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CHARTERED ACCOUNTANTS

NEWS UPDATE - 11 August 2025

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HMRC's digital roadmap shifts

HMRC has scrapped plans for Making Tax Digital (MTD) to include corporation tax. However, new digital services will be rolled out over 2025/26, as outlined in its recently published transformation roadmap.

MTD for corporation tax

HMRC had not confirmed a date for introducing MTD for corporation tax, which has now been officially abandoned; the introduction of MTD for income tax from April 2026 also pushed the corporation tax element further down the priority list.

That leaves the question of how HMRC will modernise corporation tax administration in other ways, especially as the tax gap for corporation tax is now estimated at nearly 16%.

Digital services

The transformation roadmap sets out more than 50 information technology projects, services and measures, including:

- A new online service for Pay As You Earn taxpayers, which will make it simpler and easier for employees to check and update their income, allowances and reliefs. The new service will be available through an employee's personal tax account or through the HMRC app.
- The launch of a new expenses service, which will enable employees to submit claims for tax relief on their allowable expenses and to upload the supporting evidence all in one place.
- The expansion of digital services for the self-employed, which will improve the registration service and also streamline the exit process for those who no longer need to file a self-assessment tax return.

A biometric voice system is already being used to verify taxpayers' identities when contacting HMRC, and this system will be expanded throughout the remainder of 2025/26.

HMRC's long-term aim is to end reliance on phone lines, which will come as no surprise given the long wait times and number of calls going unanswered. By 2030, HMRC intends for 90% of taxpayer interaction to be digital, either through personal tax accounts or using the HMRC app.

HMRC's transformation roadmap can be found from the link below:

https://www.gov.uk/government/publications/hmrc-transformation-roadmap

Company cars are having a revival

Recently published statistics show that the company car is making something of a comeback, with the number of recipients for 2023/24 up 80,000 from the previous year.

From a high of 960,000 company car recipients in 2015/16, the number dropped to 720,000 by 2020/21. The level has now picked up to 840,000, with the increase due to the beneficial tax treatment of cars with CO_2 emissions of 75 grams per kilometre or less, especially fully electric cars.

Salary sacrifice

With tax thresholds frozen, sacrificing salary in return for the use of a low-emission company car can mean a significant tax saving. For example, an employee with an income of £120,000 – well within the personal allowance trap – who sacrifices £6,000 of salary to cover the employer's lease cost of a mid-priced, fully electric company car, will save around £2,800 in tax and National Insurance Contributions. With this in mind:

- It is therefore not surprising that the number of zero-emission company car recipients has risen six-fold between 2020/21 and 2023/24, with the number now standing at over 340,000. This is 41% of all company car benefit recipients.

- It also explains why the average CO_2 emission of company cars for 2023/24 was 56 g/km, compared to 71 g/km in the previous tax year.

- A further advantage of an employee making use of a fully electric company car is that there will be no fuel benefit even if a charging point is provided at the employer's premises.

The rise in fully electric company car recipients is mirrored in the percentage of company car drivers with diesel cars, which is down to 13%, having been nearly 50% back in 2020/21.

The future

While fully electric company cars currently attract a benefit percentage of just 3%, this percentage is set to increase to a much less beneficial 9% by 2029/30. For the taxpayer in our example, this will cut the overall tax saving to around £1,000. The company car comeback may be short-lived after all.

The tax cost of having a company car can be calculated using HMRC's company car and car fuel benefit calculator which can be found from the link below:

https://www.tax.service.gov.uk/guidance/work-out-company-car-and-fuel-benefit/start/tax-year

An ominous update for pensions

Unfortunately, it's all bad news. The government has confirmed that most unused pensions will fall within the scope of inheritance tax (IHT), and that it will review the State pension age (SPA).

On top of this comes the news that almost half of working-age adults are not making any provision for a private pension.

Unused pensions

The government has published draft legislation to take effect from 6 April 2027. The change will see most unused pension death benefits brought into charge for IHT purposes, although one change has been made in response to industry feedback. All death-in-service benefits will now be excluded from the charge to IHT.

State pension age

By March 2028, the SPA will have increased to 67. The next planned increase to age 68 is set to take place between 2044 and 2046, impacting those born on or after 6 April 1977. There have been recommendations that this timeline be brought forward, but any further changes have until now been shelved due to recent uncertainty about life expectancy.

However, with the government's recent announcement of the next review of the SPA, further increases are possible.

Lack of pension provision

The government – not surprisingly – is very concerned about the number of people not saving privately for a pension:

- Low earners and the self-employed are less likely to be contributing to a pension, with more than three million self-employed people without such savings.
- The situation is worse among women and some ethnic groups.
- Overall, some 40% of people are currently not saving enough for their retirement.

