through a PAYE Settlement Agreement (PSA), ensuring that employees do not personally pay the tax and NIC liabilities.

Mixed-attendance events require careful analysis. Where both employees and clients attend, and the employees are not primarily attending as hosts, an allocation exercise is required. From an employment tax perspective, the portion relating to employees may be taxable and subject to NICs, while the client element does not need to be reported. From a corporation tax perspective, expenditure attributable to employees may be deductible, whereas expenditure relating to client entertainment must be disallowed.

Blurring of costs in OMBs

For founder-led and owner-managed businesses, the distinction between personal and company expenditure can become blurred, particularly during the early stages of trading when owners are investing significant time and resources into the business.

In these circumstances, there is a greater risk that expenditure with both a private and business element is treated as though it were wholly incurred for trading purposes. For example, where an owner attends Wimbledon with family members or other personal guests, it may not always be clear whether the associated costs have been incurred for business purposes, private purposes or a combination of both. Care is therefore needed to ensure that expenditure is analysed correctly and treated appropriately for tax purposes.

As *Beckwith v HMRC* [2012] UKFTT 181 (TC) demonstrates, where business expenditure is made from a personal account, HMRC may seek access to the taxpayer's personal bank statements during an enquiry. The position becomes even more difficult where there is both a business and a personal relationship with the individual concerned. The fact that a family member occasionally assists the business does not automatically mean related expenditure has been incurred wholly and exclusively for the purposes of the trade.

Businesses should therefore maintain a clear separation between personal and company spending, and retain evidence supporting the treatment adopted. Failure to do so may result in personal expenses being incorrectly deducted for corporation tax purposes, creating exposure to additional corporation tax, employment tax, interest and penalties.

HMRC's recent consultation, 'Company payments to participators', highlights its focus on transactions between close companies and their owners, particularly where the distinction between company and personal finances becomes blurred.

The issue is not limited to tax compliance. As a business grows, poorly defined boundaries between private and commercial expenditure may also distort reported profitability and complicate investment, sale and due diligence processes. Ultimately, weak controls can undermine confidence in the business's financial position and wider governance.

Record-keeping essentials

Even where no corporation tax deduction is available and no taxable benefit arises, HMRC will expect businesses to retain evidence supporting the treatment adopted. In practice, this means keeping records of the costs incurred, attendees and their status (for example, clients or employees), the business purpose of the event where relevant, and the date and location. This is particularly important where any part of the expenditure is deductible or gives rise to a benefit in kind.

Records should be kept for six years from the end of the relevant accounting period for corporation tax purposes, six full years for NIC purposes and at least the previous four tax years for income tax purposes.

Finance Act 2008 Sch 36 gives HMRC extensive powers to request information and documents and, in certain circumstances, to inspect business premises and records. The consequences of poor record-keeping can be significant. Failure to comply with an information notice can result in an initial penalty of £300, with further penalties for continued non-compliance. Where non-compliance persists for more than 30 days in serious cases, HMRC may seek tribunal approval to impose increased daily penalties of up

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to £1,000 per day. Providing inaccurate information in response to an information notice can also attract penalties of up to £3,000. Good record-keeping is therefore essential.

With mandatory payrolling of benefits approaching, proper record keeping of costs will become increasingly important. The tax and NIC will need to be identified and reported as part of Real Time Information (RTI) submissions, rather than being addressed solely through a year-end review.

Inevitable tax consequences

So, can taking clients or prospective clients to Wimbledon ever be tax free? In short, the answer is no. The restrictions on tax relief for business entertaining were introduced because legislators considered such expenditure to be extravagant and inherently non-deductible, notwithstanding its business purpose. As a result, client hospitality continues to carry a significant cost. See ***The true cost of corporate hospitality***.

As the table demonstrates, the identity of the attendees can have a significant impact on the overall tax cost. Businesses must therefore weigh the relative commercial benefits of each approach against the tax consequences.

Hosting clients may strengthen relationships and support revenue generation, but it comes with a higher effective cost given the absence of corporation tax relief on entertaining. By contrast, staff-only events can improve morale, retention and team cohesion, and may be structured more tax efficiently where the annual function exemption applies. So, the next time you're treating guests to strawberries and champagne at Wimbledon, remember that it is not only the ticket price that matters. The tax treatment can turn a generous gesture into a surprisingly expensive tax proposition.

THE TRUE COST OF CORPORATE HOSPITALITY

The examples below illustrate the potential outcomes. Assume total entertaining costs of £150 per head, there are 20 attendees and any benefit is settled through a PAYE Settlement Agreement in 2026/27. The individuals are higher-rate taxpayers and the corporation tax rate is 25%.

Attendees	Income tax (grossed)	Class 1B NIC	Corporation tax saving
20 employees attend: this is the annual summer event and the annual function exemption is available	£0	£0	£750
20 employees attend: the annual function exemption cannot be used	£2,000	£750	£750
10 clients attend and 10 employees attend to host	£0	£0	£0
10 clients attend and 10 employees are invited as staff entertaining	£1,000	£375	£375
20 clients attend	£0	£0	£0

Note: Figures are illustrative only. Corporation tax savings assume a 25% corporation tax rate. PSA calculations assume higher-rate taxpayers.

Professional conduct
Changes to Tax Planning and PCRT

The revised PCRT relating to Tax Planning introduces significant changes to the standards for tax planning, requiring firms to strengthen procedures and professional judgement.

by Karen Eckstein

Key Points

What is the issue?
PCRT relating to Tax Planning has been substantially revised, with greater emphasis on ethical behaviour, professional judgement, transparency and documenting tax planning decisions. The changes are also relevant when considering HMRC's Standard for Agents and the Registration of Tax Adviser regime.

What does it mean to me?
Tax advisers should review not only the revised Standards for Tax Planning, but the wider PCRT framework. Firms may need to update their engagement procedures, staff training, processes for client communications and recording documentation on file.

What can I take away?
Advisers should be able to demonstrate how decisions were reached through clear, contemporaneous documentation and robust internal procedures.

Members of the seven professional bodies that make up Professional Conduct in Relation to Taxation (PCRT), including CIOT and ATT, will be aware of the significant changes to the guidance on tax planning that took effect on 1 January 2026. However, many firms may not fully realise the practical implications of these changes. The revisions affect not only how tax planning advice is assessed, but also the procedures, governance and records that firms should maintain to demonstrate compliance.

The changes were introduced to bring PCRT more closely into line with the International Ethics Standards Board for Accountants (IESBA) Tax Planning Code. However, the implications go well beyond a simple update to the standards on tax planning. They reinforce the importance of professional judgement, transparency and documentation, placing greater emphasis on the public interest and the reputation of the profession. The updated version of PCRT with its Helpsheets is at: tinyurl.com/y4wrjyes. This article highlights the key changes and what they mean in practice for advisers.

What has changed?

Although the changes were made to align PCRT more closely with the IESBA Tax Planning Code, the two are not identical. The IESBA applies only to tax planning and associated services. PCRT is considerably broader, applying to all tax work undertaken by members. This distinction is important. Advisers should not assume that the revised requirements are relevant only when designing or implementing tax planning arrangements. The principles of professional judgement, ethical behaviour and appropriate documentation apply across the full range of tax services.

Equally important is the need to view PCRT as a whole. Too often, practitioners focus solely on the Standards for Tax Planning and overlook the wider framework, including the five Fundamental Principles, the section on the ethical use of AI, the Helpsheets and topical guidance. The revised standards reinforce that these elements are intended to work together.

DON'T OVERLOOK THE HELPSHEETS

While the focus of the 2026 revisions has been on the Standards for Tax Planning, the accompanying Helpsheets remain an important part of PCRT. Although many have not been updated recently, they continue to provide practical guidance on applying the standards and are well worth revisiting alongside the revised PCRT.

Helpsheet	Why it's worth revisiting
A: Tax returns and filings	Practical guidance on preparing and submitting returns.
B: Tax advice	A useful checklist covering engagement letters, client objectives, risks, documentation and explaining advice to clients. Particularly helpful when implementing the revised standards.
C1: Dealing with errors	Step-by-step guidance and a flowchart for handling errors by clients, advisers or HMRC.
C2: Members in business	Useful where an in-house adviser faces pressure to support planning they believe is inappropriate.
D: HMRC requests for data	Explains informal and formal information requests, confidentiality and legal professional privilege.
E: Members' personal tax affairs	Reminds members that their own tax affairs can affect professional standing, an increasingly relevant point under the Registration of Tax Adviser regime

The wider context

Before considering the specific changes to the Standards for Tax Planning, it is worth remembering that PCRT is much more than a set of rules on tax planning. The foreword and introduction provide the ethical and professional framework within which members are expected to operate.

The foreword reminds members that, while they must act in their clients' interests, they must also uphold the reputation of the profession and take account of wider public interest. It also makes clear that failure to comply with PCRT may expose members to disciplinary action and highlights HMRC's Standard for Agents, as discussed below.

The introduction confirms that PCRT does not override legal professional privilege or any legal, regulatory or statutory obligations. Where practitioners are uncertain about their obligations, they should seek appropriate legal advice. It also provides some useful guidance on professional responsibilities that arise between members, clients and HMRC.

The Fundamental Principles

The ethical foundation of PCRT remains the five Fundamental Principles:

- integrity;
- objectivity;
- professional competence;
- confidentiality; and
- professional behaviour.

These principles apply to all tax work, not just tax planning. They reinforce that the work of tax practitioners must be trusted not only by clients but also by HMRC and society more generally. Advisers are therefore expected to balance their duty to act in their clients' interests with their wider responsibilities to the public and to the reputation of the profession. The 2026 revisions place particular emphasis on three of these principles: objectivity, professional competence and due care. The principal changes are considered below.

Objectivity

The revised PCRT places greater emphasis on the need for advisers to avoid undue influence from or reliance upon individuals, organisations, technology or other factors. This reflects the increasing use of artificial intelligence in professional practice, but the principle applies more widely. Firms should also consider whether significant reliance on referral sources, outsourcing providers or other commercial relationships could compromise, or appear to compromise, their professional judgement.

A further change is the requirement to inform clients of any professional or business relationship with a third-party provider of tax planning arrangements. This complements the wider emphasis on transparency, including existing requirements to disclose commissions and other financial interests, and reinforces the need for clients to understand any relationships that may be relevant to the advice they receive.

Professional competence and due care

The revised PCRT reinforces the expectation that advisers maintain current knowledge and provide advice based on up-to-date legislation, technical guidance and professional standards. A notable addition is expectation that members should have 'an inquiring mind' and exercise professional judgement when considering the facts and circumstances of an engagement. Rather than focusing on the specific instruction received, advisers should consider the wider context, including the client's commercial and non-tax objectives.

The revised guidance also confirms that PCRT applies when providing a second opinion on a tax planning engagement. In addition, where a member is giving a significant opinion on the tax treatment of a transaction, PCRT suggests that obtaining a second opinion may be appropriate.

These changes reinforce the need for advisers to look beyond the immediate technical issue and ensure their advice reflects the client's overall circumstances, rather than simply answering the question that has been asked.

Professional behaviour

The revised PCRT places greater emphasis on the need for members to act in the public interest and avoid conduct that could bring either themselves or the profession into disrepute. This reinforces the expectation that professional behaviour extends beyond technical compliance with the tax legislation.

The Standards for Tax Planning

While the Fundamental Principles provide the ethical framework for all tax work, the Standards for Tax Planning set out how those principles should be applied in practice. This is where many of the most significant changes have been made and where firms are likely to see the greatest practical impact.

The standards are built around five key themes: providing client-specific advice, ensuring that tax planning is lawful, promoting transparency and disclosure, advising on tax planning arrangements, and exercising professional judgement supported by appropriate documentation. The key changes, and their practical implications, are outlined below.

Tax planning must be based on a realistic assessment of the facts and on a credible view of the law (together forming a credible basis).

1. Client-specific

The first standard has a new requirement stating that there is a need to understand the engagement, the client, the relevant facts and the applicable law before providing advice. The revised PCRT confirms that the obligations of the adviser are governed by the engagement letter. It is important therefore that the engagement letter clearly defines the scope of the retainer, identifies the client, and explain what the adviser will and will not do. Where wider commercial or legal risks arise that fall outside the scope of the engagement, the standard states that members should either advise on those risks or recommend that the client obtains appropriate specialist advice. The standard makes it clear that generic advice poses risks and that any assumptions on which advice is based should be stated.

The revised guidance also highlights the importance of identifying the assumptions on which advice is based. Advisers should consider advising that, if the underlying facts or circumstances change, the advice may need to be revisited. Setting out the relevant facts and assumptions also gives clients the opportunity to confirm that they are accurate, helping to ensure that the advice remains appropriate.

2. Lawful

The revised standard includes a new requirement for members to advise clients to comply with the relevant tax legislation and to draw their attention to anti-avoidance provisions and other rules that may limit or prohibit particular tax planning arrangements. There is also a new obligation on members to understand the relevant law, explain any material uncertainties to the client, and revisit their advice if circumstances change during the engagement. In practice, firms should ensure that both their analysis of the relevant legislation and any advice given to clients on areas of uncertainty are recorded in writing at the time.

A significant new requirement is contained in para 3.8. Where a member concludes that a tax planning arrangement that a client wishes to pursue does not have a 'credible basis', the member must explain to the client the reasons for that conclusion, the potential consequences of proceeding, and advise the client not to proceed.

If the client nevertheless wishes to proceed, PCRT requires the adviser to recommend that the advice is shared internally within the client's organisation, and to consider whether fuller disclosure to HMRC or the client's external auditors may be appropriate. Depending on the client's response, the member should also consider whether it remains appropriate to continue acting. Where the member is employed by the client, rather than acting as an external adviser, PCRT states that they should consider whether they can continue in their role. Further guidance is available in Helpsheet C2.

The revised guidance provides a clearer framework for practitioners who face pressure from clients to support planning they do not believe is appropriate. Where advisers are uncertain how to proceed, they should seek advice from senior colleagues, their firm's ethics partner, their professional body or, where appropriate, obtain legal advice.

From a practical perspective, advisers should document the analysis that underpins their assessment of whether an arrangement has a credible basis, regardless of the conclusion reached. It is easy to focus on why planning was rejected, but recording why planning was considered acceptable can be equally important. A contemporaneous record of the reasoning provides evidence that the necessary analysis was undertaken if the advice is later questioned.

Where advice is given to the client, particularly following discussions or meetings, it is also good practice to confirm that advice in writing. Doing so helps to ensure that both adviser and client have a clear understanding of the position and provides a record that the requirements of para 3.8 have been met.

3. Disclosure and transparency

The third standard reinforces the principle that tax advice must never rely for its effectiveness on HMRC not having all the relevant facts. Any disclosure made to HMRC should fairly represent the client's circumstances.

The revised guidance also recognises that, in some cases, it may be appropriate to recommend fuller disclosure than is strictly required by law. Whether to do so is a matter of professional judgement and should always be discussed with the client and supported by their informed consent.

In practice, firms should keep a clear record of the professional judgement exercised, the advice given to the client, and the client's agreement before making any additional disclosure.

4. Advising on tax planning arrangements

The fourth standard reiterates that members must not create, encourage or promote tax planning arrangements that are highly artificial or contrived, or which seek to exploit shortcomings in the legislation.

The revised guidance also places greater emphasis on situations where there is genuine and reasonable uncertainty as to whether proposed planning complies with the standard. Importantly, PCRT now states that the member *must*, rather than *should*, discuss the issue with the client (or management, where appropriate), document the reasons and evidence supporting their conclusion, and advise the client of any uncertainties, risks and relevant disclosure obligations.

It is recommended that practitioners ensure that both their analysis of the proposed planning (and conclusions drawn) and the advice given to the client are recorded in writing contemporaneously so that there is no ambiguity over the advice given.

5. Professional judgement and documentation

The final standard brings together many of the themes running throughout the revised PCRT. In addition to recording the reasons for professional judgements on a timely basis, there is a new requirement on members to consider the reputational, commercial and wider economic consequences of how any proposed tax planning arrangements might be viewed. Where an adviser decides not to recommend an arrangement, the standard requires that the member inform the client and explain the reasons for that decision clearly to the client.

Throughout the revised standards, there is a clear expectation that professional judgement should be supported by appropriate documentation. In practice, it is advisable that members keep a contemporaneous written record of the analysis undertaken, the conclusions reached, and the advice provided to the client, whether or not the planning is ultimately recommended. Where advice is given orally, it is good practice to confirm it to the client in writing to avoid misunderstandings.

PCRT states that notes made 'on a timely basis' are likely to be 'the most convincing way of demonstrating compliance', benefiting not only the member and the client, but also addressing wider public concerns. Contemporaneous file notes are an important means of demonstrating that professional judgement has been exercised appropriately and that the requirements of PCRT have been met.

HMRC's Standard for Agents

Alongside the revised PCRT Standards for Tax Planning, practitioners should also familiarise themselves with HMRC's Standard for Agents, published in February 2026 (see tinyurl.com/3stahm8w). These form part of PCRT and set out HMRC's expectations of tax agents and advisers, endorse the approach taken in PCRT, and place particular emphasis on the principles of integrity, professional competence and due care, and professional behaviour.

The HMRC Standards also confirm that it does not override legal professional privilege or the obligations imposed by professional bodies. However, they have taken on added significance following the introduction of the Registration of Tax Adviser Regime, under which HMRC has made clear that it will take action where Registered Tax Advisers fail to meet the standards expected of them.

Although HMRC states that it will seek to resolve issues with agents wherever possible, it also makes clear that it has a range of enforcement powers where concerns cannot be resolved or the behaviour is sufficiently serious. These include restricting access to HMRC's agent services, issuing dishonest tax agent conduct notices, notifying professional bodies and, where appropriate, pursuing criminal investigations.

In conclusion

PCRT as a whole is important and worth reviewing, rather than merely reviewing the update to the Standards for Tax Planning. It reinforces the importance of ethical behaviour, professional judgement and transparency across all tax work, while placing greater emphasis on documenting the reasoning behind the advice given to clients.

Firms and individuals would be well advised to review the revised PCRT in its entirety, revisit the accompanying Helpsheets, and ensure that their engagement procedures, internal policies, staff training and file review processes reflect the updated standards. Investing time in these areas will not only help firms meet their professional obligations but also place them in a stronger position should their advice or decision-making later come under scrutiny. The revised PCRT is not simply about understanding the rules. It is about embedding them into day-to-day practice through sound professional judgement, robust procedures and good documentation.

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Key Points

What is the issue?
Parker v HMRC considered whether four disputed UK days could be disregarded under the statutory residence test because they arose from transit travel and a weather-related flight cancellation.

What does it mean to me?
The tribunal accepted Mr Parker's position, confirming that transit arrangements and travel disruption can affect UK day counts where the facts support it.

What can I take away?
The decision highlights the importance of good record-keeping. Travel documents, cancellation notices and contemporaneous notes can be crucial in supporting a residence position.

The statutory residence test Disrupted travel

Parker v HMRC shows how transit travel, flight disruption and supporting evidence can affect statutory residence test day counts and ultimately determine residence status.

by Shakiba Sarmadi

The statutory residence test (SRT) is often viewed as a question of counting days. In practice, however, residence disputes frequently turn on the facts behind those days and the evidence available to support them. In *Parker v HMRC* [2026] UKFTT 652 (TC), the First-tier Tribunal considered whether days spent in the UK due to transit arrangements and travel disruption should count towards an individual's UK presence.

The decision provides useful guidance on the application of the SRT transit rules and exceptional circumstances provisions, while also highlighting the importance of maintaining clear records where residence status may be affected by unexpected events.

The facts

Mr Parker was present in the UK for 100 days during the 2019/20 tax year. To remain non-UK resident, his UK day count needed to fall below 90 days. HMRC accepted that seven days could be disregarded because of Covid-19 restrictions, reducing the count from 100 to 93. The dispute was whether a further four days could also be excluded. Those four days became the central issue in the appeal.

Three of the disputed days concerned Mr Parker's transit through the UK. He argued that those days should not count because the UK was not his final destination. He was passing through Heathrow as part of onward international travel, including a journey from Iraq through Heathrow to Naples, and another through Heathrow on his way to Tokyo.

The fourth disputed day arose from a different set of facts. It related to Mr Parker's return journey from Tokyo, when he was due to continue to Dublin. After he had boarded the onward flight, services at Dublin Airport were disrupted by Storm Jorge and the flight was cancelled. Mr Parker stayed overnight near Heathrow and travelled to Dublin the following morning.

HMRC did not accept that these four days should be excluded. On the transit days, it argued that Mr Parker was not in transit for SRT purposes because he had booked separate tickets rather than a single through-journey. On the fourth day, HMRC argued that the flight cancellation and overnight stay did not amount to exceptional circumstances.

Mr Parker challenged HMRC's treatment of those days, and the matter proceeded to the tribunal, which had to consider two practical questions:

- Should the three transit days be excluded under the SRT transit rules?
- Could the additional overnight stay caused by Storm Jorge be disregarded as an exceptional circumstance?

The tribunal's decision

The tribunal disagreed with HMRC's restrictive approach. On the transit days, it held that the purpose and continuity of the journey, rather than the use of a single ticket, determined whether the transit exemption applied. Booking separate tickets did not prevent Mr Parker from being in transit, provided his presence in the UK formed part of onward travel.

The tribunal took a similarly practical view of the cancelled Dublin flight. It accepted that Mr Parker was not required to take unreasonable steps to avoid being in the UK at midnight, such as abandoning his tickets or pursuing impractical alternatives after the cancellation. The fact that he had already boarded the onward flight was important. It showed a genuine commitment to leave the UK, rather than a voluntary decision to remain. The overnight stay caused by Storm Jorge was therefore accepted as arising from circumstances outside his control.

The tribunal accepted Mr Parker's position on all four disputed days, reducing his UK day count to 89. That placed him below the relevant residence threshold.

The decision is useful for advisers because it addresses two SRT issues that arise regularly in practice: whether the transit exemption applies when separate tickets are used; and whether an unplanned overnight stay due to adverse weather constitutes exceptional circumstances.

Why the case matters

Its wider importance lies in the tribunal's approach to the evidence. SRT disputes are often decided not only by the technical rules, but by whether the taxpayer can prove what happened. In *Parker*, the tribunal was prepared to take a practical view of disrupted international travel, but only because the facts were clear, the sequence of events was credible, and the documents supported Mr Parker's account.

Although Mr Parker primarily worked overseas, he still had to defend his residence status due to travel disruptions caused by adverse weather, an event that may have appeared routine at the time. Small day-count differences can have significant consequences, and advisers should not assume that HMRC will ignore a borderline case simply because the circumstances appear ordinary or unavoidable.

Evidence and record-keeping

For that reason, advisers should remind clients that supporting documentation is essential. Boarding passes, hotel receipts, cancellation emails, booking confirmations and itineraries can all become critical evidence. Modern travel can make this more difficult. Airlines may automatically rebook passengers, boarding passes may disappear from mobile apps, and records may be spread across emails, booking platforms and airline accounts. By the time HMRC opens an enquiry, some of that material may no longer be easy to obtain.

A practical step is to encourage clients to keep a residence file from the start of each tax year. That file should include travel records and brief notes explaining any unexpected stays in the UK. A short note made at the time can be far more persuasive than a detailed explanation prepared years later. In close residence cases, the strongest argument may not be a complex technical submission, but a clear chronological account supported by the available evidence.

Clients should also be warned against relying on only one or two spare days. That leaves almost no margin for sudden issues such as illness, strikes, adverse weather or family emergencies. Where residence status is important, the aim is not simply to calculate the day count, but to manage the risk that the day count may change.

Applying *Parker* with caution

At the same time, the decision should be applied with caution. *Parker* does not mean that every cancelled flight, weather delay or overnight stay will be disregarded. Nor does it mean that separate tickets will always satisfy the transit rules. The outcome depended on the particular facts, the journey's purpose and continuity, and the evidence available.

For employers with internationally mobile staff, the case also has practical significance. Travel policies should take SRT exposure into account, particularly where employees or directors regularly pass through the UK. Employers may need to support better record-keeping, especially when business travel is arranged through corporate booking systems and the individual does not personally hold all relevant documentation.

Technology can help, but it should not replace judgement. Travel apps, shared folders and digital calendars can make it easier to preserve evidence, but advisers still need to ensure that the records tell a coherent story. A collection of receipts and screenshots is useful only if it helps explain why the taxpayer was in the UK and whether the statutory conditions were met.

Lessons for advisers

Parker also highlights an important point about residence advice. The SRT is often discussed in terms of arithmetic, but disputes frequently turn on behaviour and evidence.

A client may understand the importance of managing their day count, without appreciating how easily routine travel decisions can affect the analysis. A flight booked through the UK, a late connection, an overnight airport hotel or a decision to wait for the next available service may seem like ordinary travel administration. In a SRT enquiry, however, those same details can become the facts on which the case turns.

For that reason, advisers should be cautious about giving reassurance before the facts have been tested against the evidence. Clients often describe disrupted travel in simple terms: the flight was cancelled, the weather was bad or the airline changed the booking. Those points may be relevant, but they do not answer the key questions. What exactly happened? What options were available? Why did the client act as they did? A contemporaneous file note can be as important as the technical analysis itself.

