



NEWS UPDATE - 10 November 2025

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Making Tax Digital exemptions

In less than six months, Making Tax Digital (MTD) will become mandatory for sole traders and landlords with an annual income of more than £50,000. However, some may be able to avoid the requirements.

HMRC has opened applications for an exemption from MTD for income tax for those who consider themselves to be digitally excluded. This may be where a person lives in an area without access to broadband, or cannot comply because of age, health or disability, or doesn't use a computer for religious reasons.

Digitally excluded criteria

Internet access: This means no internet access at your home or business, because of the location, and where access is not available at a suitable alternative location.

Age, health or disability: You will need to show that your age, health condition or disability stops you from using a computer, tablet or smartphone to keep digital records or submit them to HMRC.

Religious reasons: This will apply to practising members of a religious society or order whose beliefs mean they do not use a computer, tablet or smartphone for business or personal use.

There may be other reasons that you are classed as digitally excluded, and HMRC will consider all applications on a case-by-case basis.

Anyone who is exempt from using MTD compatible software for VAT returns will also be exempt from MTD for income tax provided their circumstances have not changed.

Not digitally excluded

HMRC will not accept an application for exemption if the only reason for applying is that a person:

- Has previously only submitted paper self assessment tax returns;
- Is unfamiliar with accountancy software; or
- Only has a small number of digital records to create each tax year.

The fact that additional costs will be incurred, or that extra time will be required for MTD, is also not a valid reason for HMRC to grant exemption.

HMRC guidance on applying for an exemption from MTD can be found from the link below:

<https://www.gov.uk/guidance/apply-for-an-exemption-from-making-tax-digital-for-income-tax-if-you-are-digitally-excluded>

New real time payment service for high income child benefit charge

HMRC's newly launched online service means that taxpayers can pay a high income child benefit charge (HICBC) in real time. It should reduce the number of individuals who have to register for self assessment only for HICBC.



The charge

The HICBC only applies when an individual – or their partner – receives child benefit and their annual income exceeds £60,000, with the charge removing 1% of the child benefit for every £200 of income over £60,000. Once income reaches £80,000, the charge is 100% so the amount of child benefit is essentially reduced to nil.

Online service

The new service allows employees to pay their HICBC via PAYE, provided they have no other reason to complete a self assessment tax return, such as having property income. Keep in mind:

- The deadline for registering for the online service is 31 January after the tax year for which the HICBC is payable.
- Anyone who has not already submitted their tax return for 2024/25 has the option of settling their HICBC liability via PAYE during the current 2025/26 tax year.
- If a HICBC liability for 2025/26 is also collected, this will mean two HICBC amounts being recovered during 2025/26.

Thereafter, HICBC will just be collected in the tax year it relates to.

If an individual has already registered for self assessment to pay their HICBC, they must deregister from self assessment to use the online service.

Signing up

You might need to prove your identity using photo identification such as a passport or a driving licence.

In many cases that are straightforward, you will only need details of your income and national insurance (NI) number; along with your partner's NI number, if they are the one who receives child benefit. In more complicated cases, you will also need the dates of relationship changes during the tax year. Once signed up, you will receive a confirmation email, with your PAYE coding notice updated within 48 hours.

For individuals who wish to pay their HICBC through PAYE, the start point for signing up can be found from the link below:

<https://www.gov.uk/child-benefit-tax-charge/pay-tax-charge-payee>

Untangling red tape on company reporting

Government plans on company reporting appear somewhat contradictory. Some regulations are set to tighten from April 2027, but latest announcements suggest a move in the opposite direction.

The current intention is that from 1 April 2027:

- Both micro-entities and small companies will have to file a profit and loss account.
- Small companies will have to file a director's report.
- Companies will no longer be able to prepare and file abridged accounts.

However, the Chancellor, Rachel Reeves, has recently announced that red tape is to be cut for small- and medium-sized businesses.

