



TAX BRIEFING

SUMMER 2025



CUNNINGHAM GRANT
CHARTERED ACCOUNTANTS

Cunningham Grant Chartered Accountants
Unit G6 | The Granary Business Centre | Coal Road | Cupar | Fife | KY15 5YQ
01334 657799
info@cunninghamgrantca.com | www.cunninghamgrantca.com

MANDATORY PAYROLLING OF BENEFITS DELAYED

HMRC has confirmed that the mandatory payrolling of benefits in kind (BIKs) will be delayed to April 2027, giving businesses more time to get to grips with the process

Previously planned for April 2026, the change will require businesses to report and process income tax and Class 1A national insurance contributions on BIKs in real time, rather than declaring them annually via the P11D. Currently most BIKs can be processed via the payroll on a voluntary basis.

To report BIKs via the payroll, the payslip should be populated each pay period with an amount equivalent to what would be shown on the P11D divided by the number of pay periods in a year. For example, on a monthly payroll an annual dental insurance benefit of £3,000 would be declared as £250 per pay period. This should be pro-rated if the employee starts or leaves mid-month or the value of the benefit changes during the year.

Individuals such as non-executive directors who do not receive a salary but do enjoy BIKs will need to be added to the payroll for those BIKs to be taxed.

The P11D will still be available for two specific BIKs which will be excluded from mandatory payrolling: beneficial loans and employer-provided accommodation. However, these will be eligible for voluntary payrolling for the first time from April 2027.

If you outsource your payroll, you will need to send timely and accurate details of all BIKs to the provider. We can help you collate the necessary information in preparation for the change.

CLASS 2 NIC CALCULATION ERROR

From the 2024-25 tax year, self-employed individuals with profits in excess of £6,725 no longer need to pay Class 2 national insurance contributions (NIC)

Instead those taxpayers will receive a national insurance credit to secure their access to contributory benefits such as the state pension.

Several of the professional bodies have received reports from their members that Class 2 national insurance is being incorrectly included in SA302 tax calculations for 2024-25. Following submission of their tax return affected taxpayers have received letters from HMRC informing them that their return has been amended in one of three ways. HMRC has either:

- added £179.40 to the computation which should not have been added and needs to be removed;
- added £179.40 to the computation which needs to be removed and wrongly increased

the tax liability by double this amount; or

- amended the Class 2 NIC amount to zero, which is in line with the original submission. In this instance no further action is required and the letter can be ignored.

This issue has been reported to HMRC and the department is investigating it as a matter of urgency.

If you have profits from self-employment above £6,725 and have submitted your self assessment tax return for 2024-25, we can help you check whether your tax liability and/or Class 2 NIC have been amended incorrectly by HMRC.





MULTI-AGENT ACCESS FOR MTD IT

Making Tax Digital for Income Tax (MTD IT) is fast approaching, with the mandate date for sole traders and landlords with qualifying income of £50,000 and above set firmly at 6.4.26

In addition to the annual tax return, those mandated to comply with the MTD IT requirements will need to submit cumulative quarterly updates of their income and expenses to HMRC and maintain digital records of their transactions using HMRC-approved software.

Multi-agent access will allow taxpayers to appoint a main agent to deal with their tax return at the year end and one or more supporting agents to deal with the record keeping and quarterly updates.

The supporting agent, for example a bookkeeper or letting agent, will be more restricted in the tasks they can carry out on your behalf. The main agent will be able to do almost everything that you, the taxpayer, can do. Where a taxpayer has income from property and separate trading income they may choose to

We have been preparing for some time to help clients navigate the MTD IT requirements

appoint different supporting agents for each. It will be possible to appoint multiple supporting agents but only one main agent to oversee your tax affairs and deal with your annual tax return.

When appointing a supporting agent, be careful not to designate them as the main agent as doing so will automatically remove the existing agent's access. This may lead to delays in your year end tax return and potential penalties for late submission.

We have been preparing for some time to help clients navigate the MTD IT requirements. We can lead you through the process of deciding where best to use (or not use) supporting agents to optimise your MTD processes.