There is also a communication point. Clients who are close to the residence limits should understand from the outset that they may later be asked to explain their movements. Residence disputes are often decided by ordinary documents rather than complex legal arguments. The challenge is not simply to calculate a day count, but to ensure that the supporting facts can still be demonstrated years later.

For advisers, the final lesson from *Parker* is the need to combine technical analysis with factual discipline. The SRT provides the framework, but the outcome often depends on the quality of the story that the evidence can tell.

Where that story is clear and supported by documents, the taxpayer is in a stronger position. Where it is incomplete, even a sympathetic set of facts may be difficult to defend. *Parker* is therefore not simply a case about four disputed days. It is a reminder that, in residence work, the facts must be handled with as much care as the legislation itself.

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Mergers and acquisitions

Structuring the deal

by Graeme Fox

Careful transaction structuring, consideration planning and early tax advice can improve commercial outcomes while reducing unexpected liabilities for buyers and sellers.

Mergers and acquisitions (M&A) transactions are often introduced as a relatively straightforward choice between a share sale and an asset sale. For many advisers, the emphasis is initially on the tax consequences for the seller.

In practice, however, successful transactions require advisers to consider a much broader range of tax issues affecting both parties. Decisions made during the planning stages can influence the deal value, structure and post-transaction outcomes, while the tax implications often extend well beyond the initial disposal itself.

In the early stages of any deal, neither buyer nor seller is likely to be dwelling on the tax impacts of their proposals. Commercial motivations and

Key Points

What is the issue?
M&A transactions involve far more than choosing between a share sale and an asset sale. The way a transaction is structured can have significant tax consequences for both buyers and sellers.

What does it mean to me?
Advisers should consider the interaction of multiple taxes, the form of consideration and available planning opportunities at an early stage to help maximise value and avoid unexpected liabilities.

What can I take away?
Early engagement allows advisers to shape the structure of a transaction before commercial terms are fixed, improving both the tax outcome and the likelihood of achieving the client's wider objectives.

practical considerations are usually the starting point for both buyers and sellers. A purchaser may be looking to expand its market share, acquire intellectual property or strengthen its supply chain, while a vendor may wish to realise value, streamline operations, dispose of a non-core business or prepare for retirement.

Tax is seldom the primary driver at this stage. Instead, the key questions are usually commercial rather than tax-driven: what is being sold, why is the transaction taking place and how can the best deal be achieved? Once advisers become involved, however, tax rapidly becomes a key consideration throughout the transaction.

Effective tax planning can enhance returns for both buyers and sellers, while poor planning can reduce deal value or create unexpected liabilities. This article focuses on the tax considerations involved in structuring an M&A transaction, from the choice between share and asset deals to the way consideration is structured and planning undertaken before completion.

A follow-up article will examine the tax due diligence process, the types of issues that commonly emerge during transactions, and the post-completion tax considerations that advisers should not overlook.

Share or asset acquisition?

One of the first tax decisions in any M&A transaction is whether the purchaser acquires the shares in the target company or its underlying assets. While this is often presented as a straightforward choice, each approach has different commercial and tax consequences for both buyer and seller.

Share deals are generally preferred by sellers because the disposal is usually subject to capital gains tax or corporation tax, and may qualify for reliefs such as business asset disposal relief or the substantial shareholding exemption. Buyers, however, inherit the company together with its historic tax liabilities and other risks.

Asset acquisitions are often more attractive to buyers because they allow the purchaser to cherry-pick the desired items, avoid many historic liabilities and potentially obtain tax relief through capital allowances. This is, however, an oversimplification and the distinction is often less clear-cut in practice, with many transactions involving elements of both share and asset acquisitions. It is not uncommon for an owner-managed business to operate from premises owned personally by the founder. This raises questions about whether the trade, the property or both should form part of the transaction.

Similarly, a trading group may comprise a holding company and several subsidiaries, each carrying on a particular product line or operating from a separate location. A buyer may wish to acquire only selected parts of the group, such as the shares in one or two subsidiaries together with valuable intellectual property held in another group company. The transaction may require a combination of share and asset acquisitions to achieve the desired commercial outcome.

These examples illustrate why share and asset deals should not be viewed as mutually exclusive. Advisers need to be prepared to consider the full implications of any deal.

One of the most useful disciplines when approaching an M&A transaction is to consider every tax that could potentially arise, rather than focusing solely on the immediate capital gains tax implications for the vendor. Depending on the structure, corporation tax or income tax may arise on the disposal of assets subject to capital allowances, including property. VAT implications need to be considered for both parties, together with the availability of transfer of a going concern (TOGC) treatment. The purchaser may also face stamp duty or stamp duty land tax liabilities.

Unlike many areas of advisory work, where a single tax is often the primary focus, M&A transactions require advisers to take a wider view from the outset. This can help to ensure that the chosen structure delivers the intended commercial and tax outcomes.

Consideration

Whatever the target of a transaction, the parties must first agree a value. This is rarely an exact science. Although it will draw on detailed financial analysis, there is often an element of commercial judgement that defies any simple formula.

While valuation is primarily a commercial matter, how that consideration is structured can lead to very different tax outcomes. Advisers therefore need to do more than simply understand the tax implications of any offer made by the other side. They should also consider whether the consideration package, or the method by which it is delivered, could be structured differently to achieve a better commercial and tax outcome for their client, while avoiding any nasty surprises along the way.

Forms of consideration

Consideration can come in many forms, although vendors will naturally prefer to receive as much cash upfront as they can. Buyers, however, may not wish to release the full value upfront. They may want to manage cash flows, be cautious about unknowns, or wish to make some amounts contingent on future performance – or may simply not have available the necessary amount.

Accordingly, under M&A agreements, consideration can be in cash, loan notes, deferred or instalment payments, or shares in the acquiring company. The amount agreed can also be dependent on future criteria being met, such as an increase in net profits, EBITDA, margins or share price.

Cash consideration will generally be taxable in the vendor's hands, but that is often the easy part of the transaction.

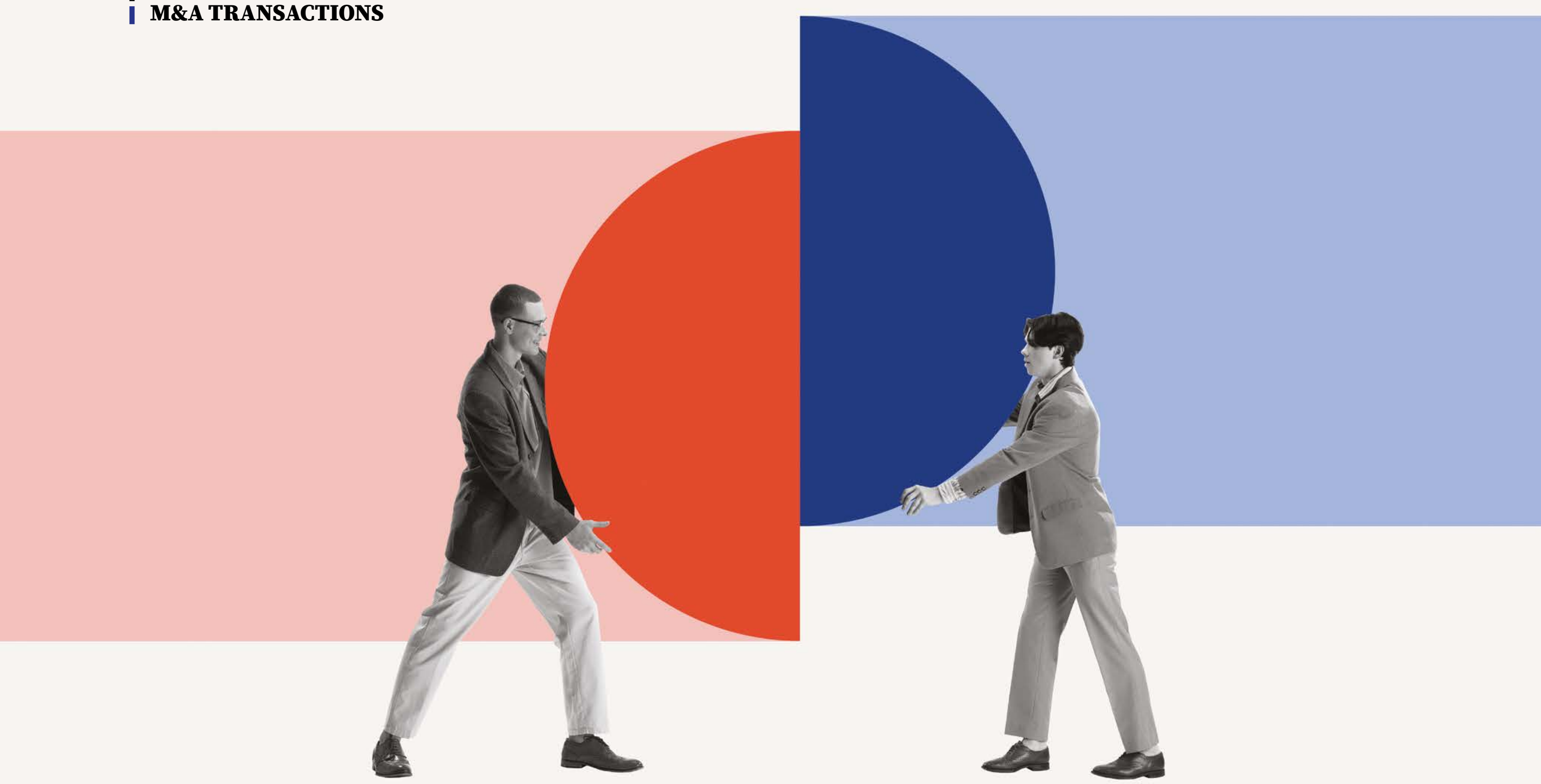
Where consideration is paid in instalments or partly deferred, an individual may be eligible to pay capital gains tax in instalments. Broadly, there must be at least an 18-month period between the first and last payment, allowing 50% of each instalment to be paid to HMRC as it is received, rather than paying the full capital gains tax liability upfront. Importantly, this treatment is not automatic, and a claim is required under TGCA 1992 s 280, which could be easily forgotten.

Where consideration is received in loan notes or shares, the gain is generally rolled over into the new asset under the share-for-share exchange provisions in TCGA 1992 s 135. However, this treatment can be disapplied by election where advantageous. For example, although the vendor may qualify for business asset disposal relief on the initial disposal, they may not be eligible on the future disposal of the replacement shares. While making an election can create a dry tax charge, it may be highly beneficial to secure the lower capital gains tax rate available at the time of the original disposal.

Future consideration also requires careful analysis. Where the amount is ascertainable, that amount is generally taxable immediately. Where it is unascertainable, however, such as under an earn out arrangement, the principles established in *Marren v Ingles* [1980] 54 TC 76 will be applied. In these circumstances, the vendor is considered to have received not only the initial consideration but also a right to a future payment, which itself is an asset.

That asset must be valued as best it can be at completion and included in the initial capital gain. When the future payment is eventually determined, that right is treated as having been disposed of, and the value previously calculated will be deducted as the base cost against the future sum received. Any further capital gains tax is then payable accordingly.

Many transactions combine several of these forms of consideration, making it essential to consider how the different tax rules interact.



Tax versus commercial objectives

Even where a structure is most tax-efficient, it may not represent the best overall commercial outcome for your client. Advisers and taxpayers alike can sometimes fall into the trap of letting the tax tail wag the dog by seeking primarily to maximise tax efficiencies.

A vendor may be willing to accept a less optimised deal for tax if it benefited them in another way. They may, for example, accept a lower price in exchange for a faster completion, or a larger proportion of the consideration being paid upfront rather than through deferred payments or earn-outs.

Ultimately, the structure of the consideration package requires a negotiated balance between tax efficiency, commercial objectives and the allocation of risk.

Deal planning and transaction vehicles

Early engagement is one of the greatest advantages a tax adviser can offer. The sooner advisers become involved in a transaction, the greater the scope for effective planning.

Once commercial terms have been agreed, or a deal is close to completion, the opportunities to improve the tax position may be limited. Early engagement allows advisers to understand the taxpayer's objectives and consider whether the proposed structure is the most appropriate way of achieving them.

Whether you are acting for a vendor or a purchaser, understanding your client's end goal long in advance can create planning opportunities that might otherwise be missed. Many deals involve one or both parties wanting only part of a business, making it possible to reorganise a company or group before the transaction takes place to achieve a smoother deal.

Take, for example, a management team with a minority holding wishing to acquire the business from a retiring owner. They have negotiated a price with the owner, but are lacking funds to make an outright acquisition, and are cautious of taking on large personal loans. The company could undertake a purchase of own shares, utilising the company's own funds to buy out the owner. However, this requires there to be distributable reserves and, under the Companies Act 2006, the purchase price must generally be made at completion, limiting its effectiveness in some transactions.

An alternative may be for the management team to establish a new holding company and use it as part of a scheme of reconstruction to acquire the shares in the trading company. The new holding company would owe the purchase consideration to the previous owner, and could subsequently repay that liability from future profits of the acquired trading company, paid up as a dividend. This overcomes both limitations and does not require the management team to take on significant personal liabilities.

Another common situation arises where a single company owns both its trading business and the property from which it operates; however, the purchaser wants to acquire only the trade, or the vendor wishes to retain the property as a source of future rental income. Instead of undertaking a trade and asset sale, the company could undertake a capital reduction demerger to separate each part into its own company, enabling the shares in the trading company alone to be sold.

Reorganisation requires sufficient time to implement, and advance clearance from HMRC should always be sought where appropriate. Although this will create additional professional costs, the tax and commercial benefits will often outweigh that additional expense.

In conclusion

The tax implications of an M&A transaction extend well beyond the headline question of whether a business is sold by way of shares or assets. Decisions made at the planning stage, from the structure of the transaction to the form of the consideration, can have a significant impact on both the commercial outcome and the after-tax position of the parties.

This first article has focused on the tax considerations involved in structuring a transaction before completion. In the second article, we will examine how tax due diligence helps identify historical liabilities and planning opportunities, before considering the warranties, indemnities and post-completion tax issues that advisers should have firmly on their radar.

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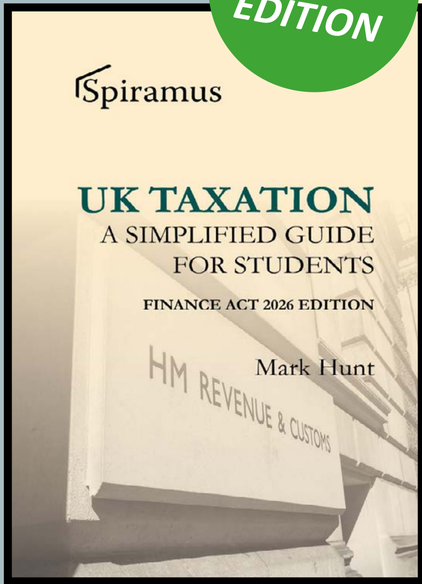
by Mark Hunt



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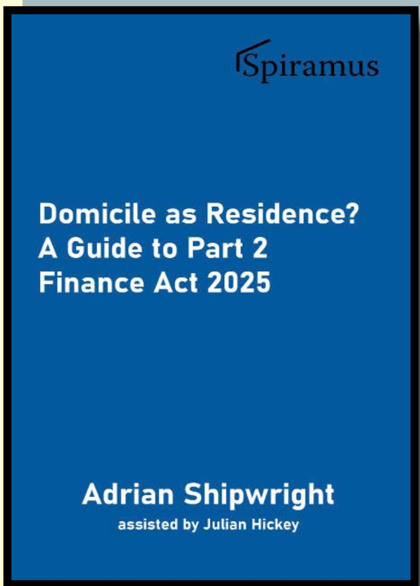

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EBT and inheritance tax

Bursting the bubble

Employee benefit trusts remain a valuable share plan tool, but advisers should review their structure and operation to identify potential inheritance tax risks.

by Charlotte Fleck

'If you need to think about inheritance tax in an employee benefit trust, something's probably gone wrong' – or so I might have said a few years ago. Unfortunately, for many share plan practitioners, this is no longer the case.

In the absence of relief, inheritance tax can arise on contributions to discretionary trusts (by individuals or close companies), on the ten-year anniversary of the trust's establishment, and on the transfer of assets out of a trust. Employee benefit trusts (EBTs) are a form of discretionary trust and, while an exemption from inheritance tax will often be available, this is by no means always the case. Many EBTs may have escaped an inheritance tax charge through luck rather than judgement.

The reduction of 100% business property relief from 6 April this year (to a maximum of 50% for Alternative Investment Market (AIM) and private company shares above a £2.5 million threshold) means that inheritance tax has become relevant in many more scenarios.

What is an employee benefit trust?

Almost all EBTs are intended to fall within the definition in Inheritance Tax Act (IHTA) 1984 s 86 (a 'qualifying EBT'): they are trusts for the benefit of all or most of the employees and directors of a company, plus ex-employees and certain family members. A qualifying EBT is exempt from the inheritance tax charges that would otherwise arise at a rate of up to 6% every ten years on the value of assets held in a discretionary trust.

EBTs are a useful vehicle for employee share plans, often used to warehouse shares for future awards. For private companies, they can also provide a market for shares held by employees, allowing value to be realised in the absence of an exit.

One point I want to make upfront is that, while EBTs continue to be a common and uncontroversial tool for employee share plans, historically they have been key components of a number of tax avoidance schemes. This no longer works. However, while such EBT schemes have almost all now been settled from an income tax, NI and corporate tax perspective, many EBT settlements excluded inheritance tax. The deadline for HMRC to raise an enquiry into inheritance tax where no return has been filed is 20 years, with no need to show fraud or carelessness.

Although not the focus of this article, I will also touch on historical arrangements for which an inheritance tax liability may nonetheless still be a very live issue.

Setting up an EBT

Falling within IHTA 1984 s 86 is a good start, but for 'close' companies, inheritance tax may still be charged on any contribution to an EBT under IHTA 1984 s 94. The company is liable for the tax, but the rate is calculated as if each 'participator' in the company (broadly, shareholders and loan creditors) had made a chargeable lifetime transfer as an individual. This is presumably intended to prevent family businesses from using an EBT as a vehicle to avoid inheritance tax.

Key Points

What is the issue?
Inheritance tax is becoming a much more important consideration for employee benefit trusts, particularly following the restriction of business property relief. Although qualifying EBTs can benefit from relief, inheritance tax charges can still arise in a range of situations.

What does it mean to me?
Existing EBTs may need to be reviewed to ensure that relief remains available and that historic arrangements have not created inheritance tax exposure.

What can I take away?
Inheritance tax should now be part of routine EBT governance. Practitioners should review trust structures, beneficiary provisions and historic arrangements to identify potential inheritance tax risks before HMRC does.

The first thing to be cautious about is that it is not always easy to tell whether a company is 'close'. The definition of a close company is one controlled by five or fewer participators, but the holding of a participator is aggregated with that of their associates for this purpose. A company owned by another company will be 'close' if the parent is close, even if the parent is not itself subject to UK tax. It may be difficult to show that, for example, a complex private equity fund structure is not ultimately controlled by a small number of individuals. There is no size limit: a fully listed PLC may be 'close' if controlled by a founder.

It may be difficult to show that a complex private equity fund structure is not ultimately controlled by a small number of individuals.

The key exemption from the IHTA 1984 s 94 charge on funding an EBT is set out in IHTA 1984 s 13, which exempts a gift to an EBT provided the EBT excludes all 5%+ participators from any benefit. For this purpose, the 5% threshold applies to any single class of shares, often catching out employee share plans that use special classes of shares.

Before 30 October 2024, it was possible to benefit such participators in a form subject to income tax, but if they represent more than 25% of employees, they must from that date be excluded altogether. This can be a significant obstacle to using an EBT for an investment fund where many employees are also partners in a partnership, and thereby 'associated'. Care should therefore be taken to ensure that the conditions of s 13 are met, especially if an older EBT established before October 2024 is being used for a new round of awards.

Assets leaving an EBT

There is a specific inheritance tax charge on assets leaving a qualifying EBT, set out in IHTA 1984 s 72. This is somewhat misleadingly known as the 'flat rate' charge. It is charged at a cumulative rate based on the number of quarters for which assets have been in trust, starting at 0.25% per quarter for the first 40 quarters and gradually increasing to a maximum of 30% after a full 50 years.

The key exemption here is found in s 70(3)(b), applied to EBTs by s 72(5).

No tax is due on a disposition that is income of any person for tax purposes, or would be if that person were resident in the UK. In practice, *almost* all dispositions for the benefit of a specific beneficiary of an EBT will be subject to income tax. If not under any other legislation, they will generally be taxed by virtue of the disguised remuneration legislation in Income Tax (Earnings and Pensions) Act (ITEPA) 2003 Part 7A, which was enacted specifically to tax benefits provided through third-party structures such as EBTs.

So where does the qualification 'almost' arise?

We most commonly see this in relation to historical EBTs, where a PAYE settlement has been entered into on the basis that income tax arose on, for example, the making of a loan to an employee. This can then lead to a subsequent charge under s 72 on the release of the loan because of the timing mismatch, notwithstanding that, in real terms, this amounts to double taxation of the same value.

Our experience is that HMRC takes a very strict approach to timing here and, if the income tax charge does not arise at the same time as the disposition giving rise to inheritance tax, it will treat inheritance tax as due.

Turning to current arrangements, it is not uncommon for a discounted option to be granted to an employee over shares held in an EBT. This would not generally trigger an immediate income tax charge. Although HMRC confirms in its guidance that it will not generally seek to charge inheritance tax on the grant of an option, it may be preferable for such grants to be made by the employer company itself, with a corresponding linking agreement requiring the EBT to satisfy awards on exercise, so that there is no 'disposition' by the EBT before the exercise date.

At times, we see companies seek to reduce surplus assets in EBTs through, for example, a share buyback for nominal value. If the company has the legal right to force a buyback as a condition of funding the EBT to acquire the shares in the first place, this is arguably consistent with the trustee's duties. Otherwise, there is a more fundamental trust law issue that should be addressed before the tax position, since it is difficult to see how the trustee is acting for the benefit of employees rather than the company in such a case.

Regardless of the trust law position, however, such arrangements clearly fall within the scope of s 72 and, without business property relief to come to the rescue, are likely to be subject to inheritance tax.

Assets held in trust

An EBT will almost always be intended to fall within IHTA 1984 s 86, but this does not mean it will qualify in practice.

Firstly, it is possible for s 86 relief to be lost. This may happen, for example, where a trust is established for the benefit of a specific category of employees, who later cease to represent 'most' of the employees of the company. Care should be taken to track which employees are actually within the class of beneficiaries of an EBT, particularly following a transaction or group restructuring.

Secondly, it is HMRC's view that, where assets are held within a sub-trust of a trust that would otherwise qualify under s 86, the sub-trust should be treated as a separate trust unless its beneficiaries include all or most employees. On that basis, the sub-trust would not satisfy the requirements of s 86. This can lead to:

- an 'exit charge' under IHTA 1984 s 72 on the transfer of assets from the main EBT to the sub-trust;
- ten-year charges on capital assets held within the sub-trust; and
- exit charges of up to 6% under IHTA 1984 s 65 on assets leaving the sub-trust.

> **An EBT will almost always be intended to fall within IHTA 1984 s 86, but this does not mean it will qualify in practice.**

We rarely see sub-trusts today, but they were once a common tax planning structure. The case of *Rangers* [2017] UKSC 45 provides a well-known example. Since sub-trusts were not generally expected to fall outside s 86 when they were established, EBT trustees may not have retained the detailed records needed to calculate inheritance tax charges on the assets concerned. Calculating the inheritance tax due can therefore be extremely difficult, particularly because the ten-year charge runs from the date on which assets were first settled on trust, rather than the date they entered the sub-trust.

It is, however, worth working through the detail of the trust assets if this issue arises, since the ten-year anniversary charge is only due on capital assets and on income that arose more than five years ago. Before 6 April 2014, the charge applied only to capital assets, with assets that were income in nature excluded altogether.

'Income' in this context includes any assets derived from income where they have not been accumulated to capital by the trustees. As a result, assets that do not appear to be income on their face may nonetheless be income in nature for inheritance tax purposes. This can remove a considerable portion of the assets from the inheritance tax calculation, although the quid pro quo is that they will then be subject to income tax in the hands of beneficiaries on distribution.

If all else fails...

Two final pieces of case law are worth noting: *JTC v Garnett* [2024] EWHC 3128, in which EBT sub-trusts were rescinded; and *Bhaur* [2023] EWCA Civ 534, in which rescission of an EBT was refused.

In most cases, little can be achieved by holding assets in a sub-trust that could not instead have been achieved, without triggering inheritance tax concerns, by the trustee informally earmarking assets. In *JTC v Garnett*, the trustees succeeded in an application to rescind the sub-trusts, thereby restoring the protection of IHTA 1984 s 86. This is not the same as simply revoking the sub-trusts and required an application to the court. The cost of such an application may be disproportionate for many trusts, but is clearly worth considering in some cases. It is, however, notable that HMRC's late intervention was rejected for procedural reasons – not something taxpayers can rely on in future.

