TAX BRIEFING

AUTUMN 2026

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AUTOMATIC MTD REGISTRATION

Taxpayers who were required to join Making Tax Digital for income tax (MTD) from April 2026 but have not done so will be signed up automatically.

Starting from September 2026, HMRC will use information it holds to identify and register taxpayers it believes to be in scope for MTD for 2026-27. Once registered, the individual will receive a letter or digital message with details of the steps they need to take to comply with the rules.

Where a taxpayer's circumstances have changed, the data held by HMRC might not reflect that change. To address this, if a taxpayer is registered by HMRC they will be asked to carry out an additional 'checking step' to confirm whether HMRC's records are up to date. For example, if your business had ceased by 6 April 2026, but HMRC believes you should be mandated based on your 2024-25 tax return, you can let HMRC know during the checking step.

To avoid such confusion, we strongly recommend that taxpayers sign up voluntarily before they are automatically enrolled by HMRC.

Automatic registration only applies to those who are mandated to join MTD for the 2026-27 tax year. If your combined self-employment and/or property income is over £30,000 on the 2025-26 tax return, unless you are exempt, you will be mandated for MTD from April 2027. For income over £20,000 mandation will start from April 2028. HMRC has not announced any plans to register these groups so taxpayers will need to sign up themselves.

Letters are being sent directly to taxpayers who have been registered by HMRC and agents are not copied in. If you receive such a letter please share it with us.

FIRST QUARTERLY UPDATE DEADLINE FOR MTD

The deadline for filing the first quarterly update (QU) under MTD for income tax has now passed, but QUs still need to be filed.

Self-employed individuals and landlords with combined annual income, before deducting expenses, of £50,000 or more should have submitted their first QU using HMRC-approved software by 7 August 2026. According to HMRC, more than 436,000 taxpayers had successfully filed their first QU by 12 August.

There are no penalties for late filing of QUs in the 2026-27 tax year. However, taxpayers who fall into the first tranche of mandation are required by law to keep digital records and comply with the MTD rules from April 2026, which includes filing the four QUs each year.

If you have self-employed and/or property income of £50,000 or more on your 2024-25 tax return and you have not submitted the first QU, contact us to discuss how we can help you meet your filing obligations.

The waiving of late-filing penalties only applies to QUs in the first year of MTD (2026-27). Failure to submit QUs from 2027-28 will result in penalty points which may lead to fines. Penalties still apply for late-filing of the final declaration for 2026-27 and late-payment of tax.

We have been preparing to help clients navigate MTD for some time. Get in touch to discuss what you need to do to comply with the new regulations and when.

TAX OVERCHARGED ON P800 CALCULATIONS

Many taxpayers have overpaid income tax under the P800 system due to a flaw in HMRC's calculation method.

As part of its annual PAYE reconciliation process at the end of each tax year, HMRC compares the amount of tax deducted from wages and pensions with the amount that was actually due. Any under- or overpayment of tax is notified to the taxpayer using a tax calculation letter known as form P800.

You or your employees might owe tax or be owed a refund because you:

- were put on the wrong tax code, for example because HMRC had the wrong information about your income;
- finished one job, started a new one and were paid by both in the same month;
- started receiving a pension at work; or
- received employment and support allowance or jobseeker's allowance.

Where taxpayers have a mixture of non-savings income, savings income and dividends, the calculation should, according to legislation, apply the personal allowances and reliefs in the way that produces the lowest overall tax bill. This process is called 'beneficial ordering'. It has come to light that beneficial ordering is not applied for P800 calculations, resulting in some taxpayers paying too much tax.

HMRC is aware of the issue and a manual checking process is underway. Where it discovers discrepancies, these will be reconciled at the year-end and the taxpayer will be refunded if appropriate. In the meantime, if you or your employees receive a P800 it is important that we review the figures in line with the self-assessment calculation method. If they differ, the P800 should be challenged with HMRC and any overpaid tax reclaimed. We can help you with this.

THIRD-PARTY INFORMATION TARGETS LANDLORDS

If you receive income from renting out property you may receive a letter from HMRC asking you to check the figures on your tax returns.

HMRC receives information about landlords from third parties and other sources, including tenancy deposit schemes. It is writing to landlords where this data does not tally with information filed by the taxpayer. The letter encourages taxpayers to disclose any income from let property. It also reminds them to declare any property disposals for capital gains tax purposes, and that they may have responsibilities to meet under MTD for income tax.