Loosened up

The Chancellor has said that the requirement to submit a director's report to Companies House will be removed for all companies. However, some aspects of the report will be reallocated elsewhere in a company's financial statements.

In addition, medium-sized private companies will no longer need to produce a strategic report as part of their annual reporting.

While any reduction to the administrative burden is welcome, there are concerns that the latest plans do not go far enough.

Thresholds

The size thresholds for corporate reporting were increased by approximately 50% as recently as April this year, but the Chancellor has also announced further increases.

For a company to be classed as either a micro-entity or small company, it should be below two of three thresholds for turnover, balance sheet total and average number of employees. The thresholds for accounting periods commencing on or after 6 April 2025 are currently as follows:

	MICRO-ENTITY	SMALL COMPANY	MEDIUM-SIZED COMPANY
Turnover	£1 million	£15 million	£54 million
Balance sheet	£500,000	£7.5 million	£27 million
Employees	10	50	50

Micro-entities benefit from reduced reporting requirements and small companies may qualify for audit exemption. Companies House accounts guidance can be found from the link below:

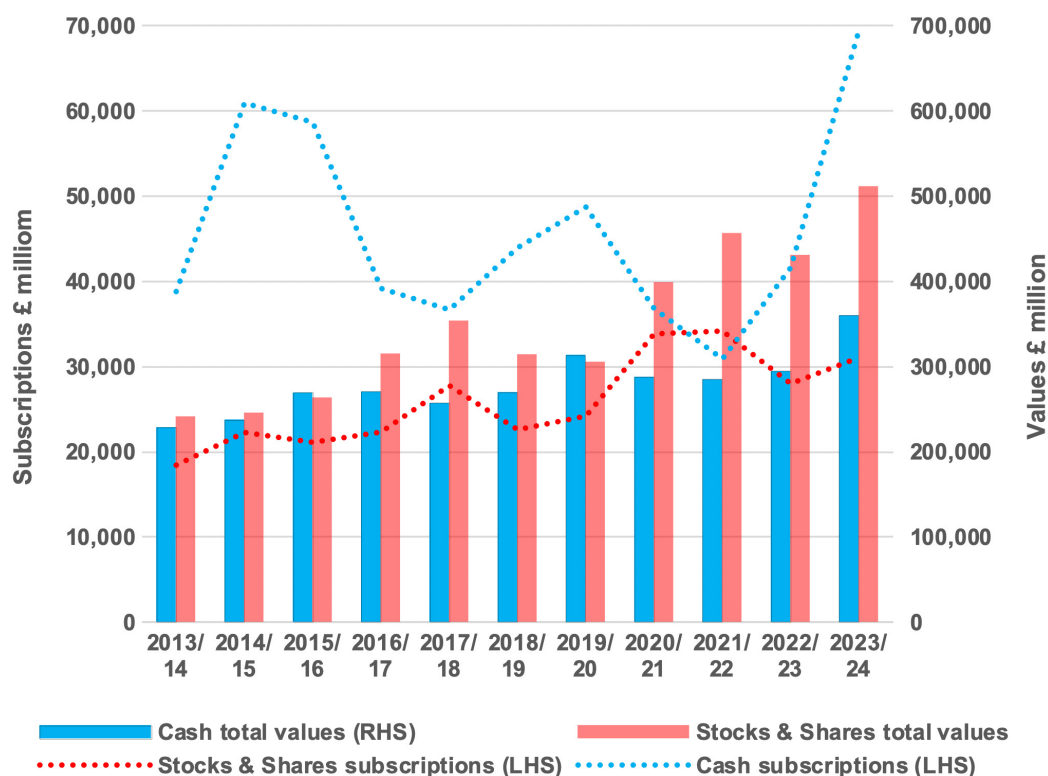
<https://www.gov.uk/government/publications/life-of-a-company-annual-requirements/>



Cash ISAs twice as popular as stocks and shares ISAs

HMRC figures for 2023/24 show cash ISA subscriptions have increased by almost 224% more than stocks and shares ISAs by the end of the decade.