For a moderate lifestyle, it is estimated that a single person currently requires nearly £32,000 a year, with nearly £44,000 required for a couple; the full State pension is just under £12,000.

These latest findings come despite employees being automatically enrolled into pension saving. The relaunched pensions commission will therefore look at what is preventing greater pension saving, reporting back in 2027.

The currently legislated timetables for SPA can be found from the link below:

https://assets.publishing.service.gov.uk/media/5a7f02e640f0b62305b84929/spa-timetable.pdf

Crypto transactions under new scrutiny

From 1 January 2026, crypto investors will face new reporting requirements when buying, selling, transferring or exchanging cryptoassets, such as Bitcoin. This means HMRC will be able to link cryptoasset activity to your tax record.

The latest figures show that seven million people in the UK own some form of cryptoasset, with the value of Bitcoin having increased significantly over the past year.

Capital Gains Tax (CGT) treatment

For CGT purposes, cryptoassets are treated similar to shares, with each type of cryptoasset pooled. There will be a CGT disposal if you:

- Sell cryptoassets (even if the proceeds are not withdrawn from the exchange);
- Exchange one type of cryptoasset for a different type of cryptoasset;
- Use cryptoassets to pay for goods or services; or
- Make a gift of your cryptoassets to another person (unless it's to your spouse or civil partner).

There is no disposal if, for example, you simply move cryptoassets between different wallets.

Reporting requirements

Individual investors will have to provide their name, date of birth, home address and either their national insurance number or their unique tax reference.

Using a non-UK based cryptoasset service provider will not avoid the reporting requirements if the provider is based in a country following the same rules. However, several countries that host providers have not yet signed up to the reporting requirements, and the use of a decentralised exchange might also circumvent the new rules.

Failing to disclose information to a cryptoasset service provider, or submitting an inaccurate or incomplete report, will be subject to a £300 fine.

HMRC

Cryptoasset service providers will report the collected cryptoasset data to HMRC. The first reports covering 2026 will be reported by May 2027, making it easier for HMRC to see if disposals have not been reported on an investor's self-assessment tax return. Previously, compliance has relied largely on voluntary disclosure.

Tax returns from 2024/25 onwards now include a dedicated section for gains made on cryptoassets in the CGT pages.

HMRC's detailed guidance on the new cryptoasset reporting requirements can be found from the link below:

https://www.gov.uk/guidance/information-youll-need-to-give-to-uk-cryptoasset-service-providers

As summer fades, an Autumn Budget looms…

It is once more the time to turn from sunny thoughts of summer holidays to dark contemplation of the Autumn Budget.

In July 2024, Rachel Reeves made her contentious House of Commons statement about the "£22 billion black hole" and, as one of the measures to fill it, severely restricted pensioner entitlement to the Winter Fuel Payment. One consequence of her 'discovery' was that the rest of that summer and the first part of autumn was full of speculation about what tax rises would be contained in the 2024 Autumn Budget.

Fast forward a year and there is a similar story playing out. The Winter Fuel Payment features again, but this time it is the £1.25 billion cost of the climbdown on means-testing that matters. To that can be added about the £5 billion expense of another reversal of policy, reform of disability benefits. This new black hole, alongside slowing economic growth, is generating a fresh round of speculation examining what taxes might be increased.

The Chancellor continues to rule out increases to income tax, national insurance and VAT for 'working people', leaving potential targets such as:

- **A further freeze on income tax allowances and bands:** The personal allowance and income tax thresholds were originally frozen for four years (2022/23–2025/26) by Rishi Sunak, to which another two years were added by Jeremy Hunt. Rachel Reeves could extend the freeze until April 2030.
- **Pension contribution tax relief:** A regular candidate for revenue-raising, so far, most Chancellors have merely nibbled this low-hanging fruit. Were Rachel Reeves to be bolder and, for example, introduce a flat rate of relief for all contributions, this could generate billions from the ever-growing number of higher and additional rate taxpayers.
- **A wealth tax:** This idea was resurrected recently by Neil Kinnock, a former Labour leader, and to date, the government has studiously refused to rule out the possibility. In practice, wealth taxes have proved difficult to administer and many countries have abandoned them. As if to underline the problems, according to a July 2025 report from the House of Commons Public Accounts Committee, "HMRC has no overview of an individual's total wealth and faces challenges in getting all the data it needs to risk assess and target wealthy people".

If your personal finances have not had a recent review, it could be a good move to take stock and make any necessary adjustments before autumn progresses too far.

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