



## NEWS UPDATE - 11 September 2025

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## The State pension age under review again

Shortly before Parliament closed for its summer holidays, the government announced a review of the State pension age (SPA).

Pensioners are a sensitive topic for the government. Not only has it been forced to make a U-turn on winter fuel payments, but it has also had to stand firm against the Women Against State Pension Inequality who were affected by the increases in the SPA in the 2010s. So it likely did not relish the requirement inherited from the previous government to undertake a fresh review of the SPA within two years of being elected.

In mid-July, as part of a bring-out-your-dead pile of announcements made just before the summer recess, the Department for Work and Pensions (DWP) revealed two fresh SPA reviews. As was probably hoped, the news was swamped by other government statements, such as the relaunch of the Pensions Commission, which appeared on the same day. Nevertheless, the SPA review will have significant impacts, both for individual and government finances.

The current situation is:

- SPA is 66 for men and women.
- It will gradually rise to 67 over two years from next April.
- Currently, the SPA increase to 68 is legislated to be phased in over two years from April 2044.
- The first review, published in 2017, proposed that the SPA should rise to age 68 from 2037–39.

- A second review (in 2022) proposed 2041–43 for the move to 68.
- Both reviews prompted the government to promise another review before the final decision is made.
- At least ten years' notice will be given of any change to SPA.

The original 2037–39 proposal now looks unlikely to go ahead, not least because it would be hard to meet the ten-year notice requirement. However, there is another reason for delaying further change. Since 2037 was proposed, projections for UK life expectancy have fallen significantly. At the time of the first report, a man aged 68 in 2037 was projected to live 21.1 years and a woman, 23.0 years. The latest figures are 18.4 years and 20.9 years respectively, which would point to abandoning any increase to SPA. Government finances inevitably pull in the opposite direction, as the annual savings run to billions.

Arguably the DWP has won its last two battles with the Treasury (over winter fuel and disability benefits). SPA is unlikely to be a third victory.

You can check your projected SPA on the you.gov site here:  
<https://www.gov.uk/state-pension-age>

and State pension forecast here:  
<https://www.gov.uk/check-state-pension>

# Changes made to pension relief claims

HMRC has tightened checks on pension relief after finding that a third of claims made by PAYE tax codes were incorrect.



## The problem

Contributions into a personal pension are made net of basic rate tax, so only higher and additional rate taxpayers need claim relief. However, HMRC's review found that many basic rate taxpayers were trying to claim. Claims were also made where relief had already been given through salary deduction.

To make the situation worse, some claimants had simply guessed their paid pension contributions, rather than using the information provided by their pension provider.

## Claims going forward

From 1 September, it is no longer possible to make a claim over the phone; most claims must now be made online. Also:

- Previously, taxpayers only needed to upload or send proof of pension payments made if the payments were in excess of £10,000.
- HMRC now require all claims to be backed up with supporting evidence each tax year.

- For personal pension contributions, this will mean a letter or statement from the pension provider showing the amount contributed.

Postal claims are only possible for those unable to claim online.

The changes have no impact on individuals who complete a self-assessment tax return. Claims for pension relief will continue as normal on the tax return.

## Who can claim

Higher and additional rate taxpayers (in Scotland, taxpayers paying the intermediate rate or higher) paying into a personal or workplace pension can make a claim for the additional amount of tax relief for which they are entitled. For example, an additional rate taxpayer will receive a further 25% in relief. Taxpayers can also make a claim if tax relief is not given automatically on their pension contributions.

HMRC's guidance on claiming tax relief on pension payments can be found from the link below:

<https://www.gov.uk/guidance/claim-tax-relief-on-your-private-pension-payments>

# Miscalculated corporation tax reliefs targeted by HMRC

Companies that may have miscalculated their corporation tax marginal relief may receive a letter from HMRC as part of a new campaign. The targeted errors could be due to ignoring associated companies.

## Associated companies

Directors will be aware that the first £50,000 of their company's profit benefits from a corporation tax rate of 19%, compared to the main rate of 25% applicable once profits hit £250,000. This means:

- Marginal relief eases the transition from the 19% rate to the main rate.
- Directors may not appreciate, however, that the £50,000 and £250,000 limits are shared across associated companies.
- For example, if a company has two associated companies, marginal relief will apply on profits between £16,667 and £83,333.