CHECK EMPLOYMENT STATUS FOR TAX TOOL

The Check Employment Status for Tax (CEST) tool allows contractors and other individuals providing services - or businesses engaging workers to perform services for them - to determine whether the work should be treated as employment or self-employment for tax purposes

The responsibility for determining the employment status will fall on the business if it is a medium or large-sized entity and on the contractor if the business is small. The CEST tool helps with this determination by asking a series of questions about the contract, the worker and the work performed and returning one of the following responses:

- self-employed for tax purposes for this work;
- employed for tax purposes for this work;
- unable to make a determination (for employed or self-employed for tax purposes);
- off-payroll working rules (IR35) do not apply;
- off-payroll working rules (IR35) apply; and
- unable to make a determination (for whether the off-payroll working rules apply).

The changes have been designed to simplify the language and make the tool easier to use. Updates

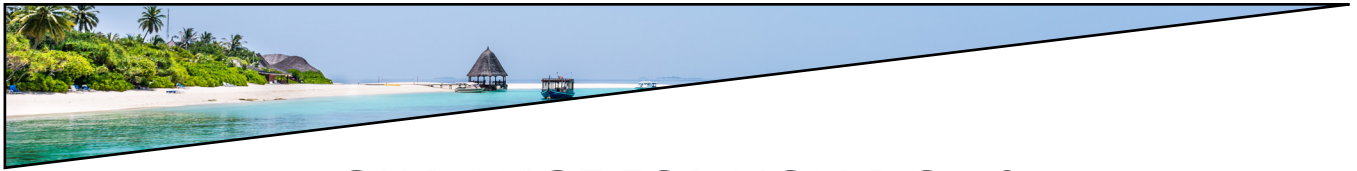
We can help you determine the employment status of each engagement for tax purposes

to the questions themselves are relatively minor cosmetic tweaks, however the accompanying guidance has been revised to reflect recent case law. Links to the guidance have also been added within the questions making it easier for the user to find the relevant information.

Although HMRC says it will honour the outcome of the CEST tool, subject to the user answering the questions correctly and not omitting information, its use is not mandatory in determining employment status. We recommend reviewing the guidance closely in all cases, not just where the tool returns an inconclusive result.

If you are a contractor or your business regularly engages workers on a freelance basis, we can help you determine the employment status of each engagement for tax purposes.





GUIDANCE FOR NON-DOMS

With effect from 6.4.25 the preferential tax treatment enjoyed by UK resident individuals whose permanent home is outside the UK ('non-doms') has been withdrawn

Before this date, non-doms could benefit from the remittance basis of taxation for up to fifteen years, essentially exempting their offshore income and gains from UK tax unless remitted to the UK.

In its place a new residence-based system has been introduced whereby qualifying new arrivals to the UK can apply for foreign income and gains ('FIG') relief, meaning they will not be taxed on their FIG - regardless of whether remitted to the UK - for the first four consecutive years of UK tax residence. After this period they will be taxed on their FIG as UK income or gains. To qualify for FIG relief the individual must not have been resident in the UK in any of the ten years prior to their arrival.

Claiming FIG relief is optional and you can choose to claim it on some or all of your FIG. A separate claim must be made for each source of income and/or gain on the self assessment tax return. Your entitlement to certain other reliefs and allowances may be affected, for example the tax-free personal allowance for income tax and annual exempt amount for capital gains tax (CGT) will be lost if FIG relief is claimed. The relief will also be included in the adjusted net income calculation for tax-free childcare benefits and the high-income child benefit charge.

We can help you decide whether to claim FIG relief and help you submit the claim(s).

Individuals who are not eligible for relief under the new system or who decide not to apply for FIG relief will be subject to tax on their foreign income in the same way as any UK taxpayer.

Transitional arrangements are in place for CGT on foreign capital assets. Individuals who have claimed the remittance basis in any of the years from 2017-18 to 2024-25 can rebase those assets to their market value at 5.4.17. Foreign assets held in trusts are generally not eligible for rebasing.

A temporary repatriation facility will allow existing non-doms to remit previously accrued foreign income and gains to the UK after 6.4.25 at a reduced rate. This will be a flat rate of 12% for 2025-26 and 2026-27 and 15% for 2027-28.

A new residence-based system has been introduced to replace the domicile basis for inheritance tax from 6.4.25.