If you have income from renting out or selling a property that we are unaware of, please let us know

If you receive such a letter, or you have received income from renting out or selling a property that we are unaware of, please let us know.

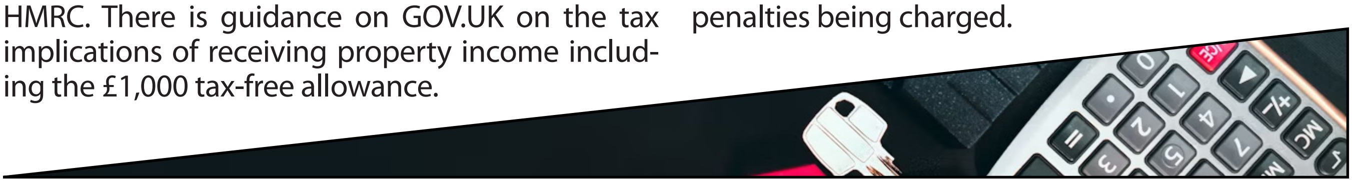
If a friend or a relative receives such a letter, they should check the figures they have reported to HMRC. There is guidance on GOV.UK on the tax implications of receiving property income including the £1,000 tax-free allowance.

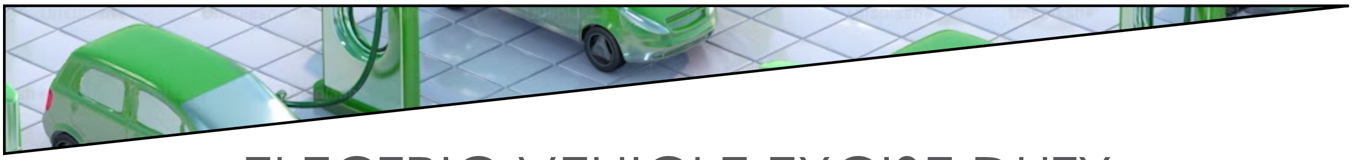
Having considered their position, they should then take the following action:

- if they have income to declare from renting out land and/or property they should disclose this to HMRC by following the steps in the letter, noting the deadlines set out in the letter;

- if they have nothing to declare, they should still contact HMRC using the details given in the letter to confirm this.

If HMRC does not receive a response to the letter, it may open a compliance check or criminal investigation. In this scenario, any disclosures made by the taxpayer during the check or investigation will be treated as prompted. This could result in higher penalties being charged.





ELECTRIC VEHICLE EXCISE DUTY

A new mileage-based charge for electric vehicles (EVs) and plug-in hybrids known as electric vehicle excise duty (eVED) is due to come into effect from 1 April 2028.

The charge is intended to ensure that drivers of electric and plug-in hybrid vehicles contribute towards motoring taxation as the use of petrol and diesel vehicles declines. HMRC has provided further details on how the new system will operate, following a consultation.

A simplified process will apply to fleets and leasing companies, recognising the way these businesses manage large numbers of vehicles. This will include allowing estimated mileage readings; introducing bulk licensing arrangements; and providing greater flexibility over payments.

There has also been a change for newer vehicles that are not currently required to have an MOT. Contrary to the original proposal, these vehicles will not be required to undergo annual mileage checks solely for the purpose of eVED.

In most circumstances where an estimated mileage figure is used, there will be no automatic refund if the vehicle subsequently travels fewer miles. Instead, a mileage credit will ordinarily be carried forward to the next licensing period. Refunds will be available in certain circumstances. Where a vehicle is sold with an eVED credit attached that has not been refunded, the credit should be taken into account when determining the vehicle's sales price.

Businesses operating vehicle fleets should consider how these changes may affect their costs and administration from April 2028.

FILL IN NATIONAL INSURANCE GAPS

HMRC has identified an issue that may affect some taxpayers who became self-employed between 2015 and early 2024 and have missing qualifying national insurance years.

The issue mainly affects individuals who registered as self-employed between 2015 and 2024 but were not correctly linked to HMRC's national insurance system.

