



NEWS UPDATE - 28 October 2025

Contents

The stamp duty tangle – a useful lesson	1
VAT return errors get an update	2
Companies House identity verification begins rollout	3
Cryptocurrency conundrums	4
Let Property Campaign nudges up revenues	5

The stamp duty tangle – a useful lesson

The former Deputy Prime Minister Angela Rayner's recent problems with stamp duty land tax (SDLT) offer a salutary lesson.

In early September, the Deputy Prime Minister (and Housing Secretary) resigned after discovering that she had underpaid SDLT by £40,000 on the purchase of a flat in Hove.

That Rayner missed the history of the additional tax liability was unfortunately ironic. The surcharge on stamp duty was introduced by Conservative Chancellor, George Osborne, in the Autumn Statement 2015, at a rate of 3%. It took effect from April 2016, and the rate was subsequently increased to 5% nine years later in the Autumn Budget presented by Angela Rayner's then cabinet colleague, Rachel Reeves.

The tax aimed to discourage buy-to-let and second home purchasers, who were often shopping for similar properties to first-time buyers in a pressured housing market. The basis of the additional tax required the buyer to pay extra SDLT if they owned another residential property on the same day that another property was bought. That might sound simple enough, but the legislation to achieve it was not, involving the closure of potential loopholes, such as buying the second property through a company or using trusts to shift ownership.

It was the latter anti-avoidance measure which tripped up Angela Rayner. She had sold the 25% interest in her first home,

in Ashton-under-Lyne, to a trust for the benefit of her disabled child before buying her Hove apartment. Paragraph 12 of Schedule 4ZA of the Finance Act 2003 deemed that such a sale meant that Rayner was still treated as owning the property for SDLT purposes.

While Rayner had sought guidance on her SDLT position, the advice she received was qualified by the acknowledgement that it did not constitute expert tax advice and was accompanied by a suggestion, or in one case a recommendation, that specific tax advice be obtained. Had Rayner paid heed to those warnings, she would not now be facing a potential tax penalty of up to £12,000 for 'carelessness', in addition to the £40,000 extra SDLT.

The lesson of the whole episode and one to keep in mind whenever advice – particularly in the financial area – is needed: make sure you are talking to an expert who stands behind their judgement.

The government guide to SLDT can be found from the link below:

<https://www.gov.uk/stamp-duty-land-tax>

VAT return errors get an update

HMRC have withdrawn form VAT652. Companies with large VAT return errors must now submit corrections online or in writing. Larger VAT return errors are entered as method 2 type corrections, whereas method 1 is used when correcting smaller errors.



Method 1

Smaller VAT return errors can be corrected by making adjustments to the current VAT return. This is known as method 1, and it can be used where:

- The net error (along with any errors in the previous four years) total less than £10,000. For example, if output VAT has been underpaid by £11,000, but input VAT has been underclaimed by £2,000, then the net error is £9,000 and can be corrected using method 1; or
- The net error is between £10,000 and £50,000, and also less than 1% of the output figure for the current VAT return. So, if outputs are £2.5 million, a net error of up to £25,000 can be corrected using method 1. For most businesses, however, only the £10,000 limit will be relevant.

Late payment interest will not be charged, and, provided reasonable care has been taken, there will not be a penalty.

Method 2

With the withdrawal of form VAT652, errors that are too large for method 1 to be used must now be corrected online; although it is also possible to notify HMRC in writing. This is method 2, which will incur a late payment interest charge. Companies notifying HMRC of a large VAT return error must include information about how it happened and across which VAT period(s).

Penalties

A penalty will be charged if an error has been made as a result of being careless, or where the error is due to deliberate behaviour. A careless error can still be corrected using method 1, although HMRC must also be informed of the error. A deliberate error must always be corrected using method 2.

HMRC's guidance on correcting for VAT errors can be found from the link below:

<https://www.gov.uk/guidance/how-to-correct-vat-errors-and-make-adjustments-or-claims-vat-notice-70045>

Companies House identity verification begins rollout

Companies House identity verification starts on 18 November 2025. For individual directors, the date will vary when they will need to confirm they have verified their identity, depending on when their company's next confirmation statement is due.

Directors

All existing directors will have to verify their identity, although those holding multiple directorships only need to register once:

- Once verified, directors will receive an 11-character personal code from Companies House. This code will be required when filing their company's first confirmation statement on or after 18 November 2025.
- If the confirmation statement is due early November, then verification will not be necessary until November 2026. So it might be worthwhile filing your company's confirmation statement early, if the deadline is soon after 18 November 2025.

