



NEWS UPDATE - 14 May 2026

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Soaring tax receipts for CGT and NICs

The amount of tax collected by HMRC for 2025/26 increased by 9.3% compared to the previous year. The figure is unsurprising given the hike in capital gains tax (CGT) rates, as well as employer national insurance contributions (NICs).

Receipts for CGT

CGT receipts for 2025/26 were an astonishing 62% higher than for 2024/25:

- CGT is sometimes described as an ‘optional tax’, as it can be avoided by postponing disposals. There is also no CGT charge on death, and future governments may choose to reduce CGT rates.
- However, those who did sell assets faced a hike in rates from 10% and 20% to 18% and 24%. Many landlords will have sold up in advance of the Renters’ Rights Act 2025 coming into force, while business owners could have benefited from a tax rate saving of 4% by selling prior to 6 April 2026.

There is little to be done during one’s lifetime to escape CGT on buy-to-let properties, but those with a substantial investment portfolio might want to postpone disposals to later in life, if they are planning to retire abroad. With careful planning – professional advice being essential here – CGT can be mitigated; the tax saved might mean a better standard of living in retirement is affordable.

Employer NICs

The receipts from Class 1 employer NICs have gone up to nearly

£144 billion, an increase of over £35 billion.

There is limited scope for most employers to avoid the increases, which came in from April 2025, although an unincorporated business might consider taking on senior staff as partners, though probably as limited partners to prevent any personal liability should the business fail.

Be warned that there has been some speculation regarding the introduction of some type of employer NICs on partnership profits.

Receipts on income tax

Income tax receipts have risen less sharply, although frozen thresholds and allowances are inexorably taking their toll, dragging more and more taxpayers into higher tax bands. Some higher earners may contemplate relocating to a more tax-friendly jurisdiction, which, if the overseas stay is long enough, could avoid CGT on the disposal of investments.

Details of HMRC tax receipts and NICs can be found from the link below:

<https://www.gov.uk/government/statistics/hmrc-tax-and-nics-receipts-for-the-uk/>

Penalties for late VAT payments

More than 580,000 traders were penalised for late payment of VAT last year; representing a quarter of businesses registered for VAT. A sure sign that the tougher penalty regime introduced in 2023 is hitting cash-strapped businesses.

Penalty regime

Each late payment of VAT is considered separately, with penalties charged as follows:

DAYS LATE	PENALTY
up to 15	None
16 to 30	3% of outstanding VAT
More than 30	A further 3% penalty, plus a daily penalty rate of 10% p.a. on the outstanding VAT (charged beginning after the initial 30-day period)

- A penalty is not charged if a trader has a reasonable excuse. Illness and domestic problems do not count as valid excuses unless really serious. Lack of funds also does not count, nor does reliance on a third party or a lack of a reminder from HMRC.
- A trader can, however, avoid any further penalties accruing by entering into a time to pay (TTP) arrangement with HMRC. For example, penalties are avoided if a business secures an arrangement before a VAT payment is 15 days late.

Traders struggling to pay a VAT liability should avoid ignoring the

overdue bill. Instead, try to negotiate a TTP arrangement to provide a breathing space.

Regardless of whether any late payment penalties are incurred, late payment interest is charged from the due date until the date that a VAT liability is paid. The rate charged is currently set at 7.75%.

Penalty increases in 2027

From April 2027, the 3% late payment penalty charged after day 15 will increase to 4%, as will the penalty charged after day 30.

Currently, if a business is, say, 50 days late paying a VAT liability of £50,000, the total penalties charged amount to £3,273. The total will increase to £4,273 from April 2027; a stark warning that businesses need to get on top of their cash flow management.

HMRC's guidance on how late payment penalties work can be found from the link below:

<https://www.gov.uk/guidance/how-late-payment-penalties-work-if-you-pay-vat-late>



More caught in the net of IHT property valuations

Making Tax Digital (MTD) is now live, but given the low numbers registered with HMRC, many sole traders and landlords affected are still looking at how to comply, keep the administrative burden to a minimum and will probably be looking for inexpensive – or even free – software to use.

With residential property accounting for not far off 50% of the net value of estates, challenging valuations is an easy way for HMRC to boost tax revenues, especially as AI can now be used to identify inconsistencies.

Advice from experts

There can be significant financial consequences if an executor understates the value of property in an IHT return:

- Apart from the additional IHT payable, late payment interest – currently set at 7.75% – will be due on the underpayment.
- A penalty can also be charged if the underpayment results from a return containing an inaccuracy due to reasonable care not being taken.

Best advice is for executors to instruct a professional valuer, rather than just relying on an estimate from a high street estate agent. However, taking the average from three estate agent valuations will mean reasonable care has been taken.