If you have received income or gains outside the UK and are not sure where you stand under the new rules, contact us.

SMALL EMPLOYERS' RELIEF

Small employers can usually recover 100% of most of the statutory payments they make to employees plus compensation from HMRC

If your business qualifies for small employers' relief you can claim 103% of almost all statutory payments made to employees until 5.4.25. From 6.4.25 this was increased to 108.5% in line with changes to employer's national insurance.

The payments covered by the relief include statutory maternity; paternity; adoption; parental bereavement; neonatal care (from April 2025); and shared parental leave pay. The relief does not apply to statutory sick pay.

An employer is eligible for small employers' relief if the total Class 1 national insurance contributions paid by the business in the last complete tax year were £45,000 or less before any reductions such as the employment allowance. Employers that do not qualify can usually claim relief at a lower rate of 92%.

Relief is generally claimed on a monthly basis through payroll software using the employer payment summary

and can be offset against other tax liabilities. It is possible to make a claim to HMRC for payment in advance if an employer is unable to meet the cost of statutory payments to its employees.

If you have made statutory payments other than sick pay to employees, we can help you ensure that you are claiming the full amount of compensation you are entitled to.





CHILDCARE COSTS - DON'T MISS OUT

Tax-free childcare

Many working families will now be arranging childcare for the school summer holidays and the start and end of the school day from September. The Government's tax-free childcare scheme could provide up to £2,000 a year per child, or £4,000 if the child is disabled, towards the cost of wraparound childcare and holiday clubs.

For every £8 deposited in a tax-free childcare account the Government will top it up by £2 up to a maximum of £500 (or £1,000 if the child is disabled) every three months.

To qualify for the scheme the parent and their partner (if they have one) must earn, or expect to earn, at least the national minimum wage or living wage for 16 hours

a week on average; each earn no more than £100,000 per annum; and must not receive universal credit or childcare vouchers.

Parents can use the scheme to pay for childcare for children aged 11 or under, or up to 16 if the child has a disability.

Extend child benefit

HMRC has reminded parents of the deadline to extend child benefit for 16 to 19-year-olds who are continuing in full time education from September. For 2025-26 child benefit is worth up to £1,355 a year for the first or only child, and up to £897 a year for each additional child.

Payments will automatically stop on 31 August on or after the child has turned 16 unless parents renew their claim by that date.

The claim can be extended using the HMRC app or on GOV.UK.

If you or your partner earn £60,000 or more, the higher earner will be liable to repay some or all of the child benefit via the high-income child benefit charge (HICBC). Where the child is under the age of 16 and one of the parents is not working it is often worth claiming child benefit and either paying the HICBC or opting not to receive the child benefit payment to protect the non-working parent's entitlement to contributory benefits. However, once the child turns 16 they will be registered for national insurance so the qualifying contributory years are no longer available to the parent.

We can help you ensure you are claiming all of the child related support you are entitled to.

SALARIED MEMBERS OF LLPs

The salaried members rules are an anti-avoidance measure designed to prevent limited liability partnerships (LLPs) from disguising remuneration paid to members as profit share instead of employment income

If the rules are triggered, the member's earnings are subject to PAYE and national insurance as though they were an employee. A member of an LLP is deemed to be an employee under these rules if the following three conditions are all met:

Condition A: it is reasonable to expect that at least 80% of their remuneration will be a fixed or variable salary that is not dependant on the profits or losses of the LLP;

Condition B: they do not have significant influence over the affairs of the LLP; and

Condition C: their capital contribution to the LLP is less than 25% of their expected salary.

In February 2024 HMRC updated its guidance in regard to Condition C to suggest that the anti-avoidance rules could be invoked if a

main purpose of the capital contribution was to keep the member outside of the salaried members rules.

Reversing this somewhat controversial amendment, HMRC has changed the guidance again, accepting that a genuine contribution made by a member, intended to be enduring and giving rise to real risk, will not trigger the anti-avoidance rules. As long as the member puts in at least 25% of the amount they plan to take out, they can continue to be taxed as self-employed on their profit share if their capital contribution is genuine.

We would advise all LLPs to review their profit share and capital contribution arrangements to ensure compliance with the salaried members rules. We can help you with this.