The decision in *Bhaur* should also be borne in mind. The taxpayers sought to unwind an EBT-based avoidance scheme but were refused, in no small part because of what the court considered to be the 'social evil' of tax avoidance. As a result, some 90% of the assets in the Bhaur trust were ultimately donated to the NSPCC.

EBT practitioners should ensure taxpayers are aware that, as history has shown, the courts may not always be able to step in to help.

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Farm business structures
Why grant scheme rules matter

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Agricultural grants and an understanding of how IACS26 operates can have significant implications for farm restructuring.

by Julie Butler and Fred Butler

Key Points

What is the issue?
Agricultural grant rules can affect the success of farm restructuring and succession plans. A business structure accepted for tax purposes may not be treated as a separate business for grant purposes.

What does it mean to me?
When advising farming clients, grant considerations should be assessed alongside inheritance tax and succession planning. IACS26 and the Rural Payments Agency's approach to separate business status may have significant implications.

What can I take away?
Ensure that any restructuring has a genuine commercial purpose, is financially viable and is supported by consistent documentation. Tax, grant and business objectives should be considered together.

To the dedicated farm tax adviser, working alongside a land agent has long been a necessity rather than a luxury. A specialist land agent, particularly one with detailed local knowledge, can provide valuable insight not only into farm values and potential development opportunities, but also into the practical operation of the farming business and the future potential of the land.

This wider perspective is particularly important in succession planning. Decisions about ownership, management and the involvement of the next generation must be made with a clear understanding of both current and future farm values. The timing of gifts, business restructuring and other succession planning measures can be critical, particularly where inheritance tax considerations are involved.

Land agent expertise can also be extremely valuable in relation to agricultural support schemes. Understanding grant opportunities, eligibility requirements and the practical implications of environmental schemes has become an increasingly important aspect of farm business planning. As farming businesses adapt to changing inheritance tax rules and environmental support schemes, grant considerations may influence the success or failure of a proposed restructuring.

The message is straightforward: succession planning, tax planning and grant planning can no longer be considered separately.

Understanding IACS and business structures

The Integrated Administration and Control System (IACS) is the administrative framework used by agricultural authorities to manage and monitor farm support schemes. Originally developed under the EU Common Agricultural Policy, elements of the system continue to be used across the UK to administer agricultural payments and verify eligibility for support schemes. In England, these functions are undertaken by the Rural Payments Agency, an executive agency of the Department for Environment, Food and Rural Affairs (Defra).

IACS is designed to link information across various grant schemes and therefore requires detailed information about how a farming business is structured and operated.

One important point for advisers is that the treatment of a business for tax purposes does not necessarily determine how it will be treated under IACS rules. A farming operation that appears to comprise separate businesses for tax purposes may not be regarded as separate for grant purposes.

For example, the Sustainable Farming Incentive (SFI) currently contains a £100,000 annual agreement cap for each business. Larger farming operations therefore have a clear interest in understanding whether different parts of their activities may be treated as separate businesses. However, the position is not simply a matter of obtaining additional business registrations or creating new structures.

Any restructuring undertaken as part of succession planning must be capable of standing up to scrutiny under the rules applied by the Rural Payments Agency, as a new or revised business structure may not satisfy the tests used by the agricultural payment authorities to determine whether it constitutes a separate business for grant purposes.

The importance of IACS26

Most advisers are familiar with tax tests relating to trading status, partnerships and commerciality. Fewer are familiar with IACS26, the separate business questionnaire used by the Rural Payments Agency when determining whether farming businesses should be treated as separate entities for grant purposes.

This form must be completed where an existing business is split into two or more businesses, particularly following a restructuring, or where a person is involved in more than one business registered with the payment authorities.

With many farming businesses currently restructuring for genuine succession and inheritance tax planning reasons, it is important to consider carefully how any revised structure will be viewed in the context of grant applications.

The questionnaire requires detailed supporting documents relating to the legal status of the businesses, accounts, invoicing arrangements and equipment sharing arrangements, together with evidence regarding the practical operation and management of the businesses.

When assessing whether a farming business should be treated as a single business or as separate businesses under IACS rules, the Rural Payments Agency states that it considers the business structure and whether the business, or any of its members, has an interest in another farming business linked to the claim. Its published guidance notes that who is farming the land and applying for payment forms part of the assessment, whereas the location of the land or ownership of the land is not, in itself, determinative.

The Rural Payments Agency's assessment therefore considers a range of factors relating to the structure and operation of the business. Advisers should avoid assuming that a restructuring designed for succession or inheritance tax purposes will automatically achieve the desired grant outcomes. Indeed, some advisers have observed that there is no single statutory test of 'separateness' for these purposes.

While IACS26 is very detailed, it is not in itself a definitive test of whether a separate business exists. Completion of the form therefore requires a forensic understanding of the underlying commercial arrangements, management structure and operation of the farming businesses to ensure that the submission accurately reflects reality.

More on IACS26 for England can be found at: bit.ly/IACS26-guidance.

The role of the ultimate business owner

Another area attracting increasing attention is the concept of the ultimate business owner. The identification of the ultimate business owner may form part of the wider assessment of who controls, benefits from and bears the risks of a farming business when authorities consider whether businesses are genuinely separate.

Many professional advisers are already familiar with requirements to identify the individuals who ultimately benefit from and control a business. In practice, this means looking beyond legal ownership to establish who receives the economic benefit or 'beneficial interest', who exercises control and who bears the commercial risk.

This highlights why farm succession planning requires input from a range of advisers, including tax advisers, accountants, lawyers and land agents. Decisions should not be driven solely by tax considerations but should also reflect the business's 'real economic purpose', its future direction and the commercial realities of how it operates in practice.

Understanding who ultimately controls the business can be an important part of assessing whether a proposed succession structure is likely to achieve its long-term objectives.

Succession planning and business restructuring

Recent changes to the inheritance tax treatment of agricultural property relief (APR) and business property relief (BPR) have prompted many farming businesses to review their ownership and business structures. The increase in the 100% relief threshold to £2.5 million per individual, potentially providing up to £5 million of relief for a farming couple, has provided greater certainty for some smaller farming businesses. However, larger businesses continue to explore a range of succession planning options, often combining inheritance tax, ownership and grant-planning considerations.

The importance of commercial reality is also reflected in the operation of agricultural support schemes. For example, the Sustainable Farming Incentive 2026 (SFI26) offer includes 71 environmental actions covering areas such as soils, moorland, grassland, hedgerows and farmland wildlife. However, the scheme is subject to business-level restrictions, including a maximum agreement value of £100,000 per agreement year and a limit of one SFI26 agreement per farm business.

This is particularly relevant where restructuring may result in the creation of additional business entities or a new Single Business Identifier (SBI), the unique reference number used by the Rural Payments Agency to identify a farming business. Where separate businesses are recognised for grant purposes, there may be opportunities for each business to access support in its own right. It is unsurprising that advisers are considering the grant implications of business restructuring alongside the succession and tax consequences.

However, the creation of a new business structure or a separate SBI does not automatically guarantee separate treatment by the Rural Payments Agency. Any new business arrangement should therefore be tested against the principles discussed in IACS26. Factors such as the trading activities undertaken, who is involved in the business and in what capacity, and the practical operation of the business may all be relevant to the assessment.

FROM SUBSIDIES TO TARGETED SUPPORT

The biggest change to agricultural funding in England is the move away from the Basic Payment Scheme (BPS), under which support was largely linked to the amount of land farmed. The current approach focuses instead on rewarding environmental outcomes, improving productivity and supporting investment in farm businesses.

The cornerstone of the new system is the Sustainable Farming Incentive (SFI), which pays farmers for adopting specific land management practices that support soil health, biodiversity, water quality and sustainable food production.

Alongside this, capital grants provide funding for one-off investments and environmental improvements, including hedgerow restoration, tree planting, water quality projects and natural flood management measures. Defra has allocated £225 million to the 2026 programme.

Farmers can also apply for support through the Farming Equipment and Technology Fund, which helps businesses invest in equipment and technology to improve productivity, animal welfare and environmental performance. Other schemes remain available for more specialised projects, such as complex environmental management and large-scale habitat and ecosystem restoration projects.

ARE BUSINESSES GENUINELY SEPARATE FOR GRANT PURPOSES?

A farming business may appear separate on paper, but that does not automatically mean it will be treated as a separate business for grant purposes. Where linked businesses exist, the Rural Payments Agency may examine the practical reality of how they operate before determining whether they should be regarded as distinct entities.

The assessment is not based on a single factor. Instead, the RPA may consider a range of indicators, including:

- who makes the day-to-day management decisions;
- who bears the financial and commercial risks of the business;
- whether separate accounts, invoices and banking arrangements are maintained;
- how labour, machinery and equipment are owned and used;
- whether businesses can demonstrate genuine operational independence; and
- the extent to which individuals have interests in, or exercise control over, more than one farming business.

Supporting evidence may be required, including business accounts, partnership agreements, machinery-sharing arrangements and other records showing how the businesses operate in practice. The stronger the evidence that businesses operate independently and bear their own risks, the more likely they are to be regarded as separate for grant administration purposes.

Where the Rural Payments Agency reviews a newly established business structure, it may require the completion of IACS26 questionnaires and supporting evidence demonstrating that the businesses are genuinely separate. The potential advantages of restructuring must therefore be considered alongside the need to demonstrate genuine commercial separation.

The wider lesson is that restructuring should rarely be undertaken for a single purpose. A business reorganisation designed to support succession planning may also affect inheritance tax outcomes, grant entitlement, management succession and future commercial opportunities. Advisers should therefore evaluate the interaction between these objectives rather than considering each in isolation.

The same principle applies to operational changes such as the adoption of contract farming agreements (CFAs). Such arrangements may support succession planning and, in some circumstances, inheritance tax objectives. However, they must reflect genuine commercial arrangements and operate as such in practice, with the farmer continuing to bear the appropriate commercial risks. As with any restructuring, the documentation, management arrangements and day-to-day operation of the business should support the position being adopted.

Commercial risk and cross-referenced information

The importance of commercial reality extends beyond business structures and grant applications. Increasingly, advisers need to consider how information provided to different organisations and government bodies fits together.

Commercial arrangements should not simply exist on paper. Business structures, succession arrangements, grant applications and contractual relationships must all reflect the underlying reality of how the farming operation is conducted. The existence of a particular structure or agreement is unlikely to be sufficient if the day-to-day operation of the business points in a different direction.

This is particularly important in an environment where information submitted to different organisations may be compared and reviewed. HMRC, the Rural Payments Agency, banks, professional advisers and other bodies may all hold information relating to the same farming business. Inconsistencies between business structures, grant applications, accounts and operational arrangements may raise questions about whether the arrangements accurately reflect reality.

For that reason, succession planning should involve a careful review of all business records and applications. Information provided for tax purposes should be consistent with information submitted in support of grant applications and other regulatory requirements. The structure of the farming business, ownership arrangements and management responsibilities should all support the position being adopted.

To quote from the government's SFI26 announcement: 'Fairness and access will improve. By reducing some payment rates, introducing an area cap for the enhanced overwinter stubble action, and applying a new annual agreement cap of £100,000, we can ensure that more farms are able to participate and benefit.'

As support schemes evolve, farming businesses and their advisers must consider not only the tax and succession implications of restructuring, but also how those arrangements will be viewed in the context of grant administration and commercial reality.

Commercial viability: keep it real

This gives us an opportunity to distinguish between genuine commercial arrangements and those that exist primarily on paper. Commercial activities should be focused on the production of profit and supported by a clear economic rationale.

Throughout this article, the recurring themes have been real economic purpose and financial viability. Whether considering succession planning, inheritance tax planning, business restructuring, grant applications or contract farming agreements, the underlying arrangements must be capable of standing up to scrutiny.

This is particularly important where businesses are seeking to establish separate status for grant purposes. The question is not simply whether a particular structure delivers a desired tax or grant outcome, but reflects the genuine operation of the farming business.

The key message remains straightforward: keep it real. Restructuring should be driven by genuine commercial and family objectives, supported by evidence of financial viability and capable of withstanding scrutiny from both tax and grant authorities.

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Solvent liquidations and SDLT

HC-One on clawback and s 75A

In *HC-One*, the tribunal rejected HMRC's 'wrong end of the telescope' approach, confirming the availability of SDLT group relief and clarifying the limits of FA 2003 s 75A.

by Helen Coward and Jade Macnamara

A carefully planned corporate reorganisation before a business sale can produce significant stamp duty land tax (SDLT) savings, but where does legitimate tax planning end and tax avoidance begin? The First-tier Tribunal's decision in *HC-One No.1 Limited v HMRC* [2026] UKFTT 678 (TC) tackles that question directly, providing important guidance on the circumstances in which SDLT group relief can be clawed back under Schedule 7 to the Finance Act (FA) 2003, and on the scope of FA 2003 s 75A. Although the decision is fact-specific and may yet be appealed, it offers valuable insight into the distinction between legitimate statutory tax mitigation and tax avoidance.

The background and facts

The case arose from Bupa's planned disposal of a substantial part of its UK care homes business. Following a strategic review, the group decided to sell a large portfolio of care homes while retaining a smaller core portfolio. The proposed disposal was driven by commercial concerns, including brand risk, regulatory pressure, operational complexity and declining returns in parts of the care homes sector.

A major preliminary step was the unwinding of a legacy securitisation structure. Around 60 of the properties intended for sale formed part of a securitisation involving 115 care homes. To enable the sale, the securitisation had to be terminated; the issuer redeemed £235 million of notes and paid a premium of £146.6 million funded by the group.

The group then implemented a corporate reorganisation. A new holding company, Bupa Care Homes (Holdings) Limited, was incorporated. HC-One No.1 Limited, the appellant, was incorporated beneath it as the sale vehicle. Between July and November 2016, 98 English care home properties were transferred from various operating companies to the appellant, with SDLT group relief claimed on each transfer.

Immediately before the share sale agreement was entered into, Bupa Care Homes Group Limited, an intermediate parent company above the operating companies (the vendors under the group relief transactions), was placed into members' voluntary liquidation.

As a result, the operating companies ceased to be members of the same SDLT group as the appellant. The appellant argued, however, that because the de-grouping resulted from the liquidation, Schedule 7 to FA 2003 para 4(4) prevented the normal clawback of the SDLT group relief.

The statutory framework

Schedule 7 provides SDLT group relief for qualifying intra-group land transactions. However, para 2(4A) denies relief where a transaction forms part of arrangements where the main purpose, or one of the main purposes, is the avoidance of SDLT. Para 3 then provides for the withdrawal of group relief where the purchaser ceases to be in the same group as the vendor within three years, while para 4 sets out exceptions to that clawback rule.

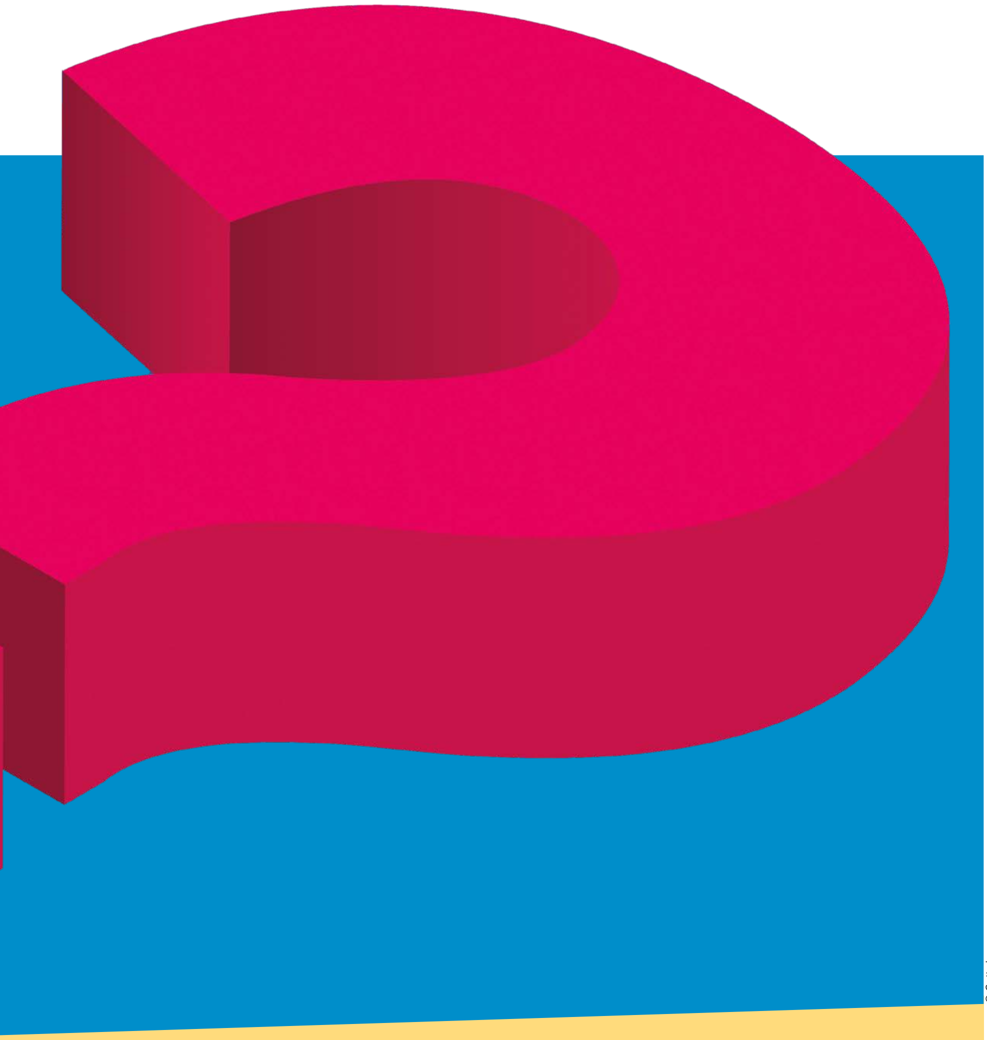
Key Points

What is the issue?
The First-tier Tribunal considered whether a solvent members' voluntary liquidation undertaken before a share sale prevented SDLT group relief from being clawed back, and whether the arrangements were caught by the anti-avoidance provisions in FA 2003 Schedule 7 or s 75A.

What does it mean to me?
The decision provides important guidance on the interpretation of Schedule 7 and the limits of s 75A. Although only a First-tier Tribunal decision, it will be of significant interest to advisers involved in corporate reorganisations and business disposals.

What can I take away?
The tribunal confirmed that statutory reliefs should be applied according to their terms, while reinforcing that commercially connected transactions will not automatically fall within s 75A. However, similar arrangements are likely to remain subject to close HMRC scrutiny.

The relevant exception in this case was para 4(4), which applies where the de-grouping occurs by reason of anything done for the purposes of, or in the course of, winding up the vendor or another company above the vendor in the group structure.



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The assessments and determinations

HMRC challenged the SDLT treatment on two grounds. First, it issued discovery assessments on the basis that group relief was unavailable because the intra-group transfers formed part of arrangements of which a main purpose was the avoidance of SDLT, engaging Schedule 7 para 2(4A).

Second, and in the alternative, HMRC issued determinations under FA 2003 s 75A, arguing that the intra-group transfers, the liquidation and the subsequent share sale were scheme transactions that resulted in less SDLT than a notional direct transaction would have done, satisfying the conditions for s 75A to apply.

The appellant argued that the arrangements were commercially driven and that the liquidation fell within the express exception in Schedule 7 para 4(4), so there was no avoidance. It also argued that the later share sale was not a transaction 'involved in connection with' the earlier intra-group acquisitions for the purposes of s 75A.

The tribunal identified five issues:

- whether group relief was denied under Schedule 7 on the basis of a main purpose of avoiding SDLT;
- whether s 75A applied;
- whether the assessments were invalid because HMRC had deliberately over-assessed;
- whether certain assessments were invalid as block assessments; and
- if needed, the correct method for determining chargeable consideration.

Group relief: was there SDLT avoidance?

The central issue was whether the liquidation of the holding company prevented the claw back of SDLT group relief under Schedule 7 para 4(4), or whether planning the liquidation to achieve that outcome amounted to SDLT avoidance. If it did, para 2(4A) could deny group relief because the intra-group transfers formed part of arrangements of which the main purpose, or one of the main purposes, was SDLT avoidance.

The tribunal accepted that the timing of the liquidation was driven by the desire to invoke para 4(4). It also found that there was no evidence of any commercial reason why Bupa Care Homes Group Limited needed to be wound up, although it was accepted that the company had originally been used for securitisation purposes and no longer had an obvious continuing role.

HMRC argued that the liquidation had been inserted to prevent the normal three-year clawback rule from applying. In its view, para 4(4) had to be read in the context that group relief is available only where the transferred assets remain within the relevant corporate group for three years. An unconstrained interpretation of para 4(4) would, it argued, invite tax avoidance by allowing taxpayers to transfer assets within a group, liquidate the vendor and then sell the purchaser without triggering the clawback.

The tribunal rejected that approach to statutory interpretation. It held that para 4(4) is not drafted in a limited or qualified way, unlike many other provisions under Schedule 7. It also held that it was not permissible to read words that were not there into the statute, or to infer a purpose that was not apparent from the statutory language chosen. The exception in para 4(4) is not limited to insolvent liquidations, commercially necessary liquidations or liquidations with a non-tax motive. Although the appellant's argument regarding para 4(4) was surprising, it was not absurd, even where the liquidation served no commercial purpose.

The tribunal acknowledged that Parliament might have drafted the provision differently had it anticipated that taxpayers would use the liquidation of a company above the vendor to preserve group relief. However, it refused to read additional limitations into the statute. Once the company had been wound up, genuine legal and economic consequences followed. This was not a case in which a tax advantage had been obtained without accepting those consequences. The fact that the liquidation was solvent, planned and timed with the SDLT consequences in mind did not, of itself, mean that reliance on the exception was tax avoidance.

The tribunal therefore concluded that using a members' voluntary liquidation to fall within para 4(4) did not amount to tax avoidance for the purposes of para 2(4A). Group relief was therefore available and the appeal succeeded on the basis of that issue, although the judge went on to consider the remaining questions.

The alternative finding on main purpose

Having concluded that the liquidation did not amount to SDLT avoidance, the tribunal nevertheless went on to consider the alternative position. If preserving group relief through the liquidation had constituted SDLT avoidance, would that avoidance have been a 'main purpose', or one of the main purposes, of the arrangements?

The appellant would not have succeeded on that issue. The tribunal found that the group's overarching disposal objective was commercial. It accepted that the sale was driven by brand, operational and investment considerations, and that the preferred route was a share sale of a company holding the care home assets in order to maximise purchaser interest and reduce execution risk.

The tribunal also accepted that a number of commercial and operational considerations materially shaped the structure, including TUPE and employee relations risks, legacy liability concerns, supplier and customer contract issues, as well as SDLT considerations.

However, the tribunal found that preserving group relief was one of the main purposes of the specific arrangements adopted. The liquidation had been 'baked in' from an early stage and was timed precisely to secure the outcome in para 4(4). Had that outcome constituted tax avoidance, para 2(4A) would have denied the group relief.

The taxpayer therefore won because the tribunal treated the para 4(4) liquidation as a statutory tax mitigation route rather than avoidance. Importantly, had group relief been denied, it would have been denied even on transfers of properties that were retained by the group and not sold to HC-One, because those transfers formed part of the same arrangements and had the same purpose.

Section 75A: commercial connection is not enough

HMRC's alternative case was that s 75A applied. It argued that the intra-group transfers, the liquidation and the subsequent share sale formed part of a single scheme by which the properties ended up outside the group with a reduced SDLT charge.

The parties agreed that the operating companies were the vendors and the appellant was the purchaser for the purposes of s 75A, and that the intra-group transfers were the relevant disposals and acquisitions. The dispute was whether the later liquidation and share sale were transactions 'involved in connection with' those disposals and acquisitions, and whether more SDLT would have been payable on the notional transaction.

The appellant argued that the share sale and the liquidation were not transactions involved in connection with the intra-group disposals and acquisitions because the corporate sale took place a year later and did not facilitate the earlier property transfers. Moreover, the notional transaction under s 75A would still have attracted group relief, as it would have been between the selling operating companies and the appellant (as agreed by the parties), and deemed to occur at a time when they were members of the same corporate group.

The tribunal held that, in order to be scheme transactions, the relevant transactions must still contribute directly or indirectly to the means by which the chargeable interest passes from the vendor to the purchaser. On the facts, the share sale was not part of the series of transactions by which the properties passed from the operating companies to the appellant. The property transfers had already taken place. The later share sale was the means by which the appellant, holding the properties and businesses, was sold to HC-One. The tribunal described HMRC's approach as 'looking through the wrong end of the telescope'.

The liquidation also did not satisfy the test. Although it ensured that the SDLT group relief was not clawed back, it was not a transaction involved in connection with the disposal by the operating companies and the acquisition by the appellant. Accordingly, s 75A did not apply and the appeal against the determinations was allowed.

