bright grahame murray
CHARTERED ACCOUNTANTS

NEWS UPDATE - 22 July 2025

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A good time to become a landlord?

While positive changes are on the horizon for the buy-to-let market, with a record number of mortgage deals coupled with lower interest rates, is it a good time to become a landlord in England?

Cons

There is still significant uncertainty in the private rental market as a result of the Renters' Rights Bill, which looks likely to become law by the end of the year. The rule changes (which only apply in England) will make it more difficult for landlords to evict tenants, restrict rent increases, and prohibit landlords from receiving several months' rent in advance.

Other disadvantages include:

- The increased cost of maintaining a property;
- The proposal that rented property will have to meet stricter energy efficiency requirements from 2030 onwards (something that a new landlord will need to consider when purchasing property); and
- Stamp duty, which can be a significant upfront cost when purchasing a buy-to-let property.

To these concerns, you can add in relatively modest price growth over the past year, plus the good rate of return still available on alternative, risk-free, investments – even National Savings & Investments is paying just over 4% on a five-year bond.

Pros

The main advantage is that rents continue to increase. For the past 12 months to May 2025, average rents have gone up by 7.1% in England, although there are wide regional differences: the North East was 9.7%, with Yorkshire just 3.7%.

Then there is the financing aspect. Potential landlords currently have around 1,200 more buy-to-let mortgage deals available than a year ago, while the average two-year fixed mortgage rate is at its lowest since September 2022.

The decision to become a landlord is far from straightforward. If the decision is a 'yes', buying the right property, in the right location, at the right price is more important than ever.

The Government's guide to the Renters' Rights Bill can be found from the link below:

https://www.gov.uk/government/publications/guide-to-the-renters-rights-bill/guide-to-the-renters-rights-bill#rent-in-advance

Changes to company accounts on the horizon

Company directors need to be aware of important changes to be implemented by Companies House from 1 April 2027.

Digital software

Directors who submit their company accounts themselves, rather than using an agent, will no longer be able to do so using the Companies House web service or file by paper. From 1 April 2027, company accounts can only be filed using digital software:

- Directors will therefore have to use a commercial software product, which will add to the cost of running a limited company.
- The Companies House web service will remain open for other statutory filings, such as confirmation statements and director updates.

HMRC will likewise require commercial software to be used when filing company accounts and tax returns from 1 April 2026. Ideally, the software that is chosen should be able to deal with both Companies House and HMRC filing requirements.

Filing options

Companies House is also streamlining the accounts filing options for micro-entities and small companies from 1 April 2027:

- Both micro-entities and small companies will have to file a profit and loss account.
- Small companies will have to file a directors' report.
- Companies will no longer be able to prepare and file abridged accounts.

Shareholders should be aware that more company information will be publicly available than currently as a result of these changes.

Despite the announcement from Companies House, there remains some uncertainty as to whether the profit and loss filing requirement will come into force from 1 April 2027.

Financial year end changes

Currently, there is no restriction on how often a company can shorten its financial year end. Companies House will now restrict such a change to once every five years, unless there is a valid business reason for shortening more often. This change mirrors the rules when a company lengthens its financial year end.

The starting point for finding software that is available for filing company accounts can be found from the link below:

https://www.gov.uk/software-company-accounts/y

Nearly £50 billion missing in tax take

The latest estimate of the tax gap shows that missing taxes are approaching £46.8 billion, with some 5.3% of total taxes going unpaid.

These figures are for 2023/24. HMRC will be particularly concerned that small businesses account for 60% of the missing taxes. The tax gap for corporation tax has increased from 6.4% in 2011/12 to nearly 16%.

The tax gap for wealthy individuals remains fairly constant at just 5% of the total. There is, of course, a range of fully legitimate tax-planning strategies available for those in that income bracket.

Small companies

It shouldn't come as a surprise that owners of small companies are taking measures to limit their tax exposure. Not only are companies now faced with higher rates of corporation tax, but it has become increasingly costly for owners to extract profits from their business:

- Owners may exploit the expensing rules by claiming non-work expenditure. For example, a deduction could be claimed for purchases of laptops, phones and tablets despite minimal business use, if any at all.

- Depending on the nature of the business, owners may avoid declaring income by accepting cash payments or using payment in kind.

HMRC has lacked resources to carry out extensive tax investigations, but this may change with substantial new funding being allocated by the Chancellor.