ISA Investment values and subscriptions



Source: HMRC.

The Chancellor's plan to reform individual savings accounts (ISAs) to "improve returns for savers" has been considered for some time. Rachel Reeves's scheme is widely believed to mean the current £ 20,000-a-tax-year subscription limit for ISAs would be reduced for cash ISAs. Unsurprisingly, the investment management industry has been in favour of such a move, while the big banks and the Building Societies Association have been strongly against it.

Statistics published by HMRC in September cast a new light on the ISA debate. The data show that in 2023/24, subscriptions to cash ISAs were £69.5 billion, while stocks and shares ISAs attracted just over £31 billion. That brought the total amount invested in cash ISAs to £360 billion as of April 2024. It would be reasonable to assume the total now is well above £400 billion.

Now put yourself in the Chancellor's shoes. If the Bank of England had £400 billion earnings and 4% Bank Rate, it would mean £16 billion of interest on which no income tax is being collected. The latest estimate from HMRC is that the cost of income tax and capital gains tax relief for ISAs was £9.4 billion in 2024/25, almost a fifth up on the previous year. Cutting back on the amount flowing into cash ISAs could reduce tax loss, even though the prospect of enhanced returns is a better story to present to the public.

To be fair to the Chancellor, there is some justification in her argument. As HMRC's ISA Investment values and subscriptions graph illustrates, to a degree, the total value of stocks and shares ISAs grew more rapidly than cash ISAs over the ten years to April 2024. However, cash ISAs saw little net inflow for much of the period. It is easy to forget now that the Bank of England rate was no more than 1% between February 2009 and June 2022, assuring miserable returns for money held on deposit.

Before you rush to arrange a pre-Budget cash ISA, it is worth reflecting on what you are trying to achieve. If you just want to move a ready money deposit to a tax shelter, remember that unless you are an additional/top rate taxpayer, the personal savings allowance (PSA) covers up to £200 of tax on interest (20% for basic rate x £1,000 PSA or 40% higher rate x £500 PSA).

If you are setting aside money for long-term growth, then, as the Chancellor suggests, there could be better options.

Government guidance on how ISAs work can be found from the link below:

<https://www.gov.uk/individual-savings-accounts/how-isas-work>

What are the risks for director's loans?

Used wisely, a company loan can be an attractive option for directors who need to access company funds, especially if the need is urgent. However, there can also be serious tax implications for the unwary.

Personal tax

As most directors are aware, taking a company loan could impact their personal tax due to possible taxable benefits. This will be the case if interest on the loan is less than HMRC's official rate (currently 3.75%) and the director's total beneficial loans exceed £10,000 at any point during the same tax year.

The beneficial loan tax charge is not particularly significant, with an interest-free loan of around £20,000 for six months only costing a higher tax rate-paying director around £150 in tax.

Company tax

This is where the tax situation becomes more complicated if the director is also a shareholder and the company is a close company. For owner-managed companies, this will generally be the case:

- There is no tax charge if a loan is fully repaid by the time the

company's corporation tax is due; nine months and one day after the end of the company's accounting period.

- If not repaid by then, there is a company tax charge at the rate of 33.75% on the amount of loan still outstanding. This is in addition to the corporation tax payable.
- However, this tax charge is refunded to the company if the loan is subsequently repaid by the director.

The punitive nature of the company tax charge means that larger, more unmanageable, loans taken by a director can end up being expensive if not repaid. Further, the loan will sit on the company's balance sheet as a red flag should the business need to raise finance, and may deter new investors or even customers.

HMRC guidance on director's loans can be found from the link below:

<https://www.gov.uk/directors-loans>



Should you wish to discuss this News Update in further detail please contact BGM at: communications@bgm.co.uk

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