



NEWS UPDATE - 15 June 2026

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Recovering the winter fuel payment

Unless opted out, pensioners will have received the winter fuel payment for 2025/26, but it is recoverable by HMRC if income exceeds £35,000. HMRC guidance on the recovery process has recently been updated.

The threshold

The winter fuel payment (the pension age winter heating payment in Scotland) has to be paid back if a pensioner's income is more than £35,000. The payment is retained in full if income is £35,000 or less.

Where two or more people living in the same household have received a payment, HMRC looks at each person's income separately. For example, if one partner has income of £36,000 and the other £34,000, only the first partner will repay their winter fuel payment.

The income

For the winter fuel payment received during November or December 2025, the relevant income is that for the 2025/26 tax year:

- All sources of taxable income are included before any deductions.
- The figures for any savings and dividend income are before taking account of the personal savings allowance or dividend allowance.

Income from individual savings accounts (ISAs) and any other tax-exempt savings is excluded.

Your share of the income is only included when the income is from a joint source, such as a joint savings account.

The recovery

Pensioners who complete a self-assessment tax return will have to include details of the winter fuel payment on the return, and, if repayable, the repayment should automatically be included in the self-assessment tax bill.

For everyone else, HMRC will normally retrieve the payment through their tax code. The payment received in November or December 2025 will be recovered by amending the tax code for the 2026/27 tax year, with a higher tax than paid for each month of the year. With a winter fuel payment of £200, a tax coding adjustment means around £17 more tax will be paid each month.

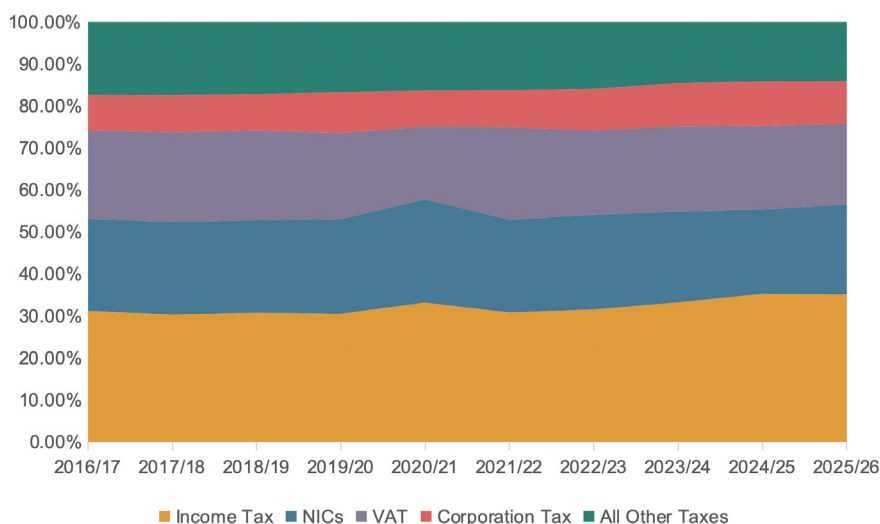
HMRC's online tool to check if your winter fuel payment will be taken back through tax can be found from the link below:

<https://www.tax.service.gov.uk/guidance/check-if-hmrc-will-take-back-your-winter-payment/start/tax-year>

What goes into the tax cocktail?

New data from HMRC shows how much the government relies on just four taxes.

The tax mix



Source: HMRC

The Labour Party went into the 2024 general election with pledges on four major taxes in its manifesto:

- “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.”
- “Labour will cap corporation tax at the current level of 25 per cent, the lowest in the G7, for the entire parliament...”

At the time, the tax promises were seen as politically necessary to counter suggestions that a Keir Starmer government would operate tax-and-spend policies. However, the quadruple tax lock was widely criticised by many economists for the half decade constraint that it placed on the Chancellor in uncertain times.

Fast forward about two years from the publication of that manifesto, and the economists have been vindicated. New data from HMRC, published at the end of April, showed that in the past tax year, income tax, national insurance (NI), VAT and corporation tax accounted for 86% of all tax receipts. That is not surprising – as the graph shows, over the past ten years, the quartet account for more than £4 out of every £5 tax collected.

Despite the manifesto promise, income tax receipts rose by 9% in 2025/26 from the previous year – faster than the growth in prices or the UK economy. That outpacing is due to the freezing of the personal allowance and tax thresholds, dragging more people into tax and more existing taxpayers into higher tax bands.

NI receipts grew even faster – 16.3% up – thanks to the manifesto-challenging changes to the level of employer’s NI contributions. Together, NI and income tax – the two taxes on earnings – accounted for 56.5% of all that flowed into HMRC’s coffers.

The jumps in taxes on earnings contrasted with the growth in the third largest source of tax, VAT, which grew by 5.7%. Corporation tax had even slower growth (4.6%), but that might be because employers claimed more tax relief on those higher NI contributions.

The dominance of the big four manifesto-locked taxes explains why the Chancellor has made so many tweaks to the overall system to raise additional revenue. Be prepared: it is beginning to look like that process will be repeated at the next Budget.

For HMRC’s latest bulletin on tax receipts and NI contributions, visit the link below:

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



Pension scams warning

Anyone confused or anxious about the inheritance tax (IHT) changes being introduced for pensions needs to be aware that scammers might try to target their savings.