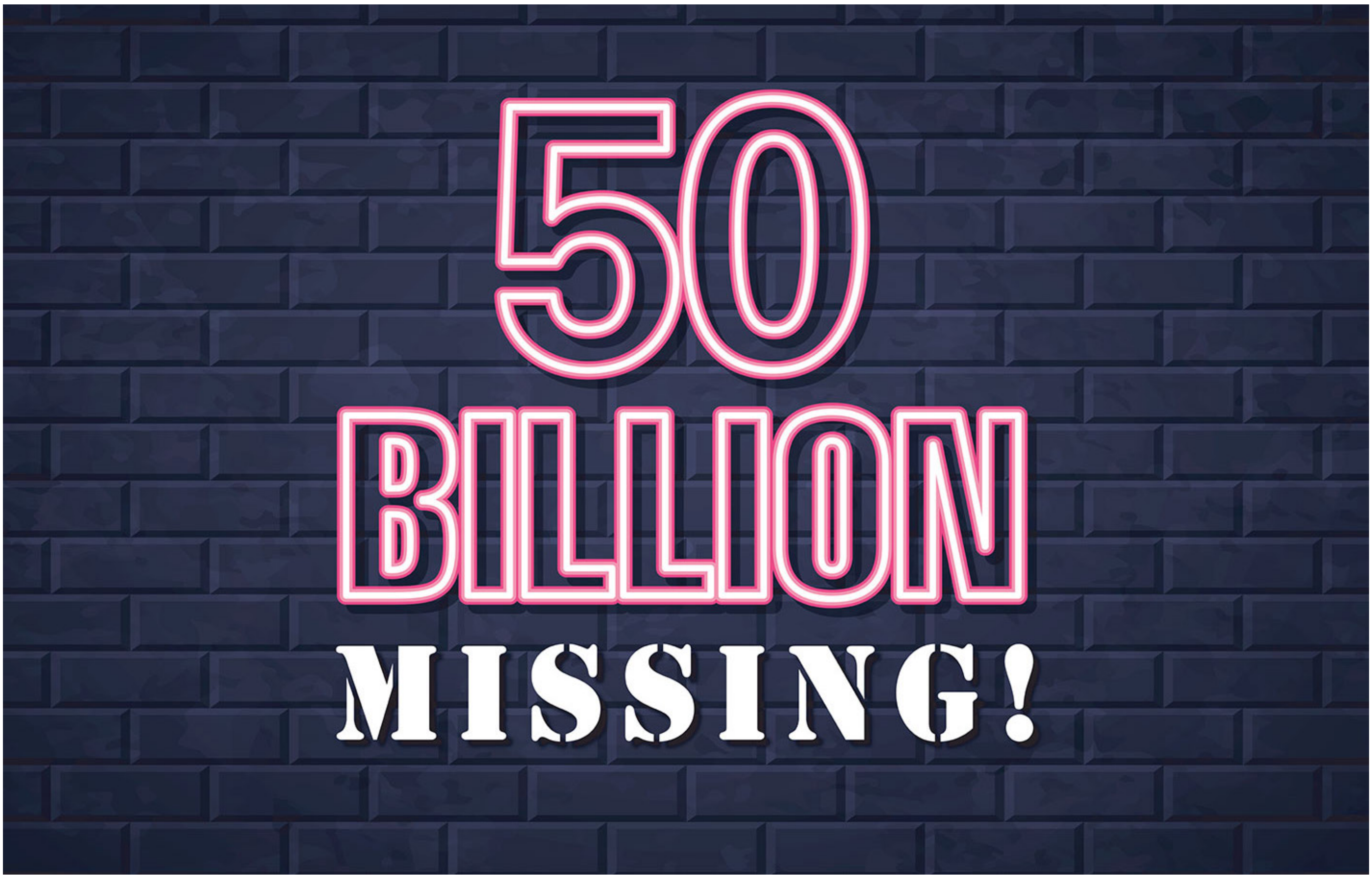
Cryptoassets

Non-compliance is estimated to be quite high when it comes to cryptoassets, with HMRC struggling to keep up with what is a rapidly evolving sector.

It is one thing for HMRC to identify when cryptoassets are converted back into cash, but it becomes more complicated when one type of token is exchanged for a different one (such as Bitcoin converted into Ethereum) or when tokens are used to pay for goods or services (possibly using a cryptocurrency debit card). Both types of transaction are disposals for capital gains tax purposes.