Broader impact on SDLT group relief and clawback

The most important wider point is the tribunal's treatment of para 4(4). Although not legally binding, it indicates that the exception to the three-year clawback rule is not limited to insolvent or commercially compelled liquidations. A solvent members' voluntary liquidation can fall within para 4(4) if the statutory conditions are satisfied and the winding up is legally effective.

The tribunal also adopted a relatively narrow interpretation of s 75A. HMRC argued that the wider commercial divestment was sufficient to link the later share sale and liquidation to the earlier property transfers. The tribunal rejected that approach. The focus remains on the disposal by the operating companies and the acquisition by the appellant, rather than every transaction forming part of the wider commercial project.

More broadly, *HC-One* suggests that even a wide-ranging anti-avoidance provision has limits. A later transaction may be commercially connected with an earlier property transfer, and may even explain why that transfer was undertaken, without forming part of the mechanism by which the property passed from the vendor to the purchaser. This is a narrower reading of 'involved in connection with' than some may have expected, and it remains to be seen whether this finding will survive an appeal.

In conclusion

Although *HC-One* is a First-tier Tribunal decision, it provides valuable guidance on the operation of SDLT group relief and the limits of FA 2003 s 75A. The judgment demonstrates that statutory reliefs should be applied according to the language Parliament has chosen, even where that produces an unexpected result. In particular, the tribunal refused to read limitations into para 4(4) that Parliament had not included, confirming that the exception is not confined to insolvent or commercially necessary liquidations.

Importantly, the tribunal's reasoning does not suggest that the taxpayer's motives were wholly free of tax considerations. Rather, it accepted that preserving SDLT group relief was one of the main purposes of the arrangements adopted. The taxpayer nevertheless succeeded because the tribunal concluded that relying on Schedule 7 para 4(4) did not amount to tax avoidance. Had it reached the opposite conclusion on that point, Schedule 7 para 2(4A) would have denied the relief.

Taxpayers contemplating similar arrangements should therefore proceed with caution. HMRC is likely to continue to scrutinise such structures closely, and the tribunal's interpretation of Schedule 7 para 4(4) and FA 2003 s 75A may yet be tested on appeal.

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They hope it's all over Championship referees

The First-tier Tribunal again finds PGMOL's Championship referees self-employed, in the final chapter of a long-running dispute with HMRC.

by Keith Gordon

Key Points

What is the issue?
The First-tier Tribunal has again found that Championship football referees were self-employed for individual match engagements. HMRC has decided not to appeal, bringing this long-running employment status dispute to a close.

What does it mean to me?
Employment status cases remain highly fact-specific. Tribunals must carry out a holistic, multifactorial assessment, and different conclusions may legitimately be reached on similar facts, making litigation inherently uncertain.

What can I take away?
The decision reinforces that the key question is the overall nature of the working relationship, not any single factor. Advisers should focus on the full factual picture rather than relying on individual indicators of employment or self-employment.

This article considers the First-tier Tribunal's decision in the case of *Professional Game Match Officials Ltd v HMRC* [2026] UKFTT 654 (TC). This is the fifth decision in a long-running case, which I have followed throughout its journey through the courts. The outcome of the Supreme Court's decision in 2024 was that the case needed to be reconsidered by the First-tier Tribunal. Hence this latest decision.

See the box ***My previous pieces on PGMOL*** for details of the case history.

The facts of the case

The case concerns the employment status of a group of football referees. The appellant, usually referred to as 'PGMOL', engages qualified referees for deployment across the professional football scene in England. It is owned by the Football Association, the English Football League and the Premier League.

The top flight of English football is the Premier League. The officials for its matches are generally employees of PGMOL, providing their services on a full-time basis. However, the next tier of the game (the Championship) is served by individuals who generally have other work commitments during the week but who provide their services for weekend matches. It is their employment status that is the focus of the dispute between HMRC and PGMOL.

The referees sign up for a football season. However, it is common ground that the season-long contract did not constitute a contract of employment because there was no obligation on the referees to officiate at any matches during the season (or on PGMOL to offer any matches to the referees). There was, of course, an expectation that matches would be offered to and accepted by the referees.

HMRC's case was that each individual match officiated by a referee represented a discrete employment.

As already noted, signing up for the season did not impose any more than an expectation that matches would be offered or accepted. Each Monday, the following weekend's matches would be offered to the referees using an online booking system. One of the more unusual facts of the case was that, even when a booking had been made on this system, the referee could pull out at any time before the match kicked off. Similarly, PGMOL could pull the referee from the match at any time prior to kick-off.

The legal approach

It was not doubted that questions as to a worker's employment status should be determined in accordance with the three-stage test laid out by MacKenna J in *Ready Mixed Concrete (South East) Ltd v Minister for Pensions and National Insurance* [1968] 2 QB 497.

> 'A contract of service exists if these three conditions are fulfilled:
>
> 1. The servant agrees that, in consideration of a wage or other remuneration, he will provide his own work and skill in the performance of some service for his master.
> 2. He agrees, expressly or impliedly, that in the performance of that service he will be subject to the other's control in a sufficient degree to make that other master.
> 3. The other provisions of the contract are consistent with its being a contract of service.'

Although the language from the late 1960s does now seem rather dated, the essence of the test remains intact. Nevertheless, there have been some subtle differences in how the test should be approached; indeed, these differences have themselves been consolidated in the eight years between the first and second hearings in the First-tier Tribunal of this case.

These differences have come to light in two cases in particular: in the Court of Appeal's decision in *HMRC v Atholl House Productions Ltd* [2022] EWCA Civ 501 and in the Supreme Court's decision in this case.

In *Atholl House*, it was confirmed that MacKenna J's judgment should not be read as if it were a statute. In particular, at the third stage, the analysis should not be limited to 'the other provisions of the contract'; instead, a more holistic approach should be taken of facts known by (or readily available to) the parties when the contract is entered into. That holistic approach can also take into account the factors addressed at the first

> **The tribunal concluded that the individual match engagements were contracts for services rather than contracts of employment.**

two stages of the test (i.e. mutuality of obligations and control).

This point was then picked up in the Supreme Court in the *PGMOL* case. Hitherto, courts and tribunals (including in the present case) had spent a long time focusing on the extent to which the first two stages were satisfied. The Supreme Court considered that this was no longer appropriate. Instead, those two stages represented low-level thresholds designed to eliminate cases where it was clear that the contract was not one of employment.

The focus of any court or tribunal should be on the third stage, where a multifactorial analysis should be undertaken, taking into account *inter alia* the extent of mutuality of obligation and control (the subject matter of stages 1 and 2). At stage 2, it is necessary only for there to be *some* framework of control over the worker. However, the nature and degree of that control can then be put into the mix at stage 3.

The Court of Appeal and Supreme Court also emphasised that this third stage test should not start with any presumptions of either employment or working on one's own account (effectively, self-employment).

The arguments before the First-tier Tribunal

In its 2018 decision, the First-tier Tribunal focused on stages 1 and 2, which concluded that neither of the stages gave rise to an employment relationship. Consequently, it (correctly) realised it did not need to proceed to the third stage.

As a result of the Supreme Court's decision, it was now clear that the First-tier Tribunal had applied too rigorous an analysis for stages 1 and 2. Applying the (now) appropriate lower thresholds, the Supreme Court held that the First-tier Tribunal should have concluded that the first two stages were satisfied and thus the tribunal should have proceeded to stage 3.

As there had been no formal fact-finding at that third stage, the case was remitted to the First-tier Tribunal for the third stage analysis to be carried out based on the facts previously found.

The First-tier Tribunal's decision

The case came before Tribunal Judge Geraint Williams and Member Dr Phebe Mann.

The tribunal identified all the facts that it considered to be relevant and discussed whether they pointed in favour of or against a conclusion that the individual engagements amount to discrete contracts of employment (or whether they were neutral).

At the end of the decision, in its 'overall impression', the First-tier Tribunal concluded that 'this is not a finely balanced case'. It found that, taken cumulatively, the relationship lacked the defining hallmarks of employment: ongoing mutual commitment, subordination in performance of the central task, organisational integration and economic dependency. Instead, it said the officials were 'skilled professionals participating voluntarily in a regulated framework', undertaking discrete engagements for remuneration while retaining substantial autonomy and independence.

Applying the multifactorial test, the tribunal concluded that the individual match engagements were contracts for services rather than contracts of employment. Although it had carefully considered the factors relied upon by HMRC, it found they were outweighed 'in their proper legal and factual context' by the features pointing away from employment. Accordingly, the First-tier Tribunal allowed PGMOL's appeal.

Commentary

The case demonstrates why employment status cases can be so difficult to determine. It is very easy to contrast the situation of the referees in this case with that of their full-time

MY PREVIOUS PIECES ON PGMOL

- The first decision (also by the First-tier Tribunal) was given in 2018 and was the subject of my article 'Men in black' which was published in the November 2018 issue of Tax Adviser.
- 'Our Mutual Friend' was written in the November 2021 issue, following the Court of Appeal's decision in the case. (I chose not to write about the Upper Tribunal's decision in the meantime.)
- I then wrote 'PGMOL v HMRC: the long-awaited decision on employment status' in October 2024 following the Supreme Court's decision.

colleagues who officiate at the Premier League games. Whilst their matchday duties will be very similar, there is something (albeit intangible) that distinguishes the two types of arrangement.

Is that enough, however, to justify a different employment status? Imagine, for example, that in addition to my law practice, I had a regular, remunerated role on Saturday mornings. How important is it that other individuals perform the same or a similar role throughout the week when determining whether my own engagement is one of employment or self-employment?

The difficulties are magnified when it is remembered that the question is not whether the Championship referees are employees of PGMOL *per se* but whether they were employed in the course of the individual matches. Of course, if one focuses on the individual matches themselves, it will be almost impossible to say that a referee is in business on their own account. However, the case law makes it clear that one can step back and look at the arrangement in its broader context. In particular, individual engagements are not to be considered in isolation but in the light of the wider work pattern.

The case law also makes it clear that, whilst decisions as to employment status are ultimately binary, there is a range of work relationships that can legitimately be categorised either way. Thus, one could theoretically have a situation where an individual makes a claim in the Employment Tribunal for wrongful dismissal only to be told that they were not working under a contract of employment; however, HMRC could successfully defend in the First-tier Tribunal a decision to charge the 'employer' for PAYE that should have been deducted from payments to that individual. As a result, the answer in any particular case depends not only on the facts but also on how the tribunal evaluates them. That inevitably makes the litigation process inherently uncertain. However, an appellate court or tribunal should not interfere with such a decision, even if it would itself have reached a different conclusion, unless it detects a material error of law.

HMRC has confirmed that it will not appeal the decision, which is now final. However, this decision could be a matter of pragmatism rather than a ringing endorsement of the First-tier Tribunal's approach.

If one starts at the end of the decision, one could justifiably conclude that the tribunal's approach was entirely orthodox: it painted a picture from the various details of the case, then stepped back and looked at the whole.

However, if one reads the analysis in the middle of the decision, a different picture emerges. In particular, the tribunal looked at various topics, such as control, as it was required to do. Within each topic, it analysed the various facts and made findings as to whether they pointed towards or against there being an employment relationship. Again, that is entirely conventional. However, rather than use those findings as part of its overall assessment, the tribunal then reached a conclusion as to whether each topic itself pointed towards or against there being an employment relationship.

It could be argued that the First-tier Tribunal made an error of approach by reaching an interim conclusion on a topic-by-topic basis. Given the general tone of the First-tier Tribunal's decision, however, it is quite likely that it should be treated as an immaterial error of law because it would have had no effect on the overall decision. It is clear that so many individual factors were, in the tribunal's view, pointing against there being an employment relationship.

However, it is possible that some of the First-tier Tribunal's more detailed analysis was incorrect as a matter of law. For reasons of space, I will focus on just two issues.

Students of employment status cases might be familiar with the House of Lords' decision in *Carmichael v National Power* [1999] UKHL 47, which has a number of similarities to the present case. Mrs Carmichael was engaged by National Power as an ad hoc guide to take visitors around a power station. There was no guarantee of ongoing work and the tour guides were not obliged to take on any tours offered to them. The House of Lords concluded that Mrs Carmichael and her fellow tour guides were not employees of National Power.

In the present case, the First-tier Tribunal commented on the similarity between the two cases. However, it seems to have been overlooked that Mrs Carmichael was arguing that her overarching arrangement with National Power (the equivalent to the season-long arrangement reached with the referees) constituted an employment contract.

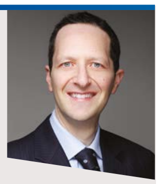
Furthermore, the House of Lords stated more than once that it was making no comment as to whether the tour guides 'when they actually worked as guides ... did so under successive ad hoc contracts of employment'. In *PGMOL*, however, that was the very question being asked.

Secondly, on more than one occasion, the First-tier Tribunal pointed to the fact that the referees considered their activities as a hobby, pursued alongside their weekday employment. The tribunal treated this as a factor against there being an employment relationship. In many ways, this is understandable as the whole arrangement was so different from that of the full-time referees.

However, does the hobby nature of the activity truly point against there being an employment relationship? Suppose a lawyer who is also a talented musician plays the organ in a church every Sunday morning. Does the fact that music is a hobby have any impact on how the contract between the church and the organist should be categorised?

What to do next

I am sure that those at PGMOL will be pleased that this case is all over, especially after such a convincing victory at the First-tier Tribunal for the second time. However, this means that the Upper Tribunal will not have the opportunity to clarify whether (and if so the extent to which) the First-tier Tribunal made errors of law in its decision.



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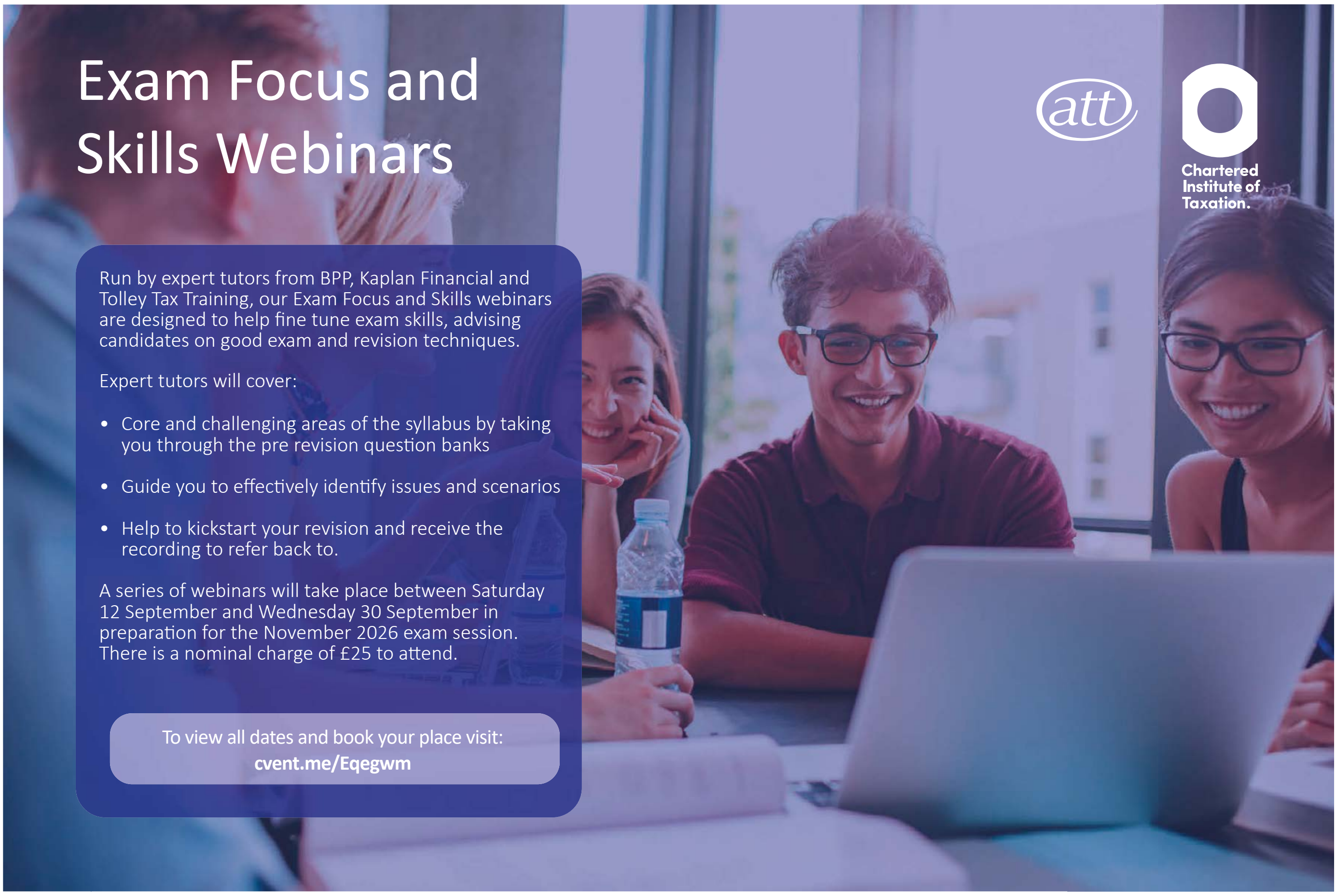
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Muller and the notional company The limits of tax fiction

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The Court of Appeal confirmed that LLP profit calculations cannot ignore real ownership relationships, limiting tax relief for related-party transfers of intangible assets.

by Pavandip Singh Dhillon

The Court of Appeal has confirmed that, when computing the profits of a corporate member of a limited liability partnership (LLP), the statutory fiction that a UK-resident company carries on the LLP's trade does not require the LLP's real-world ownership and control arrangements to be ignored.

In *Muller UK and Ireland Group LLP and others v HMRC* [2026] EWCA Civ 248, that conclusion was enough to deny amortisation relief for goodwill and other intangible fixed assets transferred into an LLP by group companies. All section references are to Corporation Tax Act 2009, unless otherwise specified.

At the time of writing, the case may not be the last word on the issue, as the appellants have lodged an application for permission to appeal to the Supreme Court.

The case concerned an attempt to obtain amortisation relief on goodwill and other intangible assets transferred into an LLP by companies that owned it. The taxpayers argued that the hypothetical company used to calculate the LLP's profits should be treated as independent of those companies. The Court of Appeal disagreed.

The dispute centred on the interaction between two provisions in CTA 2009. Under CTA 2009 s 1259, the profits of an LLP attributable to a corporate member are computed as if the LLP's trade were carried on by a UK-resident company. The question was whether that hypothetical company should be treated as having the same ownership and control arrangements as the LLP itself. The answer determined whether the related-party rules in CTA 2009 s 882 prevented relief for the amortisation of the transferred assets.

The transaction

The appellants were three UK-resident companies in the Muller multinational dairy group, together with an LLP that they incorporated in May 2013.

The three companies, referred to in the judgment as the corporate members, owned all the membership units in the LLP. On 1 July 2013, they transferred their respective trades, together with brands, licences, software and goodwill, to the LLP in exchange for membership units.

The brands, licences and software were agreed to be intangible fixed assets within CTA 2009 s 712, and goodwill was treated in the same way under s 715. The assets were valued and recorded in the LLP's accounts at fair value and were amortised over five years on a straight-line basis. The accounts, the fair values and the amortisation calculations were not in dispute.

The issue in question was determining whether that amortisation gave rise to deductions for corporation tax purposes. In computing the LLP's profits for inclusion in the corporate members' corporation tax returns for accounting periods ending between 31 December 2013 and 31 December 2018, deductions were taken for the amortisation of the transferred assets. HMRC challenged those deductions and issued closure notices. The taxpayers appealed.

Key Points

What is the issue?
When computing the profits of a corporate member of an LLP, the hypothetical company used by CTA 2009 s 1259 may need to be treated as having the LLP's real-world ownership and control arrangements when applying the Part 8 intangible fixed assets related-party gateway.

What does it mean to me?
The case is important for groups that have transferred goodwill, brands or other intangible fixed assets into LLPs. It confirms that the notional company used in the corporation tax computation is not a blank slate divorced from commercial reality.

What can I take away?
For acquisitions before 1 July 2020, the related-party gateway in CTA 2009 s 882 can still deny Part 8 relief where assets are transferred into an LLP owned by related companies. For later acquisitions, different rules apply, but the practical outcome may often be similar.

The statutory setting

The dispute arose because the rules for LLPs and the rules for intangible fixed assets interact in an unusual way.

Part 17 of CTA 2009 contains the corporation tax rules for partnerships and LLPs. Under s 1273, an LLP carrying on a trade or business with a view to profit is treated as transparent for corporation tax purposes. Broadly, the LLP's activities

and property are treated as those of its members.

Where one or more partners are within the charge to corporation tax, s 1259 requires the LLP's profits to be determined as if its trade were carried out by a UK-resident company. The resulting profits are then allocated to the corporate members for corporation tax purposes.

That deemed company computation requires consideration of CTA 2009 Part 8, which governs the corporation tax treatment of intangible fixed assets. Part 8 generally follows the accounts, allowing relief where amortisation of an intangible fixed asset is recognised in the accounts (s 729(1)). However, an asset must first fall within the Part 8 regime. For the 2013 transfer in *Muller*, the key question was whether the assets satisfied the conditions in s 882.

The related-party gateway

The availability of Part 8 relief depended on s 882, which determines whether an intangible fixed asset falls within Part 8. At the time of the transfer, s 882(1) provided that Part 8 applied only to intangible fixed assets of a company which were:

- created by the company on or after 1 April 2002 (s 882(1)(a));
- acquired on or after that date from a person who was not a related party at the time of acquisition (s 882(1)(b)); or
- acquired on or after that date from a related party, but only in certain limited circumstances (s 882(1)(c)).

The first route was not relevant because the assets had not been created by the notional company. The critical question was therefore whether the notional company was treated as acquiring the assets from related parties. If it was not, the assets could enter Part 8 under s 882(1)(b). If it was, relief was available only if one of the exceptions in s 882(1)(c) (Cases A to C) applied.

It was common ground that none of the exceptions in s 882(1)(c) applied in *Muller*. The dispute therefore came down to whether the corporate members were related parties in relation to the notional company.

If they were, the s 882(1)(b) gateway was closed and Part 8 amortisation relief was unavailable.

The taxpayers' argument

The taxpayers argued that s 1259(3) required only one assumption: that the LLP's trade was carried on by a UK-resident company. On that basis, the profits of the LLP's trade should be computed as if it were carried on by a UK-resident company, but without treating that hypothetical company as having the same ownership and control arrangements as the LLP.

That argument, if correct, would have given the taxpayers exactly what they needed. The notional company would have acquired the assets but would not have shared the LLP's ownership or control arrangements. The corporate members would therefore not be related parties in relation to it, and the requirement in s 882(1)(b) that the acquisition be from a non-related party would be satisfied.

The difficulty with the taxpayers' argument was that this would mean that requirement would always be satisfied in this context. The taxpayers accepted that consequence, arguing that Parliament had not expressly provided for the notional company to inherit the LLP's ownership and control arrangements.

The Court of Appeal's answer

The Court of Appeal rejected the taxpayers' argument. It began by considering the purpose of s 1259, which is to calculate the profits of the LLP's trade, and then divide those profits between the corporate members, on the basis that the trade is carried on by a UK-resident company.

The court emphasised that this exercise could not be carried out 'in a vacuum'. The trade being analysed was the LLP's actual trade, carried on through the corporate members that owned and controlled it. The court therefore considered that the real-world facts and circumstances surrounding that trade should also be reflected in the hypothetical company unless the legislation required otherwise.

In effect, the court held that the hypothetical company could not be treated as a blank slate divorced from the LLP's real ownership structure.

The difficulty for the taxpayers was that they wanted to rely on Part 8 while ignoring the ownership and control relationship between the LLP and the corporate members. The court found no basis for doing so. Those ownership and control arrangements were relevant to determining whether the related-party rules applied and therefore whether Part 8 relief was available.

The court therefore held that, at least for the purposes of applying s 882, the hypothetical UK-resident company should be treated as having the same ownership and control arrangements as the LLP. Once that was the case, the corporate members were related parties in relation to the notional company. The gateway in s 882(1)(b) was not satisfied and, because none of the related-party exceptions in s 882(1)(c) applied, the amortisation debits were unavailable.

What would happen under the current legislation?

The legislation has changed since the transactions in *Muller*. Finance Act 2020 amended CTA 2009 s 882 with effect from 1 July 2020. For acquisitions between 1 April 2002 and 30 June 2020, s 882(1B) broadly preserves the previous rules. The 2013 acquisition in *Muller* would therefore still fall under that framework. Applying the court's reasoning, the acquisition would be treated as having been made from related parties and none of the exceptions would apply.

For acquisitions on or after 1 July 2020, s 882(1C) allows some related-party acquisitions to fall within Part 8. The key question then becomes whether the restricted asset rules in CTA 2009 Chapter 16A apply.

For a *Muller*-style transfer of historic intangible value between related parties, ss 900B and 900E are the provisions most likely to matter. If the assets were restricted assets, Part 8 would treat the acquiring company as having acquired them at no cost. The analysis is therefore different under the current rules, but the practical outcome may be much the same: no amortisation relief on the fair-value acquisition cost recorded by the LLP.