Taxpayers may be able to make voluntary Class 2 NICs to fill gaps dating back to 2015-16

This may have happened for a number of reasons. For example, an individual who already had a unique taxpayer reference (UTR) when they started self-employment may not have completed the required CWF1 form to register for self-employed national insurance. Alternatively, they may have paid voluntary Class 2 national insurance contributions (NICs) after the usual 31 January deadline, with the payments used to clear outstanding tax liabilities rather than being allocated to NICs.

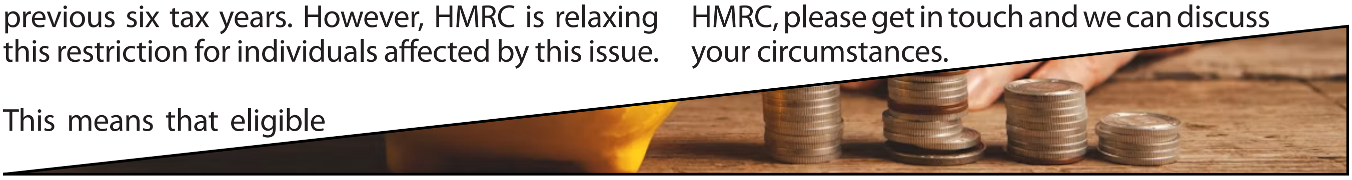
Normally, voluntary NICs can only be paid for the previous six tax years. However, HMRC is relaxing this restriction for individuals affected by this issue.

This means that eligible taxpayers may be able to make voluntary Class 2 NICs to fill gaps dating back to the 2015-16 tax year.

HMRC estimates that around 800,000 taxpayers could be affected.

HMRC will contact individuals it believes may be affected and provide information about the steps they can take. If you receive a letter from HMRC about missing national insurance years, we can help you understand whether you are affected, review your national insurance record and consider whether making additional contributions could help protect your entitlement to future state benefits, including the state pension.

If you think you may have gaps in your national insurance record but have not yet heard from HMRC, please get in touch and we can discuss your circumstances.



CHANGES TO THE VAT CAPITAL GOODS SCHEME

If you acquire, create or construct capital items for use in a business and you incur VAT on those items, you may need to use the VAT Capital Goods Scheme (CGS) on your VAT returns.

The CGS is a mechanism that adjusts the amount of VAT a business can recover on certain high-value capital assets over a number of years to reflect changes in how the asset is used over time. Previously, the CGS applied to certain high-value capital expenditure, including land; buildings; and civil engineering works costing £250,000 or more (excluding VAT). It also covered computers and computer equipment costing £50,000 or more, as well as aircraft; ships; boats and other vessels costing £50,000 or more.

Please contact us if you are unsure whether the CGS applies

From 29 July 2026 computers and computer equipment have been removed from the CGS. The threshold for land; buildings; and civil engineering works has increased to £600,000 excluding VAT. The existing £50,000 threshold continues to apply to qualifying aircraft; ships; boats; and other vessels.

The changes do not remove items that were already within the CGS. If a capital item qualified under the previous rules and thresholds, it will remain within the scheme until the end of its adjustment period. Businesses must therefore continue to make any required CGS adjustments, even where the first adjustment period begins on or after 29 July 2026.

The new £600,000 threshold applies to land acquired on or after 29 July 26. For buildings and civil engineering works, it applies where they are acquired; constructed; refurbished; fitted out; altered; or extended on or after that date.

If your business has made, or is planning to make, significant capital expenditure, please contact us if you are unsure whether the CGS applies or whether any adjustments are required.

CHECK DEADLINES WITH NEW HMRC TOOL

Keeping track of deadlines can be challenging, particularly for businesses with several different tax obligations.

HMRC has introduced a new online tool to help taxpayers check when important returns and payments are due. It can be used to check deadlines for a range of taxes including PAYE; VAT; construction industry scheme (CIS) and self-assessment.

A useful feature allows key dates to be added directly to calendar apps, where you can set up reminders to pay your tax by the deadline.

The tool does not require users to sign in, making it quick and easy to access. However, take care to enter the correct information when using the tool, as the deadline provided will depend on the details entered.

The service is currently in BETA (testing) stage, meaning that some features may change as HMRC continues to develop it.

The tool can be a useful way of checking deadlines, but taxpayers should still ensure they understand their own tax obligations and allow sufficient time to prepare returns and make payments. If you are unsure about a tax deadline, ask us and we will be happy to help.