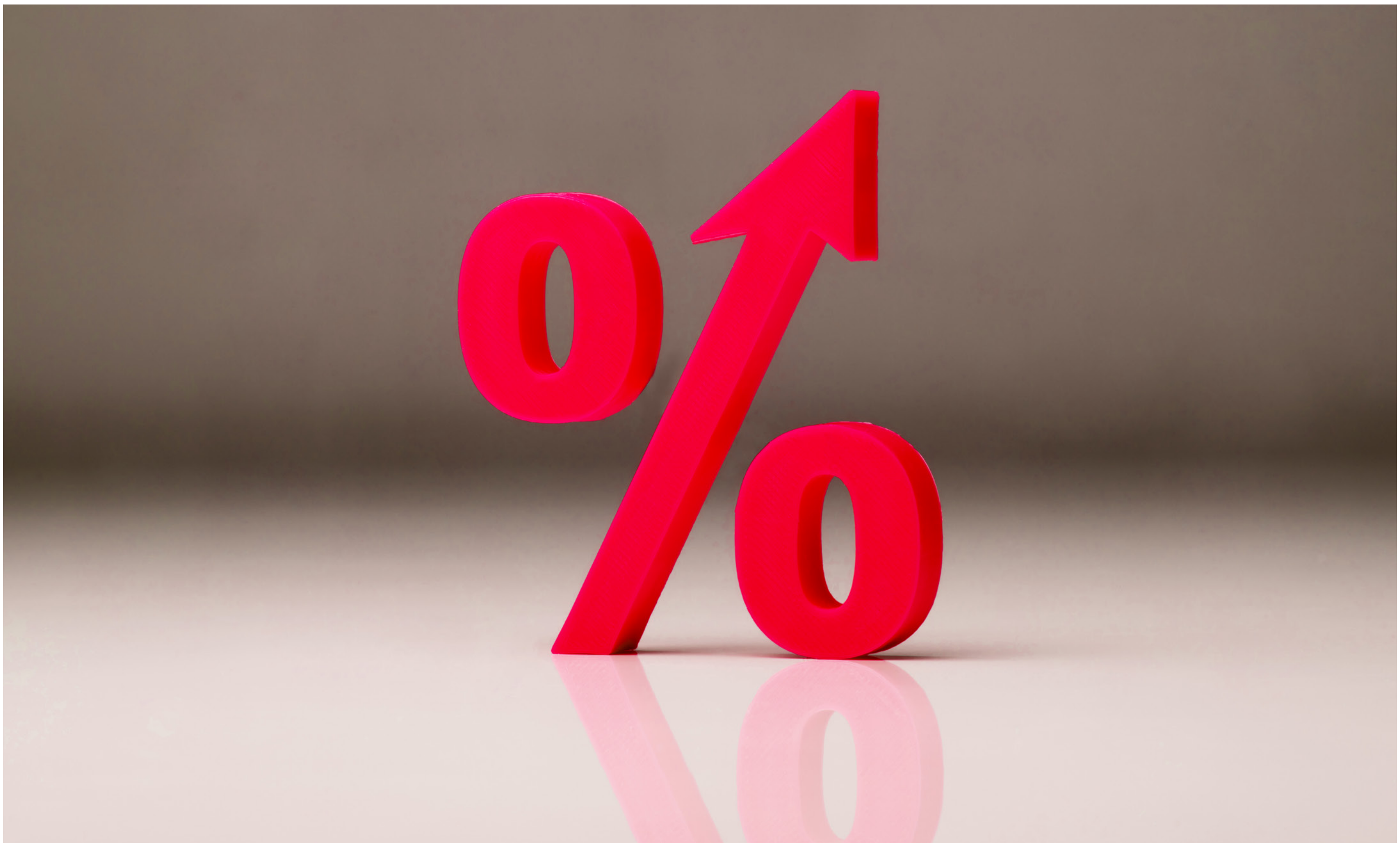
HMRC's summary details of the latest tax gap figures can be found from the link below:

https://www.gov.uk/government/statistics/measuring-tax-gaps/1-tax-gaps-summary



Businesses take stock of increased costs

April's National Insurance Contributions (NICs) and minimum wage increases are having a major impact on businesses, with around half freezing pay. Many owners are even also considering moving their business abroad to avoid the UK's high tax environment.



Staffing

Businesses have faced various risks in recent years, including high utility bills and increased costs. However, the changes that came in from April are causing particular concern, with higher employer NIC costs combined with above inflation rises to the minimum wage:

- Many business owners have had no choice but to cut staffing levels and put future recruitment on hold.
- Staff hours have also been reduced as owners try to rein in costs.
- Where possible, businesses are starting to use AI tools and automation to replace jobs.

Along with keeping staffing costs in check, most business owners are also planning to increase prices to stay afloat.

The increase to the capital gains tax rate paid by entrepreneurs when disposing of their business has also harmed business sentiment. From April 2026, the rate will be 18%, having gone up from just 10%.

Moving abroad

In a recently published a survey of 500 business owners, some 40% have indicated that they are prepared to move businesses abroad to escape the UK's increasingly challenging business environment. Combined with lower taxes, many countries have lower living costs, especially if private school fees are a factor.

A number of countries offer long-stay digital nomad visas, and for more permanent relocation some countries have golden visas. Such visas were previously considered to be the preserve of high-net-worth individuals, but are being increasingly used by the middle class. The golden visa schemes offered by Greece and Portugal are currently popular. With VAT now being charged on private school fees in the UK, the United Arab Emirates is becoming another popular option for families.

