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CHARTERED ACCOUNTANTS



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Electric cars – no more expensing

Despite the Autumn Budget 2026 containing around 100 tax measures, there was no renewal of the 100% first-year allowance for electric cars. This means a considerably reduced initial tax saving for businesses when buying an electric car from April 2027.

Currently…

IUntil 31 March 2027 (5 April 2027 for sole traders and partnerships), there is effectively full expensing when purchasing a new electric car. For example, if a partnership spends £75,000 on two new electric cars for its employees, the partnership's profit will be reduced by £75,000, saving tax and national insurance contributions (NICs) of £31,500, if the partners are higher rate taxpayers.

Should the car be for the use of a sole trader or partner, then the deduction is restricted based on the proportion of non-business use. So, if the two electric cars were for partners, with 30% of the mileage for private purposes, then the deduction would have been £75,000 x 70% = £52,500.

From April 2027

From 1 April 2027 (6 April 2027 for sole traders and partnerships), new electric cars will only qualify for the same writing-down allowance that is given for cars with CO2 emissions up to 50g/km:

- To make matters even worse, this writing-down allowance is being reduced from 14% to 12%.



- For the two employee electric cars, the deduction in the year of purchase will in future be just £9,000, saving £3,780 in tax and NICs for the partners.
- Unfortunately, cars do not qualify for the annual investment allowance or any of the other available first-year allowances.

For any business planning to purchase a new electric car, there is still time to do so while full expensing is still available. Electric cars will still carry an advantage from an employee's tax viewpoint, although rising benefit-in-kind rates over the next few years will reduce the benefits.

HMRC's guide to claiming capital allowances can be found from this link: https://www.gov.uk/capital-allowances

Autumn Budget 2026: savings take another hit

The Budget increased tax on interest again – but what will two percentage points mean for your savings and tax planning?

"Labour will not increase taxes on working people, which is why we will not increase National Insurance, the basic, higher, or additional rates of Income Tax, or VAT."

So said the Labour manifesto in 2024. When national insurance (NI) rates were raised by Rachel Reeves in 2024, the explanation provided by the government was that the manifesto was talking about employees' NI, not employers' NI. In last year's Budget, Rachel Reeves announced that she would be increasing the rates of tax on interest and other savings income by two percentage points from 2027/28. Was that an increase in income tax rates?

Look at the Finance Act 2026 and you discover that three new rates of tax have been invented: savings basic rate, savings higher rate and savings additional rate. Arguably, basic, higher and additional rates – all described as default rates – were left unchanged.

The relative ease with which this income tax increase was achieved may help explain why Rachel Reeves' successor John Healey has chosen to double down on the initial rise in his recent Budget. From 2027/28, across the UK:

- savings basic rate will be 24%;
- savings higher rate will be 44%; and
- savings additional rate will be 49%.

HMRC estimates that in 2027/28, Mr Healey's additional two percentage points mean around one in eight taxpayers will see an average tax rise of £113 annually. Double that figure for the full impact of the four-point increase. The reason why the bulk of taxpayers will escape is the personal savings allowance, which since 2016/17 has been:

- £1,000 for basic rate taxpayers;
- £500 for higher rate taxpayers; and
- nil for additional rate taxpayers.

Assuming an interest rate of 4%, a basic rate taxpayer with over £25,000 on deposit and a higher rate taxpayer with over £12,500 could be paying more tax – as will all additional rate taxpayers.

If you face a higher tax bill on interest, it may be worth closing deposit accounts before 6 April 2027 to crystallise interest in 2026/27 – but watch out for any account closure charges. Other strategies can help in the longer term, but seek advice tailored to your personal circumstances.

Read more about the Budget changes from the link below:
https://www.gov.uk/government/publications/income-tax-changes-to-tax-rates-for-property-and-savings-income

And tax on savings interest from the link below:
https://www.gov.uk/apply-tax-free-interest-on-savings



A timely warning for company tax returns

The deadline for filing a company's corporation tax return with HMRC is 12 months after the end of the accounting period it covers. HMRC warns that it will charge a penalty if a return is not filed on time.

Online filing

Corporation tax returns can now only be filed online using commercial software, with HMRC having closed its free online corporation tax filing service on 31 March 2026:

- Any changes or amendments to previously submitted tax returns also have to be made using commercial software.
- HMRC no longer accepts amendments by letter.

HMRC publishes a list of commercial software suppliers for corporation tax. It makes sense to use software that will also file annual accounts with Companies House.

Paying corporation tax

Despite the 12-month tax return filing deadline, corporation tax usually needs to be paid nine months and one day after the end of the accounting period.