Practical lessons

Muller is a warning against treating statutory fictions as commercially empty constructs. Where a notional company is used to compute the profits of a real partnership or LLP trade, the factual circumstances of that real trade may need to be carried across into the hypothetical computation.

For groups, the immediate lesson is that LLPs do not provide a simple route around the related-party limits in the pre-1 July 2020 Part 8 regime. If group companies transfer goodwill or intangible fixed assets into an LLP that they own and control, the notional company computation under CTA 2009 s 1259 does not necessarily eliminate that relationship for tax purposes.

For current transactions, the analysis must start with the acquisition date. Assets acquired before 1 July 2020 remain subject to the s 882(1B) structure. Assets acquired on or after that date may enter Part 8 under s 882(1C), but CTA 2009 Chapter 16A must be considered carefully, especially for assets with pre-FA 2002 history or related-party provenance.

> **The practical significance of *Muller* is not confined to intangible assets.**

Taxpayers and their advisers should therefore review the history of the asset, considering whether:

- it was created or acquired before or after 1 April 2002;
- it has ever been a chargeable intangible asset;
- any acquisition was from an unrelated party;
- a relieving acquisition has occurred; and
- the participation condition or other related-party rules apply.

Final remarks

Muller is a technical decision, but the underlying point is straightforward. The corporation tax computation for a corporate member of an LLP is a computation of a real trade, not an abstract exercise carried out in a factual vacuum. The statutory hypothesis in CTA 2009 s 1259 requires the court to imagine a UK-resident company carrying on the LLP's trade, but it does not require the court to ignore the ownership and control relationships that formed part of that trade's real commercial setting.

A similar issue arose in *Tower One St George Wharf Ltd v HMRC* [2025] EWCA Civ 1588, where the Court of Appeal considered the purpose of transactions when applying group relief restrictions to the notional land transaction deemed by Finance Act 2003 s 75A. The court held that the actual circumstances in which the parties acted, including their tax avoidance purpose at the effective date of the notional transaction, were not stripped away merely because Finance Act 2003 s 75A required certain land transactions to be disregarded.

Both cases illustrate the same broader principle: statutory fictions must be interpreted in light of their purpose, and the courts will not disregard real-world facts where they are needed to make the legislation operate coherently (see also *Fowler v HMRC* [2020] UKSC 22 and *Rossendale Borough Council v Hurstwood Properties (A) Ltd* [2021] UKSC 16).

In *Muller*, that conclusion closed the old CTA 2009 s 882 gateway and denied the amortisation deductions. Under the current legislation, the route may be different for post-1 July 2020 transfers, but Chapter 16A means that related-party transfers of historic intangible value remain heavily constrained.

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Where there's a will...
The cost of poor drafting

Poorly drafted or outdated wills can create unexpected inheritance tax liabilities, but early intervention may preserve reliefs and improve outcomes.

by Julie Partington

Key Points

What is the issue?
Poorly drafted or outdated wills can undermine inheritance tax planning because inheritance tax follows the legal effect of the will rather than the testator's intentions.

What does it mean to me?
Common drafting issues involving charitable gifts, discretionary trusts, residuary clauses and the residence nil rate band can create unexpected tax liabilities and alter who ultimately benefits from an estate.

What can I take away?
Review the will as early as possible in any estate administration. Identifying drafting issues promptly may allow corrective action through remedies such as deeds of variation before valuable planning opportunities are lost.

There is a familiar point in many estate administrations where the tax analysis appears straightforward. On paper, the deceased's estate looks manageable. Asset values are known, reliefs appear available and the inheritance tax position can be assessed with reasonable confidence.

When the will is examined in more detail, things can start to unravel. A surprisingly high number of estates suffer avoidable tax not because the family is wealthy, but because the will is outdated, unclear or poorly drafted. Years of sensible planning can be undermined by wording that does not achieve the intended legal effect.

From a private client perspective, many of the most expensive tax outcomes are not driven by wealth, but by wording. The most problematic estates are often not the largest or most complex but those where the drafting does not achieve the intended result. Small defects when the will is signed can go unnoticed for years, yet produce significant consequences when they are finally tested after the testator's death.

Inheritance tax applies to what happens in law, not what was intended. If a will does not operate as expected, the tax treatment follows the legal outcome. A family may assume that a surviving spouse will inherit, only to discover that the wording does not achieve spouse exemption as expected. A charitable gift may fail, a property may not qualify for relief because of the ownership structure, or a seemingly simple will may produce an unexpectedly complex tax result.

For tax advisers, the key skill is recognising when the outcome is being driven by drafting rather than value. During lifetime, poor drafting can often be corrected by a new will. After death, the available options are narrower, time limited and usually more expensive. Executors may need to submit inheritance tax returns before legal uncertainties are resolved. Interest can accrue on unpaid tax, assets may be frozen pending legal advice and beneficiaries may disagree about how the estate should be administered.

If the tax result looks surprising, it is often because the will is not operating in the way everyone assumed.

Failed charity gifts: losing exemption and rate reliefs

Charitable legacies are often included in wills for both philanthropic and tax planning reasons. However, they are also one of the areas most vulnerable to drafting errors.

Most advisers are familiar with the inheritance tax exemption for gifts to UK-registered charities. Many will also be aware that where at least 10% of the baseline amount of an estate passes to charity, the reduced rate of inheritance tax under Inheritance Tax Act 1984 Sch 1 applies, reducing the rate from 40% to 36%. This is covered in depth in Inheritance Tax Manual IHTM45000 and is well understood by most practitioners. What is less widely appreciated is how often charity clauses fail in practice.

The problem is rarely the intention. More often, it is the drafting. The charity may be incorrectly named, the organisation may have merged or rebranded since the will was prepared, the wording may be too vague to identify the intended recipient, or the gift may be subject to conditions that cannot be satisfied. Another issue to watch for is asking the executors to give 10% to charity and then sending a letter of wishes to them. This is too vague to qualify.

Case study: Misdescribed charity

Justine's homemade will included a legacy of £300,000 to 'the Macmillan nurses'. The executors could not determine whether the gift was intended for individual nurses employed by a local cancer unit, a local service operating under the Macmillan name, or Macmillan Cancer Support itself. There were no attendance notes, letters of wishes or other records capable of confirming Justine's intention.

The executors hoped the issue could be resolved through Counsel's Opinion. Unfortunately, the uncertainty could not be resolved and the gift failed into residue.

The tax consequences were significant. The estate lost the inheritance tax exemption that would otherwise have applied to the £300,000 gift, thus creating additional inheritance tax exposure of up to £120,000. More significantly, the failed legacy meant the estate no longer met the 10% charitable threshold required for the reduced 36% rate, increasing the overall inheritance tax burden still further.

Where a charity clause appears uncertain, it is worth verifying the position before relying on the exemption. In practice, advisers should compare the inheritance tax liability if the gift fails, the liability if the gift can be redirected effectively to charity, and whether the reduced-rate provisions can still be preserved. The difference can often justify early intervention.

Discretionary trusts: when structure overrides intention

What was regarded as sensible planning in 2006 may be inefficient in 2026.

Many older discretionary trust wills were drafted for a very different inheritance tax landscape. Before the introduction of transferable nil rate bands in October 2007, discretionary trust structures were frequently used to preserve inheritance tax allowances, while also providing flexibility and a degree of asset protection for future generations. Some continue to work well. Others no longer achieve the outcome that the testator intended.

A discretionary trust differs fundamentally from an outright gift. Rather than giving assets directly to a beneficiary, the trustees decide which beneficiaries should benefit, when and to what extent. That flexibility can be valuable, but poor drafting can also create unexpected tax consequences.

The distinction is particularly important where a surviving spouse is involved. An outright gift to a spouse will normally qualify for spouse exemption and pass free of inheritance tax on first death. Certain immediate post-death interest trusts can achieve a similar result. A discretionary trust may not. From a family perspective, a spouse may appear to have been provided for under a discretionary trust. From a tax perspective, however, the legal structure can produce a very different outcome.

Problems arise where the drafting does not accurately reflect the testator's intentions. A trust intended to create a life interest for a spouse may instead be drafted as discretionary, or the trustees' powers may be drawn more widely than intended.

Case study: Assumed spouse provision

Ahmed's will left an estate worth approximately £850,000 'to my trustees for the benefit of my spouse and children as they shall in their discretion decide'. The family assumed that this provided fully for Ahmed's surviving spouse. In reality, the spouse had only a potential benefit under the trust rather than an automatic entitlement to the assets.

That distinction proved important. The trust did not produce the inheritance tax outcome the family had expected and created additional complexity from the outset. There was an immediate inheritance tax exposure on first death and the trust entered the relevant property regime, bringing with it ongoing administration, potential ten-year and exit charges, and the possibility of restricting future reliefs, including the residence nil rate band.

The lesson is simple. Where a discretionary trust appears in an older will, the tax position should never be assumed to mirror an outright gift to a spouse. It is worth revisiting the underlying planning assumptions before taking the inheritance tax treatment for granted.

Residuary clauses and partial intestacy

The residuary clause is often the most important provision in a will. It determines who inherits everything left in the estate after debts, expenses, taxes and specific gifts have been dealt with. Where the clause does not operate as intended, all or part of the estate may pass under the intestacy rules instead.

Problems can arise for surprisingly simple reasons. A residuary beneficiary may die before the testator without a substitute beneficiary being named. Shares may not add up correctly. A gift of residue may be uncertain, or a later homemade amendment may conflict with the original wording. When that happens, assets can pass to people the testator never intended to benefit and carefully planned inheritance tax outcomes can quickly unravel.

Case study: The broken residue clause

This concerned the second marriage of Jean and Alex.

Jean had adult children from a previous relationship and Alex, who had no children of his own, treated them as his family. Alex left his estate to Jean on the assumption that she would survive him and, ultimately, pass the assets to her children.

The will did not contain a substitute provision if Jean died first.

Tragically, she was killed in a car accident. Alex inherited her estate but subsequently lost capacity and was unable to update his own will. When he died a year later, the combined estates passed under the intestacy rules to Alex's brothers and sisters from whom he had been estranged for many years. The stepchildren he had intended to benefit received nothing.

The tax consequences followed the legal outcome. Assumptions about spouse exemption and residence nil rate band planning no longer held true and the overall inheritance tax liability increased.

The lesson is that residuary clauses should always be tested against real-life contingencies, particularly in blended families and second-marriage situations where the consequences of a failed gift can be especially severe. If the residue clause fails, the tax planning often fails with it.

The family home and the residence nil rate band

The residence nil rate band (RNRB), which can provide up to £175,000 of additional inheritance tax relief where a family home passes to direct descendants, remains one of the most frequently lost reliefs. In many cases, the intended beneficiaries are exactly the people the legislation was intended to benefit, but the structure through which they inherit prevents the relief from applying.

The difficulty is that the relief depends not only on who inherits the property, but how they inherit it. To qualify, the property generally needs to be 'closely inherited' by direct descendants. Where a family home passes through certain trust structures, that requirement may not be met.

This issue arises regularly in older wills that were drafted before the introduction of the RNRB in April 2017. A structure that appeared sensible at the time may inadvertently restrict relief that did not exist when the will was prepared.

Whenever a family home forms part of the estate, advisers should look beyond the identity of the beneficiaries and consider the mechanism of inheritance. A gift to children or grandchildren may not achieve the expected result if the property passes through the wrong trust structure or if the entitlement is subject to conditions that prevent the statutory requirements from being satisfied.

Case study: Property passing via a trust

Margaret's will left her family home, worth approximately £700,000, to a discretionary trust for the benefit of her children and grandchildren.

From a family perspective, the arrangement appeared entirely sensible. The property was ultimately intended for the next generation and the trust provided flexibility over how and when benefits could be distributed. From a tax perspective, however, the position was less favourable. Because the property was not 'closely inherited' by direct descendants in the manner required by the legislation, the estate was unable to claim the residence nil rate band.

Similar issues can arise where a gift to children or grandchildren is contingent on them reaching a specified age. While such provisions are often included for entirely sensible family reasons, they can prevent the property from being treated as 'closely inherited' for residence nil rate band purposes. As a result, a family home may ultimately pass to the intended beneficiaries but still fail to qualify for relief, increasing the inheritance tax liability by up to £175,000 at 40%; i.e. £70,000.

Post-death remedies

Even where a will has gone wrong, there is often a post-death window within which the outcome can be improved. The key is recognising the issue early enough to act. In practice, the most common post-death remedy is a deed of variation, although disclaimers, rectification and construction proceedings may also be available in appropriate cases.

In a deed of variation, where the relevant beneficiaries agree, assets can be redirected and, provided the statutory requirements are met within two years of death, treated for inheritance tax purposes as though the deceased had made the gift. This can restore spouse exemption, redirect assets to charity, improve the use of available allowances and, in some cases, align the tax outcome more closely with the original testator's intention.

The difficulty is that deeds of variation depend on agreement and timing. Probate delays, family disputes and late professional involvement can easily result in opportunities being missed. For tax advisers, obtaining and reviewing the will at the start of the engagement is often one of the most valuable steps that can be taken.

Case study: Peter and Pauline

Peter and Pauline were a married couple with mirrored investment portfolios worth approximately £650,000 each, together with a cottage worth £860,000 owned as beneficial joint tenants.

Peter died first and left his estate to Pauline. His estate qualified for full spouse exemption and no inheritance tax arose on his death. Pauline also inherited Peter's share of the cottage automatically by survivorship and was left with assets worth approximately £2.16 million.

Sadly, Pauline died only six weeks later. Under her will, her estate passed equally between their four grandchildren. However, because her estate exceeded £2 million, the residence nil rate band was tapered. This reduced the relief available to her estate and increased the overall inheritance tax liability.

Before the second anniversary of Peter's death, the executors implemented a deed of variation. This variation retrospectively severed the joint tenancy in the cottage and redirected £500,000 of Peter's estate directly to the grandchildren. This matched the value of Peter's available nil rate band (£325,000) and residence nil rate band (£175,000), enabling both reliefs to be utilised in full on his death. At the same time, Pauline's estate was reduced from £2.16 million to £1.66 million, bringing it below the £2 million threshold at which the residence nil rate band begins to taper away. The result was a reduction in the overall inheritance tax liability from £496,000 to £464,000, producing a tax saving of £32,000.

	Before variation	After variation
Estate value	£2,160,000	£1,660,000
Inheritance tax payable (40%)	£496,000	£464,000
Tax saving		**£32,000**

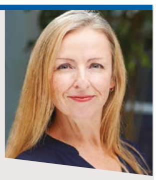
This example illustrates why deeds of variation should never be viewed simply as a mechanism for redirecting assets. The greatest benefit often comes from understanding how the variation affects reliefs, allowances and the taxation of surviving beneficiaries.

Other remedies may also be available. A disclaimer allows a beneficiary to refuse an inheritance, while rectification and construction proceedings may assist where a will fails to reflect the testator's intentions or its meaning is uncertain.

Conclusion

Most will failures are not dramatic drafting disasters. They are often small imperfections, changes in circumstances or technical issues that only become visible after death. Their tax consequences, however, can be significant.

For tax advisers, the challenge is recognising when drafting, rather than value, is driving the outcome. Because inheritance tax follows legal effect rather than intention, a will that does not achieve the intended legal result may also produce an unexpected tax result. By the time estate accounts are being prepared, the best planning opportunity may already have passed.



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Technical newsdesk

WELCOME

Victoria Todd

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August Technical newsdesk

As I sat down to write this, an alert popped into my inbox announcing the publication of HMRC's Annual Report and Accounts for 2025-26 (see tinyurl.com/4emv2zh3). At 329 pages, it is not exactly a holiday read, but it does contain some interesting insights into HMRC's performance.

One of HMRC's headline ambitions is that 90% of customer interactions should be digital by 2030. According to the report, digital interactions accounted for 78% of customer contact in 2025-26. HMRC say that puts them ahead of the trajectory needed to reach their target, although growth has slowed compared with earlier years. HMRC attribute much of the increase to the success of the HMRC app, which now has 7.6 million users, compared with 3.8 million only two years ago.

There are signs of progress elsewhere too. Telephone performance has improved significantly. More than 85% of attempts to reach an adviser were successful, compared with 71.5% the previous year and 66.4% in 2023-24. Average wait times remain far too long at over 12 minutes, but those figures show improvement. HMRC maintained overall customer satisfaction for telephone, webchat and digital services at around 80%. Taken together, these figures show some progress towards HMRC's transformation goals. However, the statistics only tell part of the story.

Alongside the annual report, HMRC has also published the latest findings from the Charter Stakeholder Group (CSG), on which CIOT, our Low Incomes Tax Reform Group (LITRG) and ATT are represented (see tinyurl.com/4w8ubtj8). The group's annual survey gathered more than 700 responses from taxpayers and agents, and provides a valuable reality check on how HMRC are performing against their Charter standards.

The contrast with the headline performance metrics in the annual report is notable. Respondents were asked to score HMRC's performance against each standard on a scale of 1 to 10. The findings indicate that HMRC's performance against key Charter standards remains a worry, with significant concerns about responsiveness, ease of use, accountability and accuracy. Scores were particularly low for HMRC being responsive (2.8 out of 10) and for making things easy for customers (3.25 out of 10). Concerns were also raised about digital services, staff expertise and the practical challenges agents face when trying to help clients, such as the need to make multiple contacts and the excessive length of time to rectify a HMRC error.

Perhaps the most telling result was that 82% of respondents felt HMRC are not held sufficiently accountable for their Charter commitments. Many comments reflected frustration that taxpayers face strict deadlines and consequences, while HMRC can take much longer to respond. Agents were particularly concerned about barriers to representing clients, creating a tension with the Charter commitment to recognise a taxpayer's right to appoint someone to act on their behalf.

For me, a key point is that transformation cannot simply be about moving more people online. Digital services must be easy to use, trusted by taxpayers and agents, and supported by effective alternatives for those who need extra help and for more complex cases. The annual report suggests some progress is being made, but the Charter survey shows us there is still far more to be done.

This month's Technical Newsdesk highlights the wide range of work going on across CIOT technical, LITRG and ATT, all aimed at making the tax system work better for everyone, including HMRC.

NEWSDESK ARTICLES

Contact

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OMB

Proposed new reporting requirements for close companies

The ATT and CIOT caution against burdensome additional reporting requirements proposed in HMRC's consultation on Reporting company payments to participators.

HMRC's recent consultation (see tinyurl.com/2vc9czpy) sought views on introducing new requirements to report all transactions between close companies and their participators.

Under the proposals, companies would be required to provide details of all their transactions with participators to HMRC by means of a report showing the recipient, National Insurance number (for individuals), amount and date of all relevant transactions. This would include, for example, cash withdrawals, loans, debts, dividends and transfers of assets. The only proposed exception is for salary payments, which are reported under Real Time Information (RTI). Transactions with corporate participators would not be excluded, potentially bringing intra-group transactions into scope.

The ATT response highlighted the concerns raised by members about the financial impact of the proposals. The additional reporting would inevitably lead to increased costs for business, which may risk corners being cut and result in a reduction in the quality of data being submitted to HMRC. ATT felt that companies that are deliberately not compliant with the existing requirements for close companies are unlikely to comply with additional reporting requirements fully and accurately. Meanwhile, companies that are already compliant will see an increase in their compliance costs, with little or no benefit to them from the new administrative burden.

The CIOT agreed that the volume of data involved would be unmanageable for some businesses without additional resources, both for businesses and HMRC. We questioned the cost-benefit analysis of the proposals, recommending that any new rules should be carefully targeted.

Both representative bodies highlighted that many companies rely on assistance from professional advisers to submit accurate information to HMRC as part of a year-end process. While we support the policy aim of improving record-keeping, most small businesses cannot afford in-house tax experts to help them get things right first time. Therefore, both bodies opposed these proposals for more regular or real-time reporting.

The ATT suggested that there would be little benefit to including corporate participators within the scope of additional reporting requirements. The position of companies in liquidation would also need to be considered as part of any reporting regime.

In terms of possible exclusions, the CIOT also raised the question of companies that are only close by reason of being held by collective investment schemes and other types of investment funds. We commented that the proposed measures seemed too widely drawn, given the consultation's stated aims of reducing the small business tax gap.

Were HMRC to press ahead with some form of additional reporting, the ATT put forward for consideration the introduction of a de minimis threshold or, alternatively, disclosure requirements similar to those previously required under accounting standards in respect of transactions with participators. This would help to focus the additional administrative burden on those transactions with a more than negligible tax risk.

The CIOT's members had mixed views on a de minimis exclusion, concluding that it may actually add more complexity to the tax system. Our preference would instead be for a simplified form of reporting, providing summarised information as part of the annual corporation tax return. We also made recommendations about improved guidance and educational resources for new business owners, drawing on the conclusions of the Office of Tax Simplification in its 2019 report 'Simplifying everyday tax for smaller businesses'.

The full CIOT response is available here: www.tax.org.uk/ref1658

The full ATT response is available here: www.att.org.uk/ref522

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GENERAL FEATURE

Modernising Revenue Scotland's tax administration framework: communications from Revenue Scotland to taxpayers

The CIOT, LITRG and ATT have responded to a Scottish government consultation on 'Modernising Revenue Scotland's tax administration framework – communications from Revenue Scotland to taxpayers'. On 23 March 2026, the Scottish government published a consultation on proposed changes to the way that Revenue Scotland communicates with taxpayers. The consultation set out Revenue Scotland's current communications framework, and the challenges presented by the existing arrangements.

Currently, Revenue Scotland can only send documents to a taxpayer electronically where prior written consent is given, and there is uncertainty as to whether such consent includes the use of the Scottish Electronic Tax System (SETS) to send correspondence.

The consultation seeks views on proposed changes that would enable Revenue Scotland to use electronic communications as a default means of communicating with taxpayers, allowing postal communications for those opting out or who are digitally excluded. Electronic communications could include sending information through email, secure email portals and the SETS, and may include other forms such as social media.

The consultation document also outlines proposed changes to the use of ordinary post for communicating with taxpayers. The consultation explains that current legislation does not provide certainty around whether a taxpayer has received correspondence sent by ordinary post.

This has a cost impact on Revenue Scotland where it has to revert to using recorded delivery or signed-for post. The consultation outlines proposed changes so that Revenue Scotland can presume that a letter sent by ordinary post has been received by the taxpayer (subject to rebuttal).

The consultation focuses on two linked areas. The first is operational changes to the use of electronic communications and ordinary post by Revenue Scotland. The second area concerns proposed changes to the legal tax framework around proof of transmission and rebuttable presumptions of receipt.

Operational changes

In regards to the proposed operational changes, the CIOT noted in their response that many taxpayers and businesses are well versed in integrating digital systems and communications into their day-to-day lives, and were therefore of the view that Revenue Scotland should be able to use electronic methods of correspondence, with

EMPLOYMENT TAXES GENERAL FEATURES MANAGEMENT OF TAXES

Pension tax relief errors: LITRG's new report

LITRG have released a short position paper entitled 'Workplace pensions – a hidden problem'. Here, we share a summary for practitioners.

An under-recognised payroll and pension administration issue may be giving some employees double pension tax relief, while storing up PAYE problems for employers. Tax practitioners may have seen such errors or may already be helping employers to regularise their positions. Our new position paper makes recommendations aimed at preventing such problems from arising in the first place and making them easier to resolve when they do, hopefully saving considerable effort for all concerned.

The paper begins by describing the issue in detail. It arises where pension contributions to a relief at source (RAS) scheme are processed through payroll as if the scheme were a net pay arrangement. In that case, tax relief is given once through PAYE because taxable pay is reduced, and again when the pension provider claims basic-rate relief from HMRC. The result is incorrect PAYE, inaccurate real time information (RTI) data and potential employer exposure to arrears, interest and penalties.

The paper sets out how the problem is probably being driven by confusing payroll terminology, poor employer understanding and awareness, and difficult correction processes. HMRC's RTI wording of 'contributions paid but not under net pay arrangements' is far from user-friendly. For small and micro employers, including individual employers, and especially those using HMRC's Basic PAYE Tools, it is easy to see how pension contributions could be keyed into the wrong field and left that way for months or years.

There are compliance implications for employers. Where RAS contributions have been wrongly treated as net pay arrangement, the primary error lies in the operation of PAYE. Depending on the timing and scale, the employer may need to make a voluntary disclosure. However, the paper highlights that the disclosure process is outdated and that correcting the position may be complicated by the need to unwind excess pension contributions.

For example, payroll may be configured so that the employer deducts and remits 100% of the intended gross contribution to the pension provider, rather than the 80% employee contribution that should have been paid under RAS. Where pension providers are unwilling or unable to refund or adjust those excess contributions promptly, employers may face additional administrative burdens and costs. Furthermore, making a disclosure may not correct the underlying RTI data that incorrectly records the type of pension arrangement.

This matters because HMRC is preparing to roll out the FA 2004 s 193A top-up regime for low earners in net pay arrangements – something LITRG, as part of the Net Pay Action Group, has long called for. Those payments will depend on HMRC using RTI data to identify who is in a net pay arrangement. If that data is wrong, some workers could miss out on payments they should receive, while others could be paid in error. In other words, pension tax relief misclassification could start to distort delivery of an important low-pay policy reform.