Essentially, companies are associated if one is under the control of the other, or if both are under common control. It doesn't matter whether a company is associated for part of an accounting period, or where a company is resident. However, dormant companies are not treated as associated.

The associated company rules can be quite complex, and, in some circumstances, a company owned by a spouse, civil partner, parent, child or sibling can be treated as an associated company.

## One-to-many letters

Any company receiving a letter only has 30 days in which to respond to HMRC, and, if necessary, make any amendment. HMRC could, of course, be mistaken, such as where an alleged associated company is, in fact, dormant.

What a director should definitely not do is ignore a letter. If HMRC were to follow up with a formal compliance check, the process would likely be time-consuming and costly.

## Planning

If a company's corporation tax is higher than it would otherwise be as a result of having associated companies, the overall company structure needs to be reviewed. For example, two companies under common control might have profits of £49,000 and £1,000 respectively. The total corporation tax bill could be reduced by £1,800 if the two companies were combined into one company.

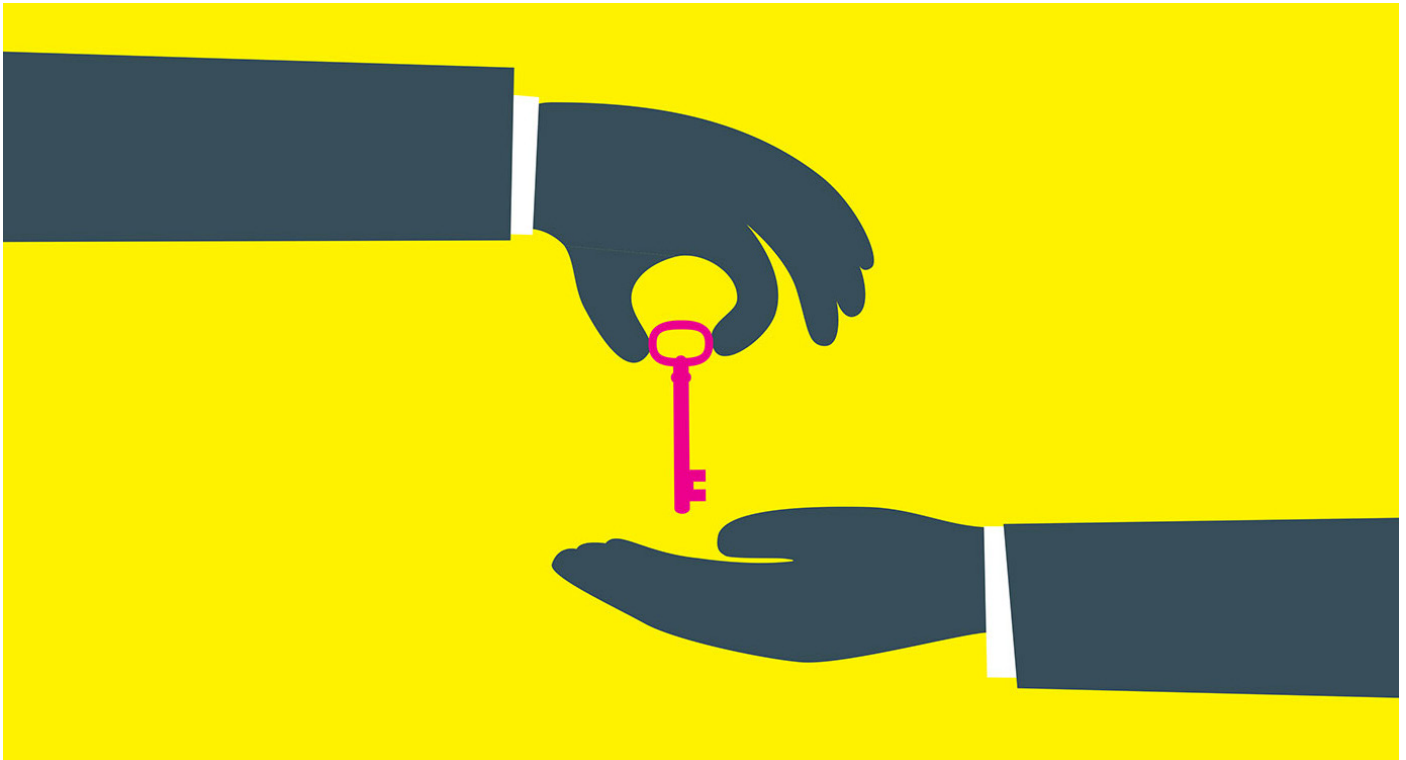
HMRC's guidance on marginal relief can be found from the link below:

<https://www.gov.uk/guidance/corporation-tax-marginal-relief>



# Selling your company business

An important consideration when selling your business is whether business asset disposal relief (BADR) will be available to minimise the capital gains tax (CGT) cost. BADR will be less advantageous from April 2026, so company owners may be looking to sell sooner rather than later.



BADR is currently at a flat rate of 14%, which is 10% lower than the higher rate of CGT. The rate will go up to 18% from 6 April 2026.

## Calculating the gain

In many cases, the gain will just be the difference between the selling price and the nominal value of the shares sold. However, establishing the base cost will be more problematic if shares were inherited or received as a gift. Any further amounts invested in the business as share capital will also increase the base cost.

## Capital gains tax

There are various conditions attached to BADR, which are basically:

- The company has to be a trading company;
- A 5% shareholding test must be met; and
- You must be a director (or employee) of the company being sold.

These conditions have to be met for a minimum of two years before the sale, so it may be worth postponing a sale where the two-year ownership condition is not met.

BADR has a lifetime limit of £1 million of qualifying gains. This will not be an issue for many company owners, but it might be a problem if relief has been claimed previously.

## Other considerations

While it will suit most company owners to sell their shareholding in return for cash, the buyer might prefer to purchase the assets of the company instead; this complicates the tax situation.

Furthermore, rather than a straight cash sale, the buyer will often want the seller to accept shares or loan notes as part of the consideration. Such an arrangement will keep the outgoing owner involved once the business has been sold. To the same end, the buyer may propose a phased payment plan, with an initial amount upfront, followed by further payments linked to future business performance.

Professional advice is essential when selling a business, so please contact us well in advance of any planned disposal.

HMRC's guide to BADR can be found from the link below:

<https://www.gov.uk/business-asset-disposal-relief>



# Electric car charging rates change – home and away

Starting 1 September 2025, two separate advisory fuel rates apply to fully electric cars depending on whether charging is at home or using a public charger:

HMRC's advisory fuel rates can be used to reimburse employees for business travel in their company cars, or where employees are required to repay the cost of fuel used for private travel.

## Rates

The electric car rate was previously 7p per mile, regardless of where charging took place. Reimbursement at this rate meant company car drivers could be faced with a substantial shortfall if they made extensive use of public charging networks.

Advisory rates are now 8p for home charging, with 12p for public charging. Although the previous single rate can continue to be used until 30 September, from 1 October only the new rates can be applied. This means:

- The change to two separate rates reflects the higher cost of using public charging locations.
- However, the public charging rate is based on the typical cost of a slow or fast charge. It will, therefore, normally be less than what a driver would pay to use an ultra-fast charger.

- If this is the case, reimbursement can reflect the higher, actual, cost provided the rate can be substantiated.

As long as business mileage is reimbursed at an acceptable rate – the advisory rate or a substantiated higher rate – employees will not face a taxable fuel benefit, and there are no national insurance contribution implications for either the employer or employees.

In addition, having rates for different charging locations means more complicated record-keeping requirements for employers.

## Hybrids

The change only impacts on fully electric cars. Hybrids are treated as either petrol or diesel cars, so the advisory rates for these types are relevant. There are no changes to the petrol rate from 1 September, but two of the diesel rates have increased by 1p per mile.

HMRC guidance on its advisory fuel rates can be found from the link below:

<https://www.gov.uk/guidance/advisory-fuel-rates>



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

**Disclaimer:** This information provides an overview of the issues considered and is for general information only. It is not intended to provide advice and should not be relied upon in any specific transaction.