If it is not possible to file the return by this earlier deadline, an estimated payment can be made to minimise the amount of late payment interest which will be charged. The rate is currently set at 7.75%.

For a company with a 31 March 2026 year-end, the tax return is due by 31 March 2027. However, corporation tax will normally need to be paid by 1 January 2027, if late payment interest is to be avoided.

Loss relief claims

Should a corporation tax return involve the carry back of losses to a previous accounting period, HMRC has clarified that the correct treatment is to tick box 45 on the return to indicate that a repayment for an earlier accounting period is due.

A breakdown of the claim must then be included to show how losses have been used. There is no need to amend the return for the earlier accounting period.

HMRC's list of commercial software suppliers for corporation tax can be found from the link below:

https://www.gov.uk/government/publications/corporation-tax-commercial-software-suppliers



Don't be caught out by director reporting rules

New reporting requirements for completing 2026/27 self-assessment tax returns are catching out directors. This stumbling block is a separate employment page now required for each directorship, even if no earnings or dividends are received.



Details required

There is now a requirement for self-assessment tax returns to include a separate employment page for each directorship of a close company, even if no salary or dividends are received. The following has to be provided:

- the name of the close company;
- the company's registration number;
- the amount of dividend income received from the company; and
- the percentage shareholding in the company.

It is important to note, however, that the new requirements only apply if a director is already required to complete a self-assessment tax return. Directors who are not within self-assessment do not have to register simply to report close company information.

The new reporting requirements apply even if a close company is dormant, or if a company was only a close company for part of the tax year.

Groups

The reporting requirements are particularly onerous if a number of separate directorships are held across the same corporate group. Despite having no direct share ownership in subsidiary companies, reporting is still required for each directorship if a subsidiary is a close company.

This could result in a significant administrative burden where directorships are held across a large group, along with increased compliance costs.

Penalty

HMRC may charge a £60 penalty if a director does not comply with the requirement to complete the close company section of their tax return for each directorship. Be warned that the penalty could even be charged for just leaving some boxes incomplete. HMRC has stated, however, that it will take a considered approach when assessing compliance with the new requirements.

Self-assessment tax return notes (7.1 to 7.4 relate to the new reporting requirements) for the employment section can be found from the link below:

https://assets.publishing.service.gov.uk/media/69bd6a9c13101e99087049cc/SA102-Notes-2026.pdf

ISAs: Budget 2026 U-turn on reforms

Planned changes to Individual Savings Accounts (ISAs) have been abandoned – after being legislated for.

In her 2025 Budget finale, Rachel Reeves said, "Someone who's invested £1,000 a year in an average stocks and shares ISA every year since 1999 would be £50,000 better off today than if they'd put the same money into a cash ISA. And so from April 2027, I will reform our ISA system…". At the time it was unclear how radical the reform would be and not everyone was convinced the Chancellor solely had the interest of savers in mind.

In mid-September 2026, shortly before the new Chancellor, John Healey, stood before the despatch box, a set of ISA regulations were issued that clarified matters. Broadly speaking, the regulations meant that from 6 April 2027:

- Regardless of your age:
  - If you held uninvested cash in a stocks and shares ISA, any interest earned would be subject to a 'flat rate charge' of 22% (equal to the Budget 2025 savings basic rate from 2027/28).
  - A stocks and shares ISA would not hold only Money Market Funds or such funds plus uninvested cash.

- If you were under 65 by the end of the tax year:
  - The maximum subscription that you could pay into a cash ISA would be £12,000 per tax year, with the overall ISA limit unchanged at £20,000.
  - You would not be able to transfer from a non-cash ISA to a cash ISA, although transfers in the opposite direction would be permitted.

On 28 October, John Healey performed what is sometimes referred to in media circles as 'a reverse ferret'. He announced, "I will not go ahead with the cut to the tax-free amount that people can put into a cash ISA. The limit will stay at £20,000 per year, tax-free, for people of all ages…". In a document issued on the following day, it emerged that September's ISA regulations would be revoked. The Budget also gave Lifetime ISAs (LISAs) a stay of execution. Their replacement, the First Time Buyer ISA, will not now be launched until April 2029.

Overall, the ISA (non-)changes are good news for investors, although ISA providers will probably feel frustrated at having spent the last few months preparing for those abandoned changes.

Read more about the government's plans for ISA rules and plans for savings from the link below:

https://www.gov.uk/government/publications/tax-free-savings-newsletter-24/tax-free-savings-newsletter-24-october-2026



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

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