The paper accepts that recent evidence on the scale of the problem is limited. However, the available indicators, including practitioners writing helpfully to LITRG in response to our earlier articles on the issue (thank you!), all suggest it could be significant.

The paper makes a series of practical recommendations. These include:

- changing HMRC's RTI terminology to use clearer RAS wording;
- improving employer guidance and communications;
- modernising disclosure processes;
- ensuring that corrections also address or flag RTI pension data;
- clarifying expectations of pension providers where excess contributions must be unwound; and
- using HMRC's own data to estimate the scale of the problem.

Overall, the paper is a call for HMRC, The Pensions Regulator and pension providers to work together and treat pension tax relief misclassification as a real and serious issue that needs resolving.

For payroll professionals and tax advisers, the paper is a reminder to sense-check pension tax relief handling whenever they take on new payroll work, review auto-enrolment compliance or deal with historic PAYE irregularities. What looks like a small payroll setup error may in fact be a long-running tax and pensions compliance problem, with wider implications than many clients will realise.

LITRG's full paper is available here: tinyurl.com/z4ars9xc

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effective provisions to protect those who are unable to interact digitally.

Whilst the consultation defines electronic communications broadly, our understanding from discussions with Revenue Scotland is that the proposed communication method may be a balance of SETS and email.

There are complexities with the use of SETS for both unrepresented taxpayers and agents. If SETS is to be used as one of the primary means of communication, it is important that it can be used effectively by all users – individual taxpayers, businesses and agents. LITRG, in their response, highlighted that currently the SETS has limited functionality for unrepresented taxpayers and supported the expansion of the service to allow those who do not have agent representation to self-serve digitally.

Whilst LITRG appreciates and commends Revenue Scotland's ongoing engagement with stakeholders on the SETS system, it still remains ineffective if it is to be used as the primary means of communication, as having a single administrator who receives notifications for all messages can be onerous and creates a risk that messages are missed by agents.

It is important that agents can see and do everything their clients can, especially for land and buildings transaction tax, where a significant proportion of taxpayers and businesses are represented. LITRG also recommended that a multi-channel communications approach should be used to reduce the risk of missed deadlines by taxpayers.

With the potential use of email in addition to SETS, ATT warned that phishing, spoofed messages and unauthorised access could increase in a digital-first environment. To mitigate these risks, it recommended that secure delivery mechanisms, strong authentication controls and clear guidance to help taxpayers identify genuine communications are put in place.

In all submissions, we stressed the importance of an opt-out for electronic communications by default. Any such process needs to be simple, tested, co-created, accommodate accessibility requirements and be available to taxpayers and agents through multiple channels, including non-digital. Taxpayers and agents should also receive confirmation that their opt-out request has been received. All three submissions highlighted the importance of effective communication and guidance around the existence of the opt-out process and how to use it.

We all also raised the added complexity that Revenue Scotland faces with a transactional tax such as the land and buildings transaction tax, where taxpayers are not interacting with the tax system on a regular basis, as with taxes such as income tax.

Proof of transmission and receipt

The second area concerns changes to proof of transmission and rebuttable presumptions of receipt for electronic communications and ordinary post. Overall, the CIOT agreed that it is reasonable to revisit the current framework around proof of transmission and rebuttable presumptions of receipt to ensure the effective use of ordinary post and electronic communications. We all highlighted that issues with the delivery of ordinary post and electronic communications are inevitable. Therefore, there needs to be clear guidance outlining how a taxpayer can challenge a presumption of receipt for either method.

This is important to ensure it is clear to the taxpayer what they must do if they ever needed to challenge receipt, and to ensure a fair balance of powers between Revenue Scotland and taxpayers.

We also supported and agreed with other stakeholders, that the proposed changes to the legal framework require further engagement with tax, legal and justice stakeholders, as they may have a broader impact.

All three submissions welcomed the opportunity to engage with Scottish government and Revenue Scotland after the consultation closed.

The full CIOT submission is available here: www.tax.org.uk/ref1669

The full LITRG submission is available here: www.litrg.org.uk/11246

The full ATT submission is available here: www.att.org.uk/ref523

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PERSONAL TAX LARGE CORPORATE INTERNATIONAL TAX INDIRECT TAX

UK corporate re-domiciliation regime: a consultation

The CIOT responded to the consultation on the design of a UK framework for a corporate re-domiciliation regime published by the Department for Business and Trade in March 2026. Our comments focused on the changes that may be required to tax legislation.

Re-domiciliation is the process by which a company moves its place of incorporation from one jurisdiction to another while maintaining its legal personality, corporate history, contracts and business relationships. Currently, UK law does not permit direct re-domiciliation, so companies must either establish a new UK entity or merge with an existing one, transferring assets, contracts and operations – a process that can be complex, time-consuming and costly.

The consultation published by the Department for Business and Trade (DBT) in March 2026 followed a previous consultation in 2021 and a report by an expert panel published in October 2024 (see tinyurl.com/subzuexz). The consultations and the expert report cover all areas of UK law that would have to be considered and amended to provide a UK re-domicilation regime. Our response commented on the tax considerations, which are many and varied. They include base costs of assets following re-domiciliation and exit taxation, controlled foreign companies, loss importation, foreign branch exemption and withholding taxes, as well as personal taxation relating to non-UK domiciliaries, inheritance tax, stamp duty reserve tax, VAT and customs and excise duties.

The March consultation said that tax would be considered further down the line when the shape of the UK regime was clearer, so our response noted the challenges around things such as historic losses, exit charges and re-basing that will need to be considered, and said that we agree with the conclusions of the expert report and support the general principles set out in it.

We highlighted that, if the new regime is to work well, it must be attractive to all companies and affected taxpayers that may wish to avail themselves of it. This includes companies in large groups, as well as small family companies with individuals and trusts as shareholders. To this end, we mentioned some possible outcomes from the conclusions in the expert report that could act as a disincentive for small companies to re-domicile, and complications for non-domiciliaries who wish to avail themselves of the UK's foreign income and gains (FIG) regime.

We also cautioned against overcomplicating the rules, for example around concerns about VAT avoidance, noting the suggestion of a VAT 'entry' charge. We said that this is probably an unnecessary complication because, in our view, the mischief identified is unlikely to arise in practice.

The consultation document raised a specific question about the depositary interest structure and potential charges to stamp duty reserve tax (SDRT). We said that it is our understanding that a double charge to SDRT would not usually arise, so a special exemption to deal with this point is probably not required.

Our response can be read at: www.tax.org.uk/ref1662.

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LARGE CORPORATE EMPLOYMENT TAX PROPERTY TAX

Construction Industry Scheme: current issues

Construction Industry Scheme issues affecting commercial transactions are the subject of two recent submissions by the CIOT. These submissions outline the problems, the commercial implications and suggest solutions.

Development finance

On 5 May and 4 June 2026, HMRC made changes to the Construction Industry Scheme Reform Manual at CISR140201. The changes led to concerns that HMRC may have changed their approach and that some development financing

GENERAL FEATURE

The new GOV.UK chatbot: useful tool or potential risk?

The Low Incomes Tax Reform Group have tested GOV.UK Chat, a new AI-powered chatbot, to explore its reliability.

The government's new AI-powered chatbot, GOV.UK Chat, launched in May 2026 following a soft launch earlier this year. Designed to help users access and understand information published on GOV.UK, the tool forms part of a wider plan to reduce demand on government helplines.

Although aimed at the public, the chatbot is likely to be encountered by advisers whose clients may increasingly use AI for answers to tax questions. Testing by LITRG suggests that while the tool can be helpful as a signposting mechanism, its effectiveness and accuracy may still be limited. LITRG therefore recommends using this new tool with caution and, as always, taxpayers should seek to independently verify the information based on their individual circumstances.

The chatbot is currently only available through the GOV.UK app and users must sign in with a GOV.UK One Login. Those who do not yet have a One Login, including those who currently use the government gateway to access HMRC's online services, will be asked to create one. However, identity verification is not required to use the chat function.

The technology is designed to generate responses using content from general GOV.UK guidance, not including HMRC manuals, rather than drawing information from across the wider internet. The tool is intended to explain information in natural language and direct users to relevant GOV.UK content.

While this approach may reduce the risk of misinformation from external sources, it does not eliminate the possibility of inaccurate or incomplete answers. As with other generative AI tools, GOV.UK Chat can produce responses that appear authoritative, but may not fully reflect the underlying tax rules.

LITRG tested the chatbot using a range of common tax questions. For some relatively straightforward queries, the results were encouraging. For example, when asked whether an individual who received £5,000 of bank interest needed to complete a tax return, the chatbot correctly identified HMRC's £10,000 savings income registration threshold, highlighted that other factors might still require a return and explained alternative methods of tax collection outside self-assessment. LITRG considered the response comprehensive and useful.

However, other responses exposed more significant concerns. When asked whether capital gains tax would arise if a house were gifted to a sister, the chatbot stated that no capital gains tax would arise. The response failed to explain that a gift is generally treated as a disposal at market value for capital gains tax purposes and may therefore create a tax liability. LITRG noted that a taxpayer relying solely on this answer could be left with a misleading impression of their position.

LITRG also identified examples of answers that were partly correct but potentially misleading. In response to a question about whether someone with a pension of £33,000 would need to repay their winter fuel payment, the chatbot stated that repayment would not be required. Although this may have been correct in some circumstances, entitlement depends on total taxable income rather than pension income alone. The chatbot later referred users to the relevant guidance, but there remains a risk that users may rely on the opening statement without considering the conditions that follow.

We understand that government testing has suggested an overall accuracy rate of around 90%, but LITRG's more limited testing of tax-specific questions indicated a lower level of reliability.

For advisers, the emergence of GOV.UK Chat presents both opportunities and risks. The tool may help clients to navigate GOV.UK content more efficiently and identify relevant guidance. However, its responses should be treated as a starting point rather than a substitute for professional advice. As clients increasingly use AI tools to research tax issues, advisers may wish to remind them that responsibility for complying with the tax rules remains with the taxpayer and that AI-generated answers should always be verified before action is taken.

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arrangements might be regarded as falling within the Construction Industry Scheme (CIS) by virtue of standard lender protections in respect of the borrower's development works.

In response to immediate concerns raised by the CIOT, HMRC confirmed that:

> 'HMRC's position in relation to financing arrangements has not changed. While the CISR manual does not explicitly address lending arrangements, the scheme applies only where there is a contract relating to construction operations. Accordingly, pure financing arrangements (including lending and grant funding) fall outside the scope of CIS, unless they amount in substance to the procurement of construction operations by the funder.'

Significant concerns were expressed by advisers and participants in the development sector about the potentially negative effect on the cost and availability of development finance, with consequential impacts on housing supply, if standard financing arrangements were to be treated as falling within CIS.

Given these concerns, we wrote to HMRC to request clarification on (and ideally further amendment to) the updated HMRC guidance, and their views on market standard development facility agreements, particularly those based on standard finance facilities.

We said we would welcome:

- confirmation of the principle that standard development finance facilities (including those based on standard finance facilities, with ordinary lender controls) are not regarded as construction contracts for CIS purposes;
- confirmation that lenders will not be treated as contractors or deemed contractors merely because they provide such finance; and
- amendment of CISR14020 (or a new stand-alone page) to set this out, ideally with illustrative examples distinguishing genuine development finance from more contrived

arrangements that are, in substance, contracts for construction operations.

The issue was further discussed at HMRC's Construction Forum (see tinyurl.com/53aawyea) on 18 June, the minutes for which will be published. We await HMRC's response.

Landlord payments for tenant works: Regulation 20A

Regulation 20A of the Income Tax (Construction Industry Scheme) Regulations 2005 came into effect on 6 April 2024. The government's policy intent was stated as being 'to alleviate certain administrative burdens by removing most payments made by landlords to tenants from the scope of the CIS'.

Unfortunately, members' experience suggests this policy intent is not being achieved. Representative members of HMRC's Construction Forum have provided evidence and anonymised case studies demonstrating the difficulties of applying HMRC's guidance at CISR14048 and CISR14049, particularly on conditions (1)(e) and (1)(d) of Regulation 20A.

The consequence is that landlords are still making landlord contributions subject to deductions of 20% or 30%, notwithstanding the policy objective of Regulation 20A. Members have reported that many prospective and existing tenants receiving landlord contributions for fit-out works are in the hospitality and retail sectors or are start-ups. These are often cash-limited businesses that rely on the landlord's contributions to spread the cost of fitting out their premises and do not have sufficient payroll costs against which to offset the CIS deductions.

Our submission also evaluates possible solutions, including complete exemption and more limited exclusions or safe harbours. Our preference is for a full exemption, potentially subject to a targeted anti-avoidance rule, if HMRC perceive or have evidence of avoidance.

A presentation on the commercial context and background to this issue was given at the 18 June Construction Forum. We will continue to actively engage with HMRC on this issue via the Construction Forum.

The full CIOT submission on development finance is available here: www.tax.org.uk/ref1696

The full CIOT submission on Regulation 20A is available here: www.tax.org.uk/ref1644

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EMPLOYMENT TAX

HMRC announce phased implementation of mandatory payrolling of benefits in kind

Following dialogue with the ATT, CIOT and LITRG and other stakeholders, HMRC have taken on board feedback about the practical challenges of the proposed April 2027 implementation of mandatory payrolling of benefits in kind.

Payrolling benefits in kind has several advantages, including enabling employers to collect any tax due in real time via the payroll. However, HMRC's original plan for the mandatory payrolling of all benefits in kind from April 2027 (a year later than the previously announced date of April 2026) presented several practical challenges for employers.

These include the need to meet HMRC's previously announced Real Time Information (RTI) technical specifications and the ability of employers to obtain information from benefit providers ahead of each payroll run, rather than once per year for Forms P11D. Getting the technical details wrong could result in RTI submissions being rejected, which in a worst case scenario could affect an employee's entitlement to universal credit.

The ATT, CIOT and LITRG made representations to HMRC as part of the cross-body working group on payrolling benefits in kind. Taking account of the concerns raised, HMRC have announced that there will instead be a phased implementation of mandatory payrolling (see tinyurl.com/mrxe4vjk).

How phased implementation will impact employers

Instead of requiring all benefits in kind to be payrolled from April 2027, mandatory payrolling will now only be necessary from this date for company cars and fuel, vans and van fuel, private medical insurance and other employer-provided medical benefits. These are believed to be the most popular benefits provided in the UK.

Other benefits in kind will follow in April 2028, except for loans and living accommodation which will be at a later date still to be announced by the government.

Employers will also benefit from a more relaxed approach to penalties during the phasing period, which should mean they are not penalised if they make a mistake as they change their internal systems to reflect the change to mandatory payrolling.

The phased implementation will also see fewer data fields required from April 2027, as employers will only need to submit 32 of the original 126 data fields in RTI submissions. According to the government, 14 of those data fields are already in place for RTI (in respect of cars) so software developers will only need to build 18 new fields ahead of April 2027.

A balanced approach

The ATT, CIOT and LITRG support the phased approach, which will allow HMRC to make progress on mandatory payrolling for the potentially more straightforward and popular items, whilst allowing time for further dialogue with the software industry and other key stakeholders about the RTI technical specifications on the remaining, more complicated items.

Employers who are ready to payroll all benefits can do so on a voluntary basis, although the information required in the 2027/28 tax year may be more limited than the full requirements from April 2028.

The ATT, CIOT and LITRG will continue to engage with HMRC in the coming months on all aspects of mandatory payrolling of benefits, including the mechanics of the reporting and payment of Class 1A National Insurance contributions, and guidance for employers and employees. Any feedback you may wish to share will be appreciated – please contact atttechnical@att.org.uk or technical@ciot.org.uk

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GENERAL FEATURE

HMT response to consultation on FCA powers under supervisory reform

HM Treasury has issued its response to the consultation on 'Anti-money laundering/counter terrorist-financing supervision reform: duties, powers and accountability'. The consultation considered various issues which would need to be addressed for the Financial Conduct Authority to become an effective anti-money laundering and counter terrorist-financing (AML/CTF) supervisor of professional services businesses.

In November, HM Treasury issued a consultation covering proposals for the key duties, powers and accountability mechanisms that the Financial Conduct Authority (FCA) will need to become an effective supervisor of professional services businesses, as well as the legislative changes required to implement these. It asked respondents whether the proposed changes were the right ones to make.

The CIOT and ATT responded to the consultation and HM Treasury has now issued its response to the feedback received (see tinyurl.com/bdes46wa). The response summarises the evidence and views received from stakeholders and clarifies government policy on several areas of supervisory reform, including:

- **Registration and gatekeeping**: The FCA will be responsible for registering tax and accountancy firms (together with other professional services firms from the legal sector) to carry out AML/CTF-regulated activities. It plans to maintain a public register of those firms.
- **Risk-based supervision and supervisory tools:** Existing duties relating to risk-based supervision would apply to the FCA's expanded role.
- **Guidance:** The responsibility for issuing and approving AML/CTF guidance for professional services firms will transfer to the FCA. The intention is that industry input will continue to play an important role in the development of guidance, ensuring that it remains practical and reflective of sector-specific expertise.
- **Information and intelligence**: Existing information-gathering, inspection and information-sharing powers within the Money Laundering Regulations will be extended to the FCA's supervision of professional services firms. This includes the requirement to provide firms with up-to-date information on money laundering and terrorist financing risks, and to apply existing information-sharing duties and gateways.
- **Enforcement and appeals**: The FCA will be able to exercise the existing range of enforcement powers available under the Money Laundering Regulations in relation to professional services firms.
- **Fees and funding**: The government intends for the FCA's AML/CTF supervisory activities to be funded on a cost-recovery basis through fees charged to supervised firms. Further consultation is due to take place in relation to fees.
- **Transition**: A range of transitional arrangements will be necessary to support a smooth and low-burden transfer to the new supervisory model. The government recognises the need to ensure continuity of supervision and minimise disruption for firms during the transition period.
- **Accountability, independence and wider legislative context**: During the transition period, the Office for Professional Body AML Supervision (OPBAS) will continue to oversee the performance of professional body supervisors, with its functions expected to cease once the FCA fully assumes AML/CTF supervisory responsibilities. No additional powers have been granted to OPBAS.

The response provides useful clarification about FCA powers following supervisory reform. The timetable for transition of supervision from bodies such as CIOT and ATT to the FCA is dependent on legislation and ongoing engagement on the practicalities of the transfer. We will keep members updated on the reform's progress.

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Other Recent Submissions

CIOT	Date sent
Temporary Repatriation Facility www.tax.org.uk/ref1680	13/04/2026
Land Remediation Relief: position paper www.tax.org.uk/ref1663	13/05/2026
Taxation of stablecoins www.tax.org.uk/ref1681	14/05/2026
Financial Services and Markets Bill 2026 representation: Anti-money laundering and counter-terrorist financing supervision www.tax.org.uk/ref1706	15/06/2026
Open for business: implementing a UK corporate re-domiciliation regime www.tax.org.uk/ref1662	18/06/2026

ATT	
Making public services work for you with your digital identity www.att.org.uk/ref517	05/05/2026
Taxation of stablecoins www.att.org.uk/ref516	07/05/2026
Financial Services and Markets Bill 2026 www.att.org.uk/ref524	15/06/2026

LITRG	
Low Pay Commission 2026 consultation https://www.litrg.org.uk/11248	29/06/2026

Parliamentary Reception

We can't do this alone, says minister

Exchequer Secretary Dan Tomlinson emphasised the importance of partnership with the tax profession in his remarks at the CIOT's Parliamentary Reception, held on the House of Lords Terrace in July.

Addressing CIOT President Paul Aplin, the minister Dan Tomlinson said that the government's objective was to create a system that is 'easier to comply with, harder to abuse and more trusted by taxpayers'. However, he continued, HMRC couldn't do it alone. 'If we want a tax system that works in practice, we have to build it with the people who help taxpayers get it right. Your organisation and its members are an essential part of that. You have long been one of HMRC's most important critical friends: advising taxpayers, interpreting complexities and telling HMRC where policy, guidance and services are working, and where they are not. This challenge is vital. We won't always agree – that is natural and healthy – but the value of partnership is really very clear.'

Speaking earlier, Paul had stressed that better tax administration should be a common endeavour: 'We should share the problem, not a partly worked up solution, and we should do so at the earliest possible stage. We should co-create… If we'd done this from day one on MTD, I believe the project would have been delivered earlier, better, at a lower cost and with less controversy.'

The event's parliamentary sponsor, Lord Mackinlay of Richborough, a chartered tax adviser, told attendees that he had tabled more than 20 questions about MTD, trying to find out what the project is for. The 'tax gap' was one of the government's answers, he said, but he would believe it was serious about this when he saw 'errant traders' on the high street being dealt with. 'I'm all in favour of bearing down on the tax gap,' he said, 'but let's not forget that most taxpayers are honest'.

The fourth speaker at the reception was the Shadow Exchequer Secretary James Wild, who thanked CIOT for 'all of the support, advice and help that you provide to Opposition Members. When you are looking at a Finance Bill of more than 530 pages… it is very important to have expert advice that you can draw upon, and which is provided very rapidly.' He also suggested that MPs on the Finance Bill committee should hold public evidence sessions with expert witnesses.


CIOT President Paul Aplin in conversation with Exchequer Secretary Dan Tomlinson


Lord Mackinlay of Richborough on the Terrace with other attendees


Lord Mackinlay, Paul Aplin and Shadow Exchequer Secretary James Wild


HMRC Chief Executive JP Marks, Paul Aplin and tax journalist Santhie Goundar

Tax gap

Tax gap up – and less certain

'Tax Gap' figures published on 23 June show the gap in 2024-25 at a record high in cash terms and also rising as a share of the tax that should be collected. Ellen Milner, CIOT's Director of Public Policy, said that despite the efforts of successive governments, the tax gap 'is proving stubbornly hard to keep down'. She suggested the government's target of a £10 billion reduction in the tax gap by 2029-30 was 'very optimistic'.

Ellen also noted that, for a third year in a row, there were large upward revisions to previous years' tax gap numbers. The new figures also come with an increased health warning: the share of the tax gap with 'high' uncertainty has increased to more than a third.

'The high level of uncertainty around these figures raises questions as to how much HMRC can rely on the data in its decision-making and as justification for taking particular courses of policy and compliance action, especially as year-on-year comparisons become more difficult,' said Ellen.

Noting that most of the tax gap is attributed to small business, ATT highlighted the need for greater support for firms. 'Targeted support and intervention will be essential if the tax gap is to be reduced further,' said Emma Rawson, ATT's Director of Public Policy. 'The fact that so much of the tax gap stems from error and failures to take reasonable care suggests there is significant scope to improve compliance through better support, clearer guidance and simpler processes.'

HMRC performance

HMRC data shows mixed results

HMRC's performance data for 2025-26 shows a mixed picture: progress on compliance activity, digital adoption and telephony service, but continuing challenges around debt levels, correspondence handling and customer satisfaction, says CIOT.

CIOT welcomed the news that HMRC had, for the first time, met its target of 85% of calls getting through to a HMRC helpline adviser. However, it noted that HMRC had missed its other four customer experience targets, albeit only narrowly in two cases.

Charlotte Barbour, Chair of CIOT's Technical Policy and Oversight Committee, commented: 'HMRC has some notable achievements in 2025-26, including record compliance yield, improved telephone performance and increased usage of digital channels. However, service levels are still below where they should be, customer satisfaction remains below target and HMRC continues to struggle with a persistently high level of tax debt.'

Charlotte observed that while it was good news that HMRC is answering its phone lines more quickly than a year ago, it is still taking them twice as long on average as it did in the 2010s. She noted that while the use of HMRC's digital channels is continuing to rise, it will need to be accelerated if HMRC is to hit its target of 90% of customer interactions online by 2030.

CIOT's analysis of HMRC's 2025-26 performance data can be read at: tinyurl.com/hmrc26

Tax relief

Frozen allowances highlighted

A study by the ATT has highlighted the extent to which the freezing of reliefs and allowances is reducing their value.

The Association has identified some of the most outdated reliefs and allowances across the tax system, ranging from VAT to employment, self-employment, inheritance tax and savings. The oldest is the inheritance tax wedding gift allowance, last changed in 1975 (when it was still capital transfer tax!), which would have risen from its present value of £5,000 to £39,876 if it had been uprated in line with CPI inflation. In many cases, the original policy intention behind these reliefs has been eroded over time as their real-terms value has steadily declined.

'Too many reliefs and allowances have been left to quietly wither,' said Emma Rawson, ATT's Director of Public Policy. 'The result is a system that creates unnecessary complexity, increases admin and costs for households and businesses and no longer achieves what it was designed to do.'

ATT's analysis of frozen allowances can be read at: tinyurl.com/frozen-reliefs

litrg.org.uk

LITRG website updated

The website of CIOT's Low Incomes Tax Reform Group (LITRG) has been fully updated for the 2026-27 tax year. The site is well used by tax professionals, journalists and policy makers, as well as directly by taxpayers.

The site includes a dedicated Making Tax Digital Hub, providing clear, practical and free guidance for unrepresented taxpayers on the roll-out of MTD for Income Tax.

Each year, millions of people visit litrg.org.uk for help with their tax affairs. The website continues to be cited by the independent House of Commons Library as a useful source for tax information.