Changes to pensions

From 6 April 2027, inherited pension funds will be subject to IHT unless inherited by a spouse or civil partner. Not surprisingly, scammers are using the change as an opportunity to target your pension savings. The scam works by offering a 'safe haven' overseas for your pension savings. Two problems here: one is quite important, but the second is more serious:

- **First problem:** For anyone who is a long-term resident in the UK, moving a pension fund overseas will not affect the IHT position because worldwide assets – including overseas pension funds – are included as chargeable assets for UK IHT purposes.
- **Major problem:** Whether the tax planning works or not is irrelevant as the fraudster will simply plunder your pension fund.

The scams you need to know

Pension scams are becoming increasingly sophisticated, with scammers using artificial intelligence (AI) and deepfake technology to make the scam appear more convincing. There are several red flags to watch out for:

- The first warning should be if the initial email, call or message comes unexpectedly. Cold calling about pensions is illegal, so

you should treat any unsolicited approach with suspicion.

- Along with the 'IHT saving', the scammer will tempt you with the higher returns available if funds are moved.
- The scammer will want to apply pressure by saying you only have a limited amount of time to accept their offer.

A scammer wants their victim to act impulsively and alone; they definitely don't want them to obtain professional advice.

Should you agree to transfer your funds, the scammer will often provide coaching on how to circumvent your pension provider's safety rules: for example, by providing an answer as to why funds are being moved.

The old adage of 'it sounds too good to be true' is invariably true in these cases, so any approach should be treated with extra caution.

The Financial Conduct Authority's online tool to check whether a company is authorised or not can be found from the link below:

<https://www.fca.org.uk/consumers/fca-firm-checker>



Approved mileage rate hike

The Chancellor has announced a 10p per mile increase for the tax-free mileage rates, which can be paid to employees using their own cars for business purposes, with the increase backdated to 6 April 2026.



Mileage rates

The 10p per mile increase only applies to the first 10,000 business miles driven each tax year. This means that the rates to be reimbursed by employers to employees using their own vehicles for business mileage are now:

VEHICLE	FIRST 10,000 BUSINESS MILES EACH YEAR	SUBSEQUENT BUSINESS MILES EACH TAX YEAR
Cars and vans	55p	25p
Motorcycles	24p	24p
Bicycles	20p	20p

For car and van trips, an employee can also be reimbursed an additional 5p per mile per passenger; so 70p per mile in total if three passengers are carried.

E-bike riders should be paid the bicycle rate for an electrically assisted pedal cycle, and the motorcycle rate for any other electric bike:

- Where an employee uses more than one car for business mileage during the tax year, the 10,000 limit applies across all cars used; it is not per car. So, if 4,000 business miles are driven in one car for the first three months of 2026/27, with 9,000 driven

in another car for the other nine months, the maximum tax-free reimbursement is 10,000 miles at 55p, plus 3,000 miles at 25p, which is £6,250.

- Any reimbursement in excess of the approved rates for the tax year overall is treated as earnings and subject to tax.

When it comes to National Insurance contributions (NIC), the NIC-free rates are similar; except that 55p per mile can be paid for every business mile driven in a car or van; there is no 10,000-mile cut-off.

Other uses

Employees who are not reimbursed with the maximum mileage rate can claim tax relief on the difference between the rate and what they were reimbursed. An employee can therefore claim the full 55p/25p per mile car rates if the employer makes no reimbursement at all.

Sole traders and partnerships can use the mileage rates for cars, vans and motorcycles when working out their vehicle expenses to be deducted in calculating trading profits. The same applies to unincorporated landlords when calculating property income. However, in both cases, there is no additional allowance for passengers carried.

HMRC guidance on business travel mileage for employees' own vehicles can be found from the link below:

<https://www.gov.uk/expenses-and-benefits-business-travel-mileage>

No deadline extension for weekends or bank holidays

HMRC are having to remind taxpayers that there is no deadline extension if a VAT return submission date falls on a weekend or a bank holiday.

Due date reminder

The due date for submitting quarterly VAT returns is one month plus seven days after the end of the quarter. So, for the quarter ending 30 June, that's 7 August:

- It is the same deadline for paying HMRC, although you need to allow time for a payment to clear HMRC's account.
- If you use the annual accounting scheme, the VAT return is normally due two months after the end of the accounting period.

HMRC has responded to a growing trend of late VAT return submissions and VAT payments based on incorrect information provided by artificial intelligence (AI) and third-party websites. VAT returns can be submitted over the weekend or on a bank holiday, and, if this is not possible, a return should be submitted on the last working day prior to the due date.

Penalty warning

Despite HMRC's warning, taxpayers who are occasionally late should avoid any penalty except for late payment interest:

- **Late payment penalty:** HMRC only charges a penalty if a VAT payment is made more than 15 days late, so this will not be an issue if a taxpayer simply waits until the first working day after the payment deadline.
- **Late submission penalty:** Being a day late will mean a penalty point is incurred, but there is no £200 penalty until a threshold of four points is reached (two points if submitted annually), and points expire after 24 months, provided the taxpayer remains below the threshold.
- **Late payment interest:** This is charged – currently at a rate of 7.75% – from the due date to the date of payment. For instance, being ten days late on a VAT payment of £40,000 will see interest of just under £85 being charged.

Submitting one late quarterly VAT return each year should not lead to a late submission penalty being charged.

HMRC guidance on penalty points and penalties if you submit your VAT Return late can be found from the link below:

<https://www.gov.uk/guidance/penalty-points-and-penalties-if-you-submit-your-vat-return-late>



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.