The full details of the 'Business Owners Sentiment Survey' can be found from the link below:

https://www.gov.uk/government/publications/ai-playbook-for-the-uk-government

Will reform proposals – time to revise Victorian rules

The Law Commission has made a variety of proposals to reform the law governing wills in England and Wales.

What were you doing in 1837?

Of course, the question is rhetorical. For you, the reader, were clearly not born then and, unless your hobby is genealogy, you would struggle to name any distant family members alive at that time. Yet, your family member was, and you currently are, both subject to the Wills Act 1837. In the intervening 188 years, the Act has been subject to amendments, but some of its early Victorian contents have survived.

Arguably, not before time, the Law Commission recently issued a comprehensive report making recommendations to create a Wills Act for the 21st century. Its proposals include:

- **Enabling electronic wills:** Paper was the order of the day in 1837, not digital screens. The Law Commission recommends that electronic wills should be valid, subject to suitable protection for the person making the will (the testator) and appropriate security for the will.

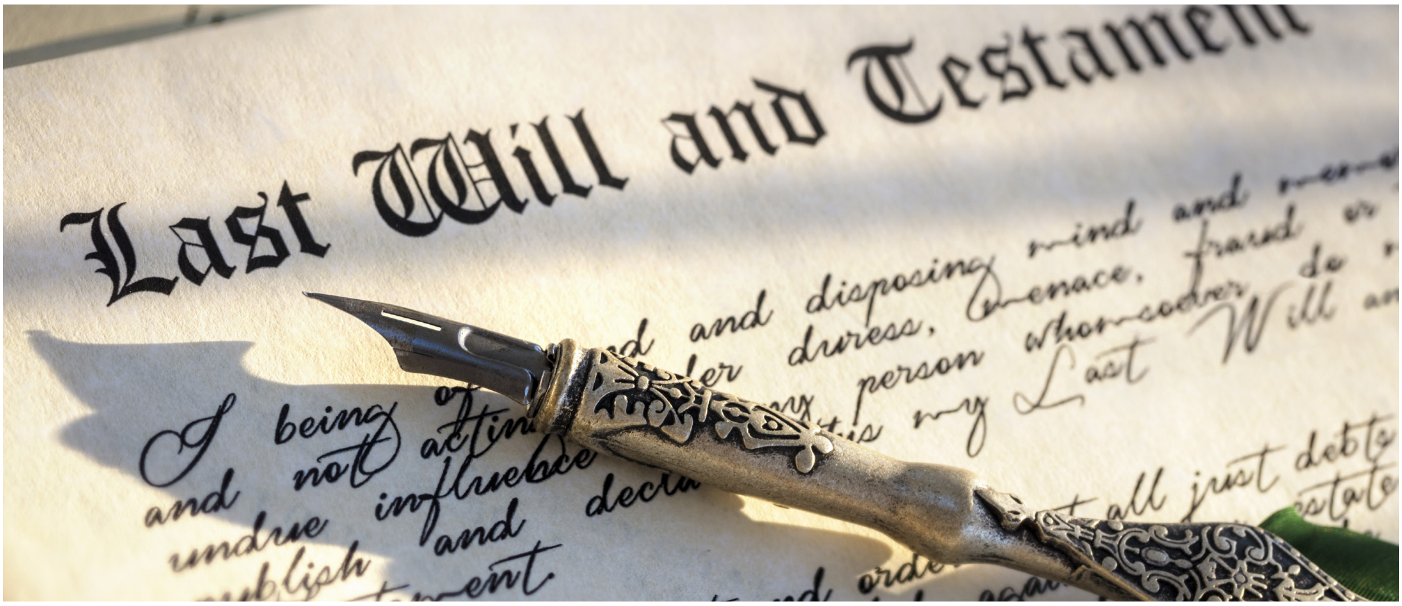
- **Ending will revocation on marriage or entering a civil partnership:** In England and Wales (also, Northern Ireland, but not Scotland), a will is normally automatically revoked on marriage. Few people are aware of this, which can lead to couples thinking that the words written during cohabitation are valid after the wedding bells have rung. At the other end of life, there is the issue of 'predatory marriages' when one party marries, knowing that they will benefit from intestacy rules when their older partner dies without having made a fresh will.

- **Reducing the minimum age at which a person can make a will:** Currently, in England and Wales (again, Northern Ireland), generally, a person must be 18 years old to make a valid will. In Scotland, the minimum age is just 12 years of age. English law presumes that children from age 16 have the capacity to make a range of decisions, but not to create a valid will. The Law Commission wants anyone aged 16 and above to be able to make a will.

These and other proposed changes have been incorporated into a draft bill before Parliament. It is now up to the Government to decide whether to implement the recommendations, which could take a year or more. That is no excuse to procrastinate: a will, even governed by a nearly 200-year-old act, is better than no will.

The Law Commission's proposed changes to wills can be read from the link below:

https://lawcom.gov.uk/project/wills/



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