In the news

Coverage of CIOT and ATT in the print, broadcast and online media

'These proposals are a significant widening of the regime, reaching beyond large businesses into individuals, trusts and additional taxes, and potentially introducing a new, much broader trigger for notification. The key test will be whether that expansion can be delivered in a way that remains clear, proportionate and workable.'

CIOT's Ellen Milner in the Telegraph on extension of the uncertain tax treatment regime, 12 May

'The tax system should be simple and suitable for 21st century taxpayers… but some of these thresholds haven't moved since the 1970s and 1980s. A proper commitment to reviewing and uprating these allowances regularly would go a long way towards making tax simpler, fairer and fit for today's economic landscape.'

ATT's Emma Rawson in the Financial Times on tax reliefs, 4 June

'We have long been concerned that the calculation of the annual taxable state pension figure is difficult to understand and places far too much reliance on taxpayers performing their own calculations to arrive at the necessary figure, or to verify the amount pre-populated by HMRC.'

LITRG's Antonia Stokes in The Times on pensioners being overcharged income tax, 13 June

'It is important to take professional tax advice early in the sale process to reduce the risk of disputes.'

CIOT's Matthew Brown in the Financial Times on HMRC investigations into company sales, 18 June

'Small businesses account for the largest share of the tax gap, but many business owners are trying to comply with an increasingly complex tax system while managing the day-to-day demands of running a business.'

ATT's Emma Rawson in the Financial Times on the tax gap, 24 June

'An analysis of HMRC figures by the LITRG suggests that just more than half of the 216,000 unrepresented taxpayers who have to take part in MTD from April 2026 have still not registered.'

Daily Mirror on MTD, 26 June

ATT Incoming President's speech

Tell them tax is fun!

Teaching tax in schools will allow young people to enter the world of work with a better understanding of their responsibilities, the new President of the ATT has said. Barry Jefferd called for improved tax education at the Association's Annual General Meeting on Thursday 9 July, where he took over as President from Graham Batty. He added that, as well as increasing students' knowledge of tax, better education could also encourage more young people to look at careers in the tax profession. In addition to Barry becoming President, Ele Theochari has become the Association's new Deputy President, while Richard Freeman becomes Vice President.

Firstly, I must start by thanking Graham Batty for his service as President for the past twelve months. Graham was the first person to be President for two separate terms, and the Association is better off for it. His guidance and chairmanship at Council meetings have been extremely valuable, and his input on Council and the Leadership Team will continue to be welcomed.

It is a great honour to become President of the Association. I have been working in tax for over 40 years and this is definitely my career highlight. Thank you to my fellow Council members who have trusted me with the role and to those members who voted me back onto Council today.

My ATT journey

When I passed my CTA exams (or, as they were then, ATII exams) back in 1987, I did so because I was hugely disappointed that as a Chartered Accountant I knew so little about tax. It was clear to me as a newly qualified professional that tax was important – and even fun. I attended the AGM of my local CIOT branch in 1988. The committee were very excited as I don't think anybody other than the committee had ever turned up before! I was asked to give my name 'for the minutes'. And when it came to electing the committee, I was told that my name was being added – and my IOT (later CIOT) and ATT journey had begun.

I became branch chairman of the Bedford and District Branch. The 'and District' covered a wide area, including Cambridge. Most of the Cambridge business community didn't realise they were part of our branch, so members usually migrated to East Anglia rather than associate with Bedford. One branch referendum later, we became the Mid-Anglia Branch – at which point, nobody knew that they belonged!

In 2008, I was chatting with then President Annie Bailey at a conference and ended up becoming a presenter for the ATT members' conferences. At that time, four of us, in random pairs, delivered eight lectures across the country. I really enjoyed them and the engagement with members and their passion for taxation were clear to see. At this point, I decided to join the ATT.

I have two memories of the new members ceremony. Firstly, David Stedman suggested to the new members that they should attend members' conferences. Bernard Critchley then shouted across a packed House of Lords Terrace, 'You should go to Newcastle on Wednesday, Barry.' (I did go to Newcastle, which was a good job as I was actually speaking. I was introduced to the conference by Stuart Mckinnon as having been an ATT member for five days.)

At the new members ceremony, when I joined the group photograph, our long-time photographer Phil asked: 'What are you doing here? I've been taking your picture for ages.' When one of the other new members asked me if I was famous, I said no. He asked why the photographer had been taking photos of me, so I admitted 'well, ok, famous in tax'.

Charitable obligations

The ATT is a charity, meaning that Council members act as trustees of the charity. Our duty is to ensure that the charity runs in accordance with charity law and meets its obligations.

Some people find it difficult to understand how a members' organisation can be a charity. The CIOT operates in the same way as the ATT, while some other members organisations, such as ICAEW and ACCA, do not.

I do not see this as an issue at all. The principal charitable objective of the ATT is to advance public education and to promote the study of the administration and practice of taxation. In other words: to educate the public about taxation and to improve the understanding and practice of tax compliance.

What better way is there to meet our charitable objective than to have a strong membership base, where our members have been tested for their knowledge, are trained in ethics and undertake compulsory CPD? This is how we maintain high standards. I believe a strong membership is the best way to achieve our charitable aims. We have over 10,000 members, all of whom have reached the required standard for membership and have passed some difficult examinations.

We also have over 3,000 registered students, as well as others following the Tax Pathway. It is encouraging to see more students than ever wanting to sit our exams.

Supporting students

As chairman of the Exam Steering Group, I was hugely disappointed by the problems we encountered with the recent May sitting. We had changed our exam platform, as the student experience on the previous platform was not at the level we wanted. We carried out a rigorous tendering process, chose a provider with provenance in the exam market, and tested the new system as much as we could before the exam day – only to find it didn't work as it should.

The ATT were not at fault but we did not shirk our responsibility and made immediate plans to try and minimise the impact and provide for transitional solutions. Our duty is to our students. Our students matter to us: they are the future of the Association, and we need to look after them. We have received positive feedback from members and employers thanking us for our response and how we dealt with the issue. We do not underestimate the stress and anxiety caused to those sitting the exams. With a new platform, we are once again working as hard as ever to ensure that the student experience going forward is first class.

The results were issued two days ago and it was a delight to see so many students doing well. What was particularly pleasing was that all of the examiners were reporting better prepared candidates than in previous sessions. We think this is in part due to our restriction of open book access, which meant that students had to learn the material.

We will continue to listen to student and stakeholder comments. We are currently carrying out one of our periodic reviews of our examinations to ensure that we are keeping up to date with the tax profession. It is pleasing to find that we have a strong reputation amongst both employers and students. We must be doing something right with the fact that numbers are up.

Barry Jefferd delivers his Incoming President's speech


ATT's new top team: Ele Theochari, Barry Jefferd and Richard Freeman

Tax is Fun...

At the ATT, we are extremely proud of our careers projects, visiting schools and universities to promote a career in tax. Just tell the students: 'Tax is fun.' I saw a picture last month of Chris Campbell, one of our technical officers, at a primary school careers event – no doubt explaining to some lucky ten year-olds about the work he had done on the Scottish building safety levy!

Some of those pupils may go on to become the next generation of tax professionals. Tax overlaps with so many areas of life, and we have long called for more attention to be given to it at school. I mentioned at the start of this speech that I took my CTA exams to improve my knowledge of tax – how wonderful would it be if young people could leave school already having a strong grasp of the issue.

At school visits, careers fairs and educational events, we help to dispel common misconceptions and highlight the wide range of roles available in the profession. Improving the education of tax in schools will not only ensure that young people enter the world of work with an understanding of tax, but also open students' eyes to the diverse and rewarding careers available in the tax profession.

The work carried out by our technical team is extraordinary and has real impact. Led by Emma Rawson, our Director of Public Policy, and our six technical officers – Stephen, David, Helen, Autumn, Senga and Chris – the ATT are prominent in many areas of tax policy.

...although MTD isn't

Graham quite rightly highlighted the importance of MTD. I can't believe that I am becoming President just four weeks before the first quarterly submission is due. When MTD was announced in 2015, I did think that I might retire when it was introduced. I have been given plenty of time to put the calculator away but the trouble is that Tax is Fun. However, I do not think that MTD is fun, which shows it must really all be about bookkeeping, not tax.

The ATT is a non-profitable organisation, and we work with whatever dish is served. The level of engagement we've had with our free MTD 'Members Join In' meetings has beaten all our expectations. Whatever your views are, we do know (as Graham highlighted) that the MTD is in a much better place than it would have been without the ATT's involvement. The lines between the tax legislators and ATT were so close that one local radio station even introduced Emma as being from HMRC! HMRC also turned to the ATT last autumn when Senga Prior was seconded to them for three months – a true testimony to the growing importance and relevance of the ATT to the tax world.

I would like to join Graham in congratulating Emma on her recent OBE.

The ATT is not only making an impact on MTD, but also on various other taxes and compliance problems. This includes appearing on programmes such as Money Box, being featured in numerous newspapers or simply listening to members' grievances about everyday compliance problems so that we can inform HMRC about them. The technical team have set up a 'Members' Issues' portal to enable our members to report systemic compliance issues.

It is a clear demonstration of how our dual obligations of charity and membership act as one.

This growing success of the ATT and the increased involvement by students puts the Association in a good position. The growth of the ATT, together with our increasingly distinct requirements from those of the CIOT, has led us to recruit our own Directors of Finance and Education. These positions have just been filled and our new directors will be starting with us very shortly. I thank Vicky Purtill and Vicky Hilpert for all their work for the Association. These new positions will enable the Association to develop and progress even further, supporting our membership and benefiting all.

Stars and stickers

I am looking forward to my term of office.

I am delighted that Ele Theochari is my Deputy President. As it said in *Tax Adviser* last month. Ele was a nominee in Tolley's Rising Star award in 2022 and 2023. I assume she wasn't nominated subsequently as her ascent is complete and she is now simply a star.

I also welcome Richard Freeman as Vice President. Richard works for HMRC and, whilst we have had other HMRC employees on the Council, Richard is the first to become an officer. He has already served the ATT Council for many years giving valuable input and will no doubt continue to do so.

Earlier this year, I received an email from our most efficient Executive Officer Vicky Symons. It was sent to me and Ele. It listed proposed dates for Council and Leadership meetings for 2027 to ensure we were available. I reported that I knew I couldn't attend the proposed November 2027 meeting. I was told: 'That doesn't matter, you won't be President then.' I felt that I had just had a 'Best Before July 2027 sticker' stuck to my forehead.

This links to what I said at the recent joint CIOT/ATT event in Edinburgh: my role as President is as custodian of the Association for the next 12 months. I am taking office with the ATT in a strong position. With my fellow officers, guided by our excellent and tireless Chief Executive Officer Jane Ashton, I hope to get to the other end with both the Association and me intact, and still believing that Tax is Fun.

Thank you.

ATT Outgoing President's speech

A period of intense challenge

Outgoing President Graham Batty told the ATT's AGM that digitalisation and artificial intelligence are reshaping the profession.

Graham Batty, Outgoing ATT President

Looking back, I sometimes feel that not much has changed since I made my previous retiring President's speech back in 2018. Making Tax Digital still takes up a lot of our time. Donald Trump is President, for a second time, although that is nothing to do with the ATT, or me, and I am definitely not getting a spray tan! However, the last 12 months have been a period of intense challenge for all of us in the tax profession. And for you – the ATT members who sit closest to clients and who deal with the day-to-day realities of compliance – the impact has been especially clear. Let me start with MTD...

Cutting through the noise

Over the past year, MTD for Income Tax has continued to shift. Requirements have changed, mandation has been phased, and the level of compliance remains uncertain. For many of our clients, the picture is still confusing. Clients hear 'digital' and assume 'easier'. But we know the harsh reality: quarterly updates mean more deadlines, more risk and more pressure on agents. And, as ever, we are the ones caught between HMRC's expectations and our clients' capabilities. Without the hard work of the agent community, MTD would have fallen at the first hurdle.

However, throughout this, the ATT has been a strong and consistent voice. We, or rather our award-winning technical team led by Emma Rawson OBE, have pushed HMRC for realistic timelines, clearer guidance and proportionate penalties. They have provided practical support through webinars, FAQs and technical briefings to help cut through the noise. And they have championed the needs of vulnerable and digitally excluded taxpayers, reminding policymakers that a digital system must be accessible, not just ambitious.

It was a real thrill to be with Emma at the Leeds Branch 50th Anniversary dinner four weeks ago, when news of her richly deserved OBE was announced. Congratulations, Emma.

An everyday tool

The second major development this year has been the rise of artificial intelligence. It is easy to forget that AI, in the form of ChatGPT, only became publicly available on 30 November 2022. In under four years, AI has moved from being a novelty to an everyday tool. It can draft letters, summarise legislation, analyse data and automate routine tasks. Clients have noticed, and many now expect a faster turnaround, more insight and increasingly want comments on an answer they have generated themselves using AI.

But AI brings risks: hallucinations, data security concerns and the danger of overreliance. It also changes how junior staff learn, because the work they used to do manually and learn from is increasingly automated. AI is reshaping our role. Routine compliance is becoming more automated. Our value is shifting toward judgement, interpretation and risk management. And that makes our work more important than ever.

ATT has taken a responsible and forward-looking approach. We have provided guidance on the safe and ethical use of AI, emphasising confidentiality and the need for human oversight. We have offered CPD on AI tools and digital ethics. And we have reinforced the importance of PCRT, the professional standards that anchor our work, even as technology evolves.

To make a difference

The ATT is proud to be a vibrant, focused, innovative and accessible organisation. This is down to the people involved. Everyone at the Association is there not for the glory but because they want to make a difference.

At this point, I should like to pay tribute to Richard Todd, who sadly passed away earlier this year. Richard served the Association in various capacities for over 20 years. He started his volunteering journey as secretary for the Northern Ireland Branch and, in just over a year, was promoted to Chair. From there, he joined the Member Steering Group, Professional Standards Committee and, in 2013, Council, where he worked his way through the ranks to become President in 2021.

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.

Thanks for all the fish

Of course, I could not have been your President without the help and support of an enormous number of people who I would like to thank. First, my wife Jan for all her support, encouragement and for tolerating my absences from home during the year. All of the firms who allow us the time to get involved as members of steering groups, HMRC working parties and as members of Council; all of the volunteers who give so generously of their time, without whom the Association simply would not work; the staff at Monck Street for doing all of the hard work to put our ideas into practice; and finally, Jane Ashton and Vicky Symons for keeping the whole show on the road.

Serving as your President for a second time has been an enormous privilege and I hope I have taken good care of your Association. However, it is now time to pass on the baton, confident that the ATT's future is in safe hands. So, to quote *The Hitchhiker's Guide to the Galaxy*: 'So long, and thanks for all the fish.'

This speech has been edited for space reasons.

Spotlight

Spotlight on the Agent Digital Design Advisory Group

The Agent Digital Design Advisory Group (ADDAG) was created in 2019 to help bridge the gap between tax policy and implementation. For a policy to be effective, the systems and processes designed to implement it need to enable taxpayers and their agents to comply easily with their obligations.

The group looks at the development of digital services from the agents' perspective. We aim to get involved as early as possible to give ourselves the best chance of influencing the final outcome.

The ATT and CIOT are each represented by a member in practice and a technical officer. Since 2021, the group has been jointly chaired by representatives from HMRC and the professional bodies. The current professional body co-chair is ATT technical officer Helen Thornley. ADDAG reports to the overarching Representative Bodies Steering Group.

Current and recent projects

As ADDAG often becomes involved in projects at the early stage of development, many agenda items are sensitive and it is not always possible to discuss fully the projects we are working on with members.

Recent agenda items have included discussions of the following:

Multi-factor authentication (MFA): This has been a complex topic, with engagement taking place not only through ADDAG but also via the Digital Security Working Group and the Larger Professional Services Firms working group. Several members of ADDAG took part in the early stages of testing, and the group was instrumental in negotiating the current phased implementation plan.

Agent registration: While the policy and guidance work has been carried out by other teams, ADDAG members have commented on the design and operation of the new registration system, which went live on 18 May. ADDAG will also be engaging with HMRC in due course on what the transition will look like for existing agents, who already have an agent services account and do not need to register again.

Pain points: An ongoing area of ADDAG's work has been the development of what are described in HMRC's Transformation Roadmap as 'short-term tactical service improvements for agents', intended to remove some of the 'pain points' that agents encounter with existing digital services while new platforms are being developed (see tinyurl.com/5aa2e3e8).

Work is ongoing to develop services that will allow agents to remove clients from self-assessment digitally, improve the Income Record Viewer and submit information relevant to their client's PAYE codes online.

Inheritance tax digitalisation: HMRC has funding set aside to develop a new digital service for inheritance tax from April 2027. While detailed policy work is ongoing in a dedicated group, ADDAG hopes to become involved in wider discussions on the design of the service, including agent access and permissions, the functionality that future HMRC platforms could provide, and how best to ensure that agents' needs are met. Our aim is to ensure that work undertaken to accommodate agents can then be replicated across future digital services.

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Examinations

Exam success

Hundreds of ATT and CIOT candidates celebrated success this summer following the publication of the May 2026 examination results.

On 7 July 2026, ATT announced the results of its examinations taken at the May 2026 exam session. 819 candidates sat exams, with an additional 652 candidates who sat one or more ATT papers on the ATT CTA Tax Pathway.

The following week, on 15 July 2026, CIOT announced the results of its examinations. 870 candidates sat CTA exams, with a further 434 candidates on the ACA CTA Joint Programme (with ICAEW) and 67 candidates sat a paper on the CA CTA Joint Programme (with ICAS). In addition, 669 ATT CTA Tax Pathway candidates sat one or more CTA papers.

The CIOT President, Paul Aplin, commenting on the results, said: 'I would like to offer my warmest congratulations to those candidates who have passed all of the necessary exams for CIOT membership, as well as those who have made progress towards becoming a Chartered Tax Adviser after passing one or more papers at the May 2026 examination session. They should be really proud of their hard work, dedication and effort. The exams set a high standard and successful candidates can be proud of their achievements.

'343 candidates have now successfully completed all of the CTA examinations and we very much look forward to welcoming them as members of the Institute in the near future. Included in this figure are 71 candidates who were on the ACA CTA Joint Programme, 13 candidates who were on the CA CTA Joint Programme and 134 candidates who have now fully completed the ATT CTA Tax Pathway by passing the CTA element.

'I very much look forward to welcoming the new members into the Institute at the next Admissions Ceremony.'

The ATT President, Graham Batty, commenting on the results, said: 'I am delighted to congratulate all the successful candidates from the May sitting of our exams. In total, candidates sat 1,960 papers, achieving 1,619 passes, an overall pass rate of 82.6%, which is an increase on recent sittings. Distinctions were also awarded to 104 candidates for outstanding performance.

'Given the well-publicised problems candidates experienced, these are exceptional results which candidates should be extremely proud of. I commend all the candidates for putting in the long hours and effort necessary.

'The ATT's modular system means that candidates can study at their own pace, within the five-year registration period, whether they are working towards full membership or simply wishing to obtain one or more Certificates of Competency in their specialist area. I look forward to meeting the candidates who take up membership at our next Admission Ceremony.'

Awards

ATT sponsored Tax Mentor of the Year Award

Congratulations to Clare Cromwell, Partner at Saffery, who won Tax Mentor of the Year at this year's Tolley's Tax Awards. Clare shares her valuable insights in mentoring to inspire tax professionals.

I am a Partner at Saffery LLP based in London, and work in international private client tax. My career in tax was not planned and, having studied languages at university, I had intended to work abroad. However, when I returned from a year in France, I interviewed with the accountancy firms doing the milk round at my university. As a result, I started a training contract to be a chartered accountant with a mid-tier firm in the audit department. On passing my exams, I was seconded to the tax department, doing a mixture of corporate and personal tax, which I really enjoyed, and my career in tax over the next 30-plus years began.

Mentoring has been a natural extension of my role rather than a conscious decision to become a mentor. Much of my role involves working with teams, and my motivation is to use my experience and technical knowledge to help others grow into confident tax advisers.

I personally benefited from both formal and informal mentors throughout my career. The best mentors I have worked with have combined technical expertise and experience with support and honest feedback. Working with them was often a challenge, but also fun.

I would therefore like to think my mentoring style is supportive but challenging. I try to help people understand the 'why' behind the advice, to develop their own judgement, and to communicate conclusions clearly to clients. It is very rewarding to see people I have supported develop into successful senior tax advisers and, very often, partners.

The impact of mentoring is often cumulative rather than tied to a single moment, and it comes through repeated conversations, working together as a team and learning from each other.

People choosing a career in tax have to cope with increasingly complex legislation and regulatory requirements, as well as the rapid growth in the use of technology, particularly AI. I prepare mentees by emphasising skills that remain valuable despite change, namely technical curiosity, critical analysis, careful judgement, professional scepticism and clear communication.

Maisie Adam (event host), Clare Cromwell and Barry Jefferd

The most rewarding part of being a mentor has been seeing the impact on colleagues and watching them develop and go on to become mentors themselves.

My advice to new tax advisers starting a career in tax would be to build the technical foundations properly, stay curious and learn to explain complex points clearly. Technical knowledge is essential, but experience, judgement and communication are what turn knowledge into good advice, and those qualities cannot necessarily be replicated by AI.

Charities

The Worshipful Company's charitable work

A key part of a livery company's activities in the modern era is charitable giving. The Worshipful Company of Tax Advisers has two charities: the Tax Advisers' Benevolent Fund and the Tax Advisers' Charitable Trust.

The Benevolent Fund

The Benevolent Fund was set up in 1995 by several CIOT presidents and Council members, conscious that the CIOT's constitution does not allow it to offer financial support to members and their families in need. The fund therefore has two purposes: supporting tax advisers in need and supporting those seeking to take the exams of the CIOT and the ATT.

Both the institute and the association support the educational work with grants which, when combined with the Benevolent Fund's investment income and donations from Company members, allowed the fund to support 17 people in the UK and overseas studying for tax qualifications in 2025-26. Mentoring is offered to CIOT students supported by the Benevolent Fund, as they may not have access to the usual support networks. The Benevolent Fund also supports activities that seek to widen access to the tax profession, as well as the CIOT's Returners 2 Work initiative.

The Charitable Trust

The Charitable Trust makes grants to a wide range of charitable activities associated with tax and relevant to London. The largest grant goes to TaxAid, supporting those who need help with their tax affairs but cannot afford professional advice. The Livery Food initiative provides food to those in need in London. The Hackney Carriage Drivers' annual trip to Disneyland Paris for disabled children and their carers is a longstanding beneficiary, as is the London Air Ambulance. The Charitable Trust also supports a wide range of cadet organisations and the Greater London Scouts, focusing on giving young people skills and purpose.

The trust also supports longstanding City charities, including the Lord Mayor's Fund (which works with liveries, charities and schools to break down barriers, unlock potential and create career opportunities for Londoners who need it most), the Sheriffs and Recorders Fund (which supports prisoners and their families following release) and the Mansion House scholarship scheme.

Full details of the charities' activities are at: www.taxadvisers.org.uk/charities
To make a donation to either charity, see www.taxadvisers.org.uk/making-a-donation. Details of how to apply for assistance either with exam funding or in times of hardship are for CIOT members at tinyurl.com/5br8krcm, and ATT members at tinyurl.com/bdcnkna4.

Admission Ceremony

Celebrating the next generation of ATT professionals


New members at the Admission Ceremony


The then President, Graham Batty, with the prize-winners from the May and November 2025 sittings of the ATT examination.

From left to right. Front row: Charlotte Cade (Johnson Medal, May 2025), Elizabeth Swain (Tolley Prize, May 2025), Lucy Downes (Ivison Medal, May 2025 and Collingwood Medal, November 2025), Graham Batty (then President), Matthew Ian Chong (Johnson Medal, May 2025), Niles Keane (Association Medal and Tolley Prize, November 2025) and Raiko Hotski (Jennings Medal, November 2025)
Back row: Sameer Hussain (Collingwood Medal, May 2025), Trevor Johnson (Past President), Rebecca Watt (Gravestock Medal, May 2025), Peter Gravestock (Past President), Joseph Heavens (Jean Jesty Prize 2025), Simon Groom (Past President), Abby Main (Ivison Medal, November 2025), Frank Collingwood (Past President) and Jacob Kersley (Gravestock Medal, November 2025).

On Thursday 25 June, the Association was delighted to welcome 71 new ATT members and 11 prize winners from the May and November 2025 examination sittings to its Admission Ceremony at Merchant Taylors' Hall in the City of London.

The ceremony was hosted by Graham Batty, then ATT President, and recognised the achievements of those who had successfully completed their ATT qualification journey. Prize winners were presented with medals by a distinguished group of guests, including ATT Past Presidents Frank Collingwood, Peter Gravestock, Simon Groom and Trevor Johnson, together with Matthew Peppitt, Master of the Worshipful Company of Tax Advisers.

The annual ceremony provides an opportunity for new members, prize winners and their families to celebrate this important professional milestone. The next ATT Admission Ceremony will take place on 17 June 2027 for members admitted during 2026.

Webinar

Tax Technology in Practice: a webinar series for a changing profession

'Tax technology is evolving rapidly – and keeping pace means learning not just what's new, but what actually works in practice.'