What the future holds

Unfortunately, the situation is unlikely to improve over the next few

years. IHT thresholds are set to remain frozen until 5 April 2031, while the property market, although subdued as a result of the inflationary impact of the Middle East conflict, remains resilient and is unlikely to see falling values, except for London and the South East of England.

The inclusion of most unused pension pots within the IHT net from April 2027 (unless inherited by a spouse or civil partner) will increase the number of estates subject to IHT.

Planning for your estate

Wills should be up to date, taking into account realistic property values and the coming inclusion of pension pots. Make sure that, where possible, the residence nil rate band is fully utilised as this can save IHT of £140,000 for a couple.

Lifetime gifts are becoming increasingly popular as a means to mitigate potential IHT liabilities. One problem is that the main residence might be the only sizeable asset, but downsizing could be a way of releasing funds for lifetime gifting.

The government's guide to how to value an estate for IHT and report its value can be found from the link below:

<https://www.gov.uk/valuing-estate-of-someone-who-died>



Close company directors asked to reveal more

Directors of close companies will have to provide more details than previously when completing their self-assessment tax returns for 2025/26. In the longer term, close companies themselves will also be required to provide significantly more detailed information.



The problem of dividend income

Unlike savings income, where financial institutions report details to HMRC, it has previously been difficult for HMRC to check whether a taxpayer has correctly reported dividend income; particularly if this comes from a close company and the dividends are credited to the director's current account rather than being paid out.

The latest tax gap is estimated to be over £45 billion, with small businesses representing the largest proportion of the shortfall.

HMRC has previously run a targeted campaign directed at directors whom they suspected – based on a review of company accounts – had not declared dividends.

More details required of close companies

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.

Once the close company itself is required to provide more detailed information, it will be a simple matter for HMRC to cross-check the two sets of data.

Close company reporting under consultation

Currently at the consultation stage, HMRC's proposals could see close companies having to report not just dividends, but also details of cash withdrawals, loans, debts and transfers of assets between the company and its director(s).

The tax cost of operating from a limited company has increased over recent years, and using an unincorporated structure has generally become a more attractive proposition. The new reporting requirements are likely to simply reinforce this decision.

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/69d6a9c13101e99087049cc/SA102-Notes-2026.pdf>

The ‘mansion tax’ and property prices – what’s to come?

Further details have emerged about the potential impact of the ‘mansion tax’ announced in the last Budget.

Rachel Reeves’ first two Budgets have so far featured announcements of tax-raising measures with delayed starting dates. For example, the controversial changes to inheritance tax (IHT) business and agricultural relief emerged in October 2024, but have only just taken effect. Similarly, bringing pensions within the scope of IHT was announced at the same time, but will not commence until 6 April 2027.

In her Autumn 2025 Budget, she set out plans for a High Value Council Tax Surcharge (HVCTS – aka ‘mansion tax’) on homes valued at £2 million and above, to start in April 2028. There was little detail about the measure, but a consultation was promised “in the New Year”. So far, nothing has been published by the Treasury, but just before Easter, the Office for Budget Responsibility (OBR) set out its assessment of the new tax’s impact. These included some interesting nuggets:

- By 2028, the OBR thought the full value of the future HVCTS liability would be reflected in property prices. Although the OBR did not spell out the numbers, what this means in practice is that for every £1,000 of consumer price index (CPI)-linked HVCTS annual charge, the OBR expects a property’s value to drop by about £35,000. For the lowest £2,500 charge covering properties valued at £2–2.5 million, their value would drop by about £87,500, according to OBR theory.
- The OBR forecasts that there will be a bunching of prices just below each threshold, which would further lower prices for properties that would otherwise be just above a threshold. The OBR is on solid ground with this assumption, as it is exactly what happened when a single stamp duty rate was based on a house’s price.



Perhaps the most telling point is that the new tax would initially raise only £400 million in 2028/29, hardly even a rounding error in Treasury accounting terms. Almost the same sum could have been generated by raising the standard rate of VAT from 20% to 20.04%, although the politics would have been much trickier.

We’ll have to wait and see if the OBR’s expectations pan out. Read more on HVCTS from the link below:

<https://www.gov.uk/government/publications/high-value-council-tax-surcharge>

PROPERTY VALUE IN 2026	HVCTS IN 2028/29
£2m to £2.5m	£2,500
£2.5m to £3.5m	£3,500
£3.5m to £5m	£5,000
£5m +	£7,500

- One-in-five property owners (who are liable to the tax, rather than the occupiers) are expected to lodge an appeal, with a 40% success rate.

Should you wish to discuss this News Update in further detail please contact BGM at: 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.