Directors who are appointed from 18 November 2025 onwards will need to provide their personal code as part of the appointment process. Identity verification for corporate directors will not be introduced until a later date.

Members of a limited liability partnership must comply with the identity verification requirements on the same basis as directors.

Persons with significant control (PSCs)

PSCs will likewise have to prove who they are.

Director and PSC of the same company: The personal code must be provided separately for each role. For the PSC role, the code will be submitted using a new service within 14 days of the company's confirmation statement date.

PSC but not a director of the same company: The code must be provided within the first 14 days of the PSC's birth month. For example, if born on 28 January, the 14-day submission period will run from 1 to 14 January 2026.

Individuals who become a PSC from 18 November 2025 onwards will need to provide their personal code within 14 days of being added to the Companies House register.

Companies House guidance on identity verification can be found from the link below:

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



Cryptocurrency conundrums

A Bank of England proposal to cap stablecoin holdings at a maximum of £10,000 or £20,000 for individuals has received fierce criticism; however, there are signs the Bank is softening its stance.



A stablecoin is a type of cryptocurrency that aims to maintain a stable value relative to a specified asset, such as the US dollar.

Many consider a £10,000/£20,000 restriction to be unworkable, and that it would leave the UK lagging behind the US and EU on digital asset regulation. For businesses, a £10 million maximum has been proposed. However, the governor of the Bank of England has recently backtracked by writing that it would be “wrong to be against stablecoins as a matter of principle”.

Why stablecoins?

Stablecoins are currently dominated by US dollar-based products, with stablecoins worth nearly \$300 billion in circulation. They are very convenient for investors who wish to park their funds while buying and selling other more volatile cryptocurrencies.

While not yet mainstream, stablecoins are a good way to pay for goods and services, avoiding most of the costs associated with traditional payment methods, such as credit cards. This is especially the case with cross-border transactions.

Bitcoin on the balance sheet

Businesses are increasingly holding bitcoin as an asset, although

stablecoins might also be an option. There are several drivers behind such holdings:

- Bitcoin gives more diversification compared to traditional treasury assets such as cash and short-term gilts, and holding bitcoin can provide protection against inflation.
- There are also reputational benefits because a business holding bitcoin will be seen as more digitally savvy.

Holding bitcoin does come with various risks. Apart from the price volatility, there will be the custodial challenges of a business holding cryptocurrency.

Under UK Generally Accepted Accounting Practice, bitcoin should be included on a company's balance sheet at cost, being classified as an intangible fixed asset.

The Bank of England's explainer on stablecoins can be found from the link below, although it has not been updated since 2023.

<https://www.bankofengland.co.uk/explainers/what-are-stablecoins-and-how-do-they-work>

Let Property Campaign nudges up revenues

HMRC's Let Property Campaign has been running for over twelve years. In 2024/25, it pulled in a record £107 million from landlords – more than a 60% increase on the previous year.

The number of taxpayers making voluntary disclosures has fallen from 11,000 to less than 8,000, despite the significant revenues. The larger sums being paid by those coming forward highlights the greater risk of ignoring a nudge letter by HMRC.

Typical errors

While there may be deliberate evasion, it is simple to misunderstand the rules of property letting. HMRC has highlighted the common tax errors, including:

- Where a property has been inherited and then rented out. If only a single property is involved, there may not be any realisation that the property income needs to be declared to HMRC. A nudge letter may well have been sent because letting platforms are now providing data to HMRC.
- A similar situation can arise if a person moves in with their partner and then rents out their previous property. While there may be no profit as such, because the rent barely covers the mortgage payments, for tax purposes, only the interest element of the mortgage payments qualifies for tax relief.

- A property is purchased for a son or daughter to live in rent-free while they are at university. However, if the son or daughter then allows friends to move in who pay rent, this income should be declared to HMRC.

Capital expenditure can also trip up many landlords. For example, the installation of a new kitchen, which is a significant upgrade to the old one, is not a deductible expense, whereas expenditure on a like-for-like replacement would be.

The Let Property Campaign is open to all residential property landlords, but does not apply to companies or where commercial property is let. Voluntary disclosure will mean more lenient penalties.

Information on HMRC's Let Property Campaign can be found from the link below:

<https://www.gov.uk/government/publications/let-property-campaign-your-guide-to-making-a-disclosure>



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.