Following the success of the 2025 Tax Technology Conference, the CIOT and ATT are launching a new webinar series designed to keep the conversation going and, importantly, take it a step further, providing opportunities for learning throughout the year.

The Tax Technology Webinar Series builds on strong feedback from delegates who wanted more than high-level discussion. There is clear demand across the tax community – from students and early-career professionals to experienced practitioners and in-house teams – for practical, accessible insight into how technology is being used in real-world tax settings, alongside the chance to explore emerging developments with subject matter experts.

The series opened in July with a webinar on the ethical use of artificial intelligence in tax, grounded in the principles of Professional Conduct in Relation to Taxation (PCRT). While that session has now taken place, it set the tone for what this series aims to deliver: practical guidance, real examples and thoughtful discussion on the challenges and opportunities presented by new technologies.

Looking ahead, further webinars in the series will continue to explore key areas of tax technology, with a focus on real-world application. Topics are expected to span the broader tax technology landscape, from how tools integrate across the tax lifecycle, to practical applications of AI, governance considerations and the evolving digital approach of tax authorities. Whether you are working in practice, industry or academia, or just beginning to explore the role of technology in tax, you can expect sessions that are grounded in experience rather than theory, offering actionable insight rather than sales-led content, with speakers sharing practical lessons from their own experience of implementing and using these technologies.

Each webinar will be delivered online, with opportunities for live interaction, including Q&A and discussion. Recordings and supporting materials will also be made available, helping to ensure that the content remains accessible beyond the live sessions.

As tax continues to evolve in an increasingly digital environment, staying informed is essential. This series offers an opportunity to do just that: learn, engage and better understand what tax technology means in practice.

Further details of upcoming Tax Technology in Practice webinars will be shared in due course. In the meantime, keep an eye on the CIOT and ATT events pages and our communications for the latest updates.

Award

Emma Rawson awarded OBE

ATT Director of Public Policy Emma Rawson is recognised in the King's Birthday Honours for her service and vision in supporting HMRC, tax agents and taxpayers through Making Tax Digital.

The Association of Taxation Technicians is delighted that Emma Rawson, ATT Director of Public Policy, has been awarded an OBE in the King's Birthday Honours List. The honour recognises her outstanding contribution to the tax profession, and in particular her work in supporting HMRC, tax agents and taxpayers through the development and implementation of Making Tax Digital for Income Tax.

Emma has played a central role in helping to explain one of the most significant changes to income tax administration in recent years. Through her work at ATT, she has helped ensure that the practical implications of MTD are clearly understood and that the concerns of agents and taxpayers are communicated constructively to policymakers. Her approach has combined technical expertise with a consistent focus on making the tax system more accessible and workable in practice.

At ATT, Emma has been the driving force behind the organisation's digital content on MTD, overseeing and contributing to technical guidance, practical guides, explainer videos and social media updates designed to reach a wide range of audiences. This work has helped members, students, agents, employers and taxpayers to navigate complex changes with greater confidence.

Her contribution has extended well beyond the production of guidance. Emma has represented ATT in detailed engagement with HMRC and other professional bodies, chaired the MTD Professional Body Issue Escalation Group, delivered webinars and member sessions, and helped to ensure that the real-life issues raised by agents are fed back into policy discussions. Her leadership has been valued for its clarity, balance and practical insight at a time of considerable change for the profession.

Beyond MTD, Emma has also been recognised for her voluntary work and commitment to public education. This includes supporting local self-employment networks, designing educational materials, and helping to raise the aspirations of young people in West Yorkshire by visiting schools and colleges, giving talks about careers and providing practical support. Her work reflects a wider commitment to improving understanding of tax and opening up opportunities for others.

The OBE follows another major professional accolade for Emma, who was recently named winner of the Outstanding Contribution to Taxation by an Individual award at the 2026 Tolley's Taxation Awards. Together, these awards reflect the breadth and impact of her work across tax policy, member support, public education and the wider tax community.

Everyone at ATT warmly congratulates Emma on this remarkable and well-earned honour, which recognises not only her professional expertise but also her sustained commitment to public service and to supporting those affected by change in the tax system.

Scholarship

The Nuala Brice Scholarship

Doctoral students are warmly encouraged to apply for a new CIOT scholarship to support their research in tax.

The Chartered Institute of Taxation is delighted to introduce the Nuala Brice Scholarship to support doctoral study and invest in the future of tax.

Nuala Brice had a long and distinguished career at the Law Society and in tax law before retiring as a judge of the Tax Tribunals (and several other tribunals) in 2009. She was awarded an Honorary Fellowship of the Institute of Indirect Taxation in 2010, before it merged with the Chartered Institute of Taxation.

Nuala valued education enormously, regarding it as a fundamental enabler of opportunity. She undertook her PhD, 'The tax treatment of the family unit', at University College London part-time while working, completing the degree in 1983.

The aim of the Nuala Brice Scholarship is to help students pursuing a PhD at a UK university to undertake high-quality, relevant research that will contribute to the CIOT's primary charitable objective: 'to advance public education in and promote the study of the administration and practice of taxation and the principles of economic and political science in relation to taxation'.

Open to those undertaking, or about to undertake, a PhD in taxation at a UK university, the scholarship offers up to £5,000 each year.

Funding can be used towards tuition fees or essential research costs. Full details are set out on the application form. Applicants must have secured a place on a PhD programme and will be assessed on academic merit, the quality and relevance of their research and, where appropriate, their need for financial support.

Applications for the 2026/27 academic year close on 6 September 2026. Those interested are encouraged to apply and to share the opportunity widely with students, researchers and academic networks. More information is available at www.tax.org.uk/nuala-brice-scholarship.

The Institute very much believes that great research – in turn stimulating analysis, ideas and debate which both inform and influence the development of tax law and policy into the future – is of enormous value, particularly given the profound impacts that tax has on so many aspects of people's lives. It is hoped that the scholarship will help doctoral students make progress at a pivotal moment in their tax research careers.

Obituary

Remembering Lord Mackay

We were saddened to learn of the death of Lord Mackay of Clashfern in July at the age of 99.

CIOT's links with Lord Mackay date back more than four decades, and he was made an Honorary Fellow in 1981.

Lord Mackay was a distinguished advocate, serving, among other roles, as standing junior counsel to the Inland Revenue in Scotland in the 1960s. He went on to serve as Lord Advocate and Lord Chancellor in the governments of Margaret Thatcher and John Major.

CIOT's links with Lord Mackay date back more than four decades. He was made an Honorary Fellow in 1981, one of the earliest recipients of the Institute's highest honorary recognition. Later, as Lord Chancellor, he formally presented CIOT with its Royal Charter at Lincoln's Inn Hall in December 1994.

Lord Mackay continued to attend CIOT events into his eighties and nineties, including the 2020 President's Luncheon, where he saw his former cabinet colleague Kenneth Clarke (Lord Clarke of Nottingham) accept an Honorary Fellowship from the Institute.

A MEMBER'S VIEW

Oisín Doherty

Accountant and Tax Adviser, C. Doherty & Co Ltd

This month's ATT member spotlight is on Oisín Doherty, Accountant and Tax Adviser at C. Doherty & Co Ltd.

How did you find out about a career in tax?

My father has been an accountant and has run his own company for around 30 years, so accountancy was always a familiar profession to me. Seeing his work and the impact it had on his clients encouraged me to follow a similar path, and my interest in accountancy ultimately led me to a career in tax.

Why is the ATT qualification important?

The ATT qualification has been important in helping me to grow professionally and develop my confidence within the industry. The knowledge and skills I have gained through studying and qualifying have strengthened my understanding of tax and given me greater confidence when dealing with client matters. As a result, I am better equipped to provide informed advice and support to my clients.

Why did you pursue a career in tax?

During my studies with Accounting Technicians Ireland, I discovered that tax was the area I found most engaging. I enjoyed the challenge of understanding tax rules and their practical application, and it quickly became a subject I wanted to learn more about. Pursuing a career in tax was therefore a natural next step, allowing me to continue developing my knowledge in an area that genuinely interested me.

How would you describe yourself in three words?

Reliable. Organised. Easy-going.

Who has influenced you in your career so far?

My father has been the biggest influence on my career to date. Having worked as an accountant and run his own company for many years, he inspired my interest in the tax profession and encouraged me to pursue a career in accountancy and tax.

What advice would you give to someone thinking of doing the ATT qualification?

Be prepared to make some sacrifices and put some of your favourite activities on hold while you study, as the qualification requires a significant commitment of time and effort. It takes a lot of hard work and dedication, but the knowledge, skills and confidence you gain make it a worthwhile investment in your career.

The ATT qualification has been important in helping me to grow professionally and develop my confidence.

What are your predictions for tax advisers and the tax industry in the future?

I think tax advisers will be needed more than ever in the coming years. Tax legislation and compliance requirements continue to evolve, and there are many rules, laws and different approaches that require professional judgement and expertise. While AI and new technologies are likely to play an increasingly important role in supporting the profession, I believe there will continue to be a strong need for tax advisers to help clients navigate complex issues and provide tailored advice.

What advice would you give to your future self?

Believe in yourself as much as I believe in you!

Tell me something about yourself that others may not know about you.

I love being active. I can't sit in the house without having done something, so I always keep myself busy through sports like Gaelic, soccer, golf and heading to the gym.

Disciplinary reports

Anonymous Member

CONSENT ORDER

On 16 June 2026, with the agreement of the anonymous member, a member of the ATT, the Investigation Committee of the Taxation Disciplinary Board made an Order pursuant to Regulation 8.2 of The Taxation Disciplinary Scheme Regulations 2014 (as amended 2016 and 2024) that the anonymous member be:

- censured; and
- required to pay costs in the sum of £730.

The Order was in respect of alleged breaches by the anonymous member of the following Rules of the Professional Rules and Practice Guidelines 2018 (as amended 1 January 2021):

2.2 Integrity

2.2.2 A member must not engage in or be party (directly or indirectly) to any illegal activity.

2.6 Professional behaviour

2.6.1 Professional behaviour encompasses a member's business dealings and, in certain circumstances as set out below in rule 2.6.3, conduct in a member's personal life or private capacity.

2.6.3 A member must not:

- conduct themselves in an unbefitting, unlawful or illegal manner, including in a personal, private capacity, which tends to bring discredit upon a member and/or may harm the standing of the profession and/or the CIOT or ATT (as the case may be). For the avoidance of doubt, conduct in this context includes (but is not limited to) conduct as part of a member's personal or private life.

The allegations giving rise to the Order were that: On 23 October 2025, at Ipswich Magistrates' Court, the member pleaded guilty to and was convicted of driving a motor vehicle when his alcohol level was above the prescribed limit, contrary to s 5(1)(a) of the Road Traffic Act 1988 and Sch 2 to the Road Traffic Offenders Act 1988.

Mr Joseph Crittenden

At a meeting on 21 April 2026, the Interim Orders Panel of the Taxation Disciplinary Board ordered that Mr Joseph Crittenden, a student member of the CIOT, be suspended from membership of the CIOT until such time as a Consent Order comes into effect or the Disciplinary Tribunal has determined whether any charge arising from the complaint has been proved, or until an Interim Orders Panel or Disciplinary Tribunal orders otherwise.

The Panel also directed that Mr Crittenden notify his current employer that he is subject to an interim suspension from membership of the CIOT.

Mr Le Lu

At its hearing on 10 June 2026, the Disciplinary Tribunal of the Taxation Disciplinary Board determined that Mr Le Lu, a student member of the ATT, was in breach of the Professional Rules and Practice Guidelines 2018 (as amended) (PRPG). He admitted the following charges:

- he had used his employer's IT equipment, software and/or Zoom conferencing facilities in order to provide coaching to potential external candidates for roles with his employer and/or other firms in breach of his employer's policies and was reckless as to whether the conduct was permitted by his employer;
- he had used his employer's Engagement Letter template to create his own version for his own coaching company; and
- he failed to notify the Head of Professional Standards at ATT within two months of 9 May 2024 of his dismissal by his employer.

The tribunal considered that Mr Lu had conducted himself in an unbefitting manner which tends to bring discredit upon himself and/or may harm the standing of the profession and/or the ATT and that his conduct had lacked integrity, contrary to rules 2.6.3 and 2.14.2 of the PRPG.

The tribunal ordered that Mr Lu be censured. He was also required pay the TDB's costs in the sum of £8,195.

Matthew Bailey

CONSENT ORDER

On 10 June 2026, with the agreement of Matthew Bailey of Tunbridge Wells, a member of the CIOT, the Investigation Committee of the Taxation Disciplinary Board made an Order pursuant to Regulation 8.2 of The Taxation Disciplinary Scheme Regulations 2014 (as amended 2016 and 2024) that Matthew Bailey be:

- fined in the sum of £800; and
- required to pay costs in the sum of £730.

The Order was in respect of alleged breaches by Matthew Bailey of the following Rules of the Professional Rules and Practice Guidelines 2018 (as amended 1 January 2021):

2.6 Professional behaviour

2.6.3 A member must not:

- perform their professional work, or conduct their practice or business relationships, or perform the duties of their employment improperly, inefficiently, negligently or incompletely to such an extent or on such number of occasions as to be likely to bring discredit to themselves, to the CIOT or ATT or to the tax profession; or
- breach the Laws of the CIOT or ATT.

2.10 Compliance with anti-money laundering legislation and registration

2.10.1 A member must comply with the UK's AML legislation in force from time to time.

2.12 Provision of information to the CIOT and ATT

2.12.1 A member must provide such information as is reasonably requested by the CIOT and ATT without unreasonable delay. A member must reply to correspondence from the CIOT and ATT which requires a response and again must do so without unreasonable delay.

The allegations giving rise to the Order were that:

a) the member did not, within the time allowed by CIOT, undertake the steps requested by CIOT to address concerns raised in his 2023/24 AML renewal form, although it was acknowledged that he subsequently confirmed that the required steps had been taken in his following AML renewal due a short time later;

b) the member submitted his 2023 annual return late on 11 June 2024, the deadline for submission having been 31 January 2024; and

c) the member failed to pay the fixed fine imposed for the late submission of his 2024/25 AML renewal form and the late payment of the related renewal fee and was also two days late in providing the medical evidence required in support of his request for the fine to be waived.

A copy of the decisions can be found on the TDB's website at: www.tax-board.org.uk.

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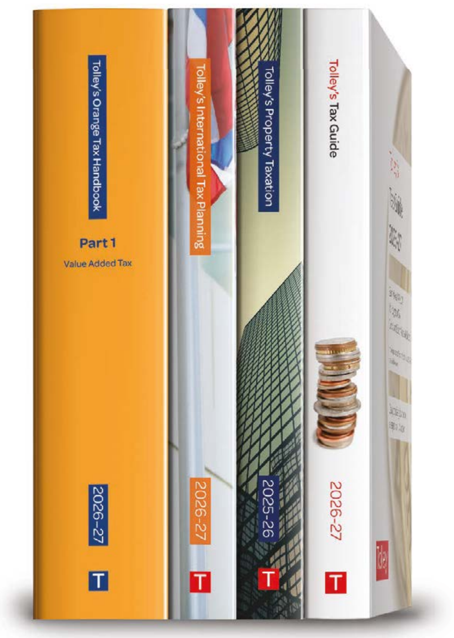

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Mixed Tax Manager or Senior Manager
Golders Green, London
£excellent

Our client is a longstanding independent firm with an excellent client base. They seek an experienced, qualified tax professional (likely CTA, ICAS, ACA or former Inspector of Taxes) to join an advisory focused team and be the 'right hand' of the Tax Partner. In this role, you will have considerable client contact, helping at meetings and with correspondence to advise clients on a wide range of tax issues. The client base is OMB focused and includes a considerable amount of property related businesses. In this role, you will advise both the companies and their owners across the life-cycle of their business. This is a friendly, long-standing independent practice based in Golders Green. **Call Georgiana Ref: 4000**

Transaction Tax Assistant Manager
Birmingham
£excellent

Our client is a Top 10 accounting firm with a strong Transaction Tax team. They seek a qualified tax professional (CTA, ACA, ICAS or equivalent) to join their Birmingham office. You will work with a multidisciplinary team of tax advisers and lawyers, helping clients to navigate all manner of transactions including mergers, acquisitions, disposals, joint ventures, structuring etc. You will get involved in due diligence and a wide range of advisory projects. Excellent development prospects. This firm works on a hybrid basis and will consider a range of UK offices for the role. Ideal location would be Birmingham. **Call Amy Ref: 3665**

Trust role – law firm
Oxford, Nottingham or Manchester
To £90,000

Our Client is a large commercial law firm seeking an experienced Trust Specialist. This role can be based in Nottingham, Oxford or Manchester. This is an exciting opportunity to play a key role in delivering high-quality trust accounting, tax compliance and trust administration services within a thriving national practice as well as wider private client tax and estates compliance. Excellent salary and benefits package. Would suit an experienced manager or senior manager. This is a varied and rewarding position, ideal for someone who enjoys responsibility, technical problem solving and autonomy. **Call Georgiana Ref: 3680**

Tax Investigations Consultant
UK remote
£excellent

Our client is a leading provider of services to accountancy firms. They are looking for a tax professional to join an existing team of over 30 advisers and consultants. The ideal candidate will have a solid grounding in general tax and specialist experience of tax investigations. It's likely you will either have a practice background or be ex-HMRC (ideally Grade 7 or above, but will consider candidates qualified by experience). You will deal with all manner of tax disputes work from full to aspect enquires. UK remote worked with some UK travel. 4 day week considered. **Call Georgiana Ref: 3667**

CT OMB Technical Tax Consultant
UK remote
£excellent

Our client is a leading provider of technical support services to the accountancy profession. They seek a CT qualified experienced tax professional to join their technical team. You will provide tax advice and support to firms ranging from sole practitioners to large firms. This is OMB CT advice such as: group reorganisations to include demergers, hive-ups/downs and MBOs; loan relationships and intangibles asset regime; and substantial shareholding exemption. You will need a clear interest in technical work. Full time or 4 day week considered. **Call Georgiana Ref: 3659**

Pillar 2 – new team
London, Manchester, Birmingham, Cardiff, Belfast, Glasgow

Calling all in-house Tax Managers who have experience of getting a large organisation ready for Pillar 2. Our client is a large accountancy firm, and they seek managers and senior managers to join a new team specialising in Pillar 2 work. You will work in a multidisciplinary team managing the compliance which is prepared by other team members, dealing with the client relationships and liaising with Revenue Authorities. You will be at the forefront of a new area of tax and there is plenty of scope for progression. Hybrid and flexible working available, 60% in the office. **Call Georgiana Ref: 3672**

www.georgianaheadrecruitment.com

Home of Claude the Newfoundland – follow him on Instgram #iclaudiusthedog

Tax Reporting Associate Director Leeds £excellent

Our client is the growing corporate tax team of a Top 20 firm. They seek an experienced corporate tax professional to work in a tax reporting role. In this role, you will join a team that reviews and approves corporate tax computations and helps clients to deal with tax accounting and tax assurance reviews. This also includes tax audit work. Would suit someone who had worked in-house or who really enjoys compliance work. Includes managing more junior staff and building long-term relationships with clients. There is scope for progression. Flexible, hybrid and part time working all possible. **Call Georgiana Ref: 3689**

Personal Tax Manager or Senior Manager – Droylsden £excellent

Our client is a large, award winning accountancy firm based in Droylsden, Manchester, and they seek a Tax Manager or Senior Manager. In this role, you will oversee a varied portfolio of clients, delivering high quality personal tax compliance and advisory services. The role focuses exclusively on tax, covering a broad range of complex planning matters. They seek an ATT or CTA qualified professional with strong personal tax experience. The position is primarily based across two offices in Stockport and Droylsden, as required. Excellent client base make this a great role for an experienced tax portfolio manager. **Call Amy Ref: 3674**

Partnership Tax Advisory UK wide Associate Director £excellent

Key role in a Big 4 firm for a partnership tax specialist to work on large professional partnerships. This is advisory focused and involves being the 'right hand' to a busy partner. There is plenty of scope to progress to partner in the future and a great client base of international legal practices and major international partnerships. You may be in-house and this could be the role that lures you back to the profession. Most UK offices considered, London or Leeds particularly helpful. Hybrid, part time and flexible working available, 60% of time in the office. **Call Georgiana Ref: 3655**

Lead Technical Consultant Private Client – remote UK £excellent

Our client is a leading provider of technical support services to the accountancy profession. They seek a UK qualified experienced tax professional to join their technical team which provides tax advice and support to firms ranging from sole practitioners to large accountancy firms. For this lead role, you will manage a team of technical consultants who work across a range of taxes. For your own technical work, you will advise on all areas of private client tax including HNW individuals, families, trusts and Capital Taxes. Includes team management. **Call Georgiana Ref: 3691**

Corporate Tax Manager Manchester £excellent

Our client is a Top Ten accountancy firm in the UK. They seek a Corporate Tax Manager. In this role, you will oversee mainly OMB and some larger PLC clients, delivering both high quality tax compliance and advisory services. You will oversee and develop more junior staff, provide technical advice on complex tax matters, and support partners and directors tax planning and advisory projects. Ideally, you will have a relevant qualification e.g. ATT, CTA, ACA, ICAS or ACCA or equivalent. There is plenty of scope for development in this role and opportunity for promotion. **Call Amy Ref: 3677**

Private Client Tax Manager Cambridge £excellent

Our client, a large accountancy firm, seeks a qualified tax professional (ACA, ACCA, CTA or equivalent) to join their personal tax team to lead and manage client portfolios of HNW individuals, families and owner managers. You will ensure compliance with UK tax regulations. You will provide expert advice on complex tax planning, oversee teams and develop strong client relationships. The ideal candidate will have sound technical knowledge of personal tax. Experience of trusts is an advantage. Excellent prospects for personal and professional development. **Call Amy Ref: 3687**

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IN HOUSE VAT MANAGER

NORTH MANCHESTER To £70,000

A great opportunity to join the in-house tax team of a fast-paced international group. Fully supported by an experienced Director, you will manage VAT compliance and indirect tax risk as well providing support and VAT advice to the business on day-to-day tax queries and strategic initiatives. Ideally you will have at least 3 years PQE experience gained in a large accountancy firm, as well as some in house VAT experience within a multinational group. **REF: R3799**

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**

TAX ADVISORY MANAGER

STAFFORDSHIRE To £65,000

We're working with a well-established regional firm in Staffordshire that is seeking a Mixed Tax Advisory Manager. This is an excellent opportunity for someone who enjoys the variety of working across both corporate and personal tax purely in advisory. You will be involved in complex projects, manage client relationships, and support a talented team—while maintaining genuine flexibility and a healthy work-life balance. The firm has a strong reputation for developing its people and for encouraging autonomy. **REF: C3800**

SENIOR PRIVATE CLIENT MANAGER

MANCHESTER To £90,000

An excellent opportunity has arisen for an experienced Private Client Senior Manager to join a well-established and growing national tax team. You'll lead the delivery of a high-quality personal tax compliance service for a diverse portfolio of high-net-worth individuals, entrepreneurs, business owners and trustees, while also advising on a range of complex private client matters. This role combines technical expertise with client relationship management, team leadership and mentoring. **REF: C3802**

IN-HOUSE SENIOR TAX MANAGER

MANCHESTER To £90,000

Excellent in- house role to lead the group's direct tax compliance, covering corporation tax compliance, group tax reporting, tax forecasting and a wide range of corporate tax advisory projects. Strong interpersonal skills and the confidence to deal with people at different levels throughout the group is key coupled with excellent technical knowledge. Would suit an experienced corporate tax professional with large group experience gained in a large accountancy firm or industry. **REF:R3801**

OMB SENIOR ADVISORY MANAGER

MANCHESTER OR LEEDS To £85,000

We are seeking an OMB Tax Advisory Manager to join a leading firm in the UK. In this role, you will provide expert tax advice to OMBs on a range of complex issues, including corporate tax, tax planning, and restructuring. You'll manage a portfolio of clients, develop strong relationships, and lead advisory projects. The ideal candidate will have experience in tax advisory, preferably with a background in OMBs, and hold a CTA qualification. Newly qualified applications welcome. **REF: C3804**

SENIOR CORP. TAX OPPORTUNITY

LAKE DISTRICT To £six figures

Are you a Senior Corporate Tax Professional seeking a genuine lifestyle change without compromising on technical quality or career progression? Based in the Lake District, this role sits within the Corporate Tax team advising a broad portfolio of owner-managed businesses, groups, and complex corporate clients. The work is varied and technically engaging, covering compliance and advisory matters, group structuring, reconstructions, and transactional support. Perhaps well-suited to those who are considering a relocation. **REF: C3750**

SENIOR PRIVATE CLIENT MANAGER

NORTH EAST To £85,000

Join a highly regarded private client team advising some of the region's most successful entrepreneurs, business owners and high-net-worth individuals. Working closely with a Partner, you'll manage a varied portfolio, oversee personal tax compliance and deliver bespoke advisory work across Income Tax, Capital Gains Tax, Inheritance Tax, Trusts and residency matters. You'll also lead and develop a talented team, review work, support technical projects and build trusted client relationships. **REF: C3805**

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