hwbulletin

www.hwb-accountants.com 023 8046 1200

hwb
Chartered Accountants
Business & Tax Advisers

Issue 42, Autumn 2026



Year-end tax planning for business owners



Business owners can utilise year-end tax planning to benefit their companies by minimising tax bills, accessing reliefs, improving cash flow and ensuring HMRC compliance.

Protecting wealth is the main driver here and decisions made with confidence and knowledge can help generate long-term stability and success.

The tax year ends on 5 April 2027. It seems a long way off, but starting to consider key areas now will give you the advantage.

Dividend planning

- Review the company's retained profits and cash reserves to determine the level of dividend that can be distributed to shareholders.
- Ensure that dividends are declared before year-end accounts are finalised. This will avoid tax implications.
- Understand tax rates and plan accordingly around the new dividend tax rates which took effect in April 2026.
- Be aware of potential changes in tax laws or regulations which could affect dividend distributions.

Pension contributions

- The annual allowance for pension contributions is £60,000 for the 2026/27 tax year. However, you carry forward unused annual allowance from three previous tax years, provided you were a member of a registered pension scheme in those years.
- Pension tax relief allows contributions to be made without tax being paid at the time, a useful strategy for long-term savings.
- Employer pension contributions must be paid before the company year end to qualify for corporation tax relief in that period.
- From next April, unused defined contribution pension will be included in estates for Inheritance Tax purposes, so reviewing your pension contributions and strategy is vital because changes coming in 2027 will affect pension asset management.

Capital gains tax considerations

- The annual exempt amount for the 2026/27 tax year remained at £3,000 – and applies to the first £3,000 of net capital gains each year. Couples can structure matters to effectively double this tax free amount.
- Reporting requirements mean you must report and pay CGT within 60 days of a sale of a residential property. Partial relief may be claimed if a property has been used as a main home for part of the ownership period.
- Be aware of tax rates, as a basic rate taxpayer with a large gain may find part of it taxed at the higher rate, based on your total income.

Capital allowances

- One key area to consider is capital allowances. If your business invests in equipment, vehicles, or machinery, you may be eligible for tax relief under the Annual Investment Allowance.

Timing of expenditure and investments

Reviewing these purchases before the company's year-end can help make sure that you don't miss out on a valuable deduction or ensure we capture the deduction at the earliest opportunity.

We would always recommend setting up a meeting with us a couple of months in advance of your business year-end so that we can review the company's performance and advise on any tax efficient planning opportunities.

For more information please contact Tom Young, Director – tom.young@hwb-accountants.com or call 023 8046 1254

A warm welcome



Welcome to the latest edition of the HWBulletin, your bi-annual newsletter packed with news, views and advice.

In this edition we are looking at year-end tax planning for business owners because a little foresight and forward planning can certainly be advantageous.

We are also considering the first months of the Making Tax Digital regime and updating you on FRS 102 changes regarding leases.

There is an article on how different business structures within families may be beneficial and why a Deed of Variation could save you tax.

Don't forget that we have factsheets available on a wide variety of topics and we are happy to send them to you, so do get in touch.

On the back page there is news about long-serving employees, an update on our charity of the year and details of upcoming events.

Finally, we are all awaiting the first Budget under the Andy Burnham Prime Ministership, to be delivered by the Chancellor, John Healey, on Wednesday, 28 October. We will prepare a summary document of the key points for you to peruse at your leisure.

Good reading.

Tracy Jenkins, Managing Director

FRS 102 changes update



Since 1 January 2026, FRS 102 has required most leases to be recognised on the balance sheet as right-of-use assets and lease liabilities. This removed the distinction between operating and finance leases.

Under the revised FRS 102 Section 20, lessees must now recognise nearly all leases on the balance sheet. This includes a right-of-use (ROU) asset representing the lessee's right to use the leased item and a lease liability for future lease payments.

The previous distinction between operating and finance leases is largely removed for lessees, with only short-term leases (12 months or less) and low-value asset leases eligible for simplified off-balance sheet treatment.

The ROU asset is initially measured at cost, which includes estimated restoration or dismantling costs. The lease liability is measured at the present value of future lease payments, discounted using the rate implicit in the lease where readily determinable, or otherwise the lessee's incremental borrowing rate or obtainable borrowing rate.

Businesses need to assess all existing leases, quantify balance sheet impacts, and consider covenant implications.

Early discussions with investors, lenders and auditors are useful as the changes may affect financial ratios and performance metrics.

The amendments align FRS 102 more closely with IFRS 16, enhancing transparency and comparability in lease reporting while significantly changing the accounting treatment for lessees.

We can help you with the calculations.

For more information please contact Alan Davies, Senior Manager – alan.davies@hwb-accountants.com or call 023 8046 1246

Business miles

The HMRC approved mileage rate for tax year 2026-27 for cars and vans is 55p per mile for the first 10,000 business miles and 25p per mile for any additional miles.

This is up from 45p per mile which stood from 2011 to 2026 and reflects additional fuel costs.

For motor cycles the rate is 24p and for bicycles 20p.

Self-assessment deadline

The paper Self-Assessment tax return deadline for the 2025-26 tax year is 31 October 2026.

If you file electronically then this deadline to avoid penalties is 31 January 2027.

HMRC fee protection

Did you forget to renew your tax enquiry fee protection?

There is still time to protect yourself from an HMRC investigation:

https://www.hwb-accountants.com/services/tax-investigation-service/



What's next for your business? Start planning now

What does the future hold for your business? Every business owner reaches a point where the question is no longer 'How do I grow?' but 'What comes next?'.

For some, the answer may be keeping the business in the family. For others, it could mean preparing and restructuring for further growth, introducing employee ownership or ultimately selling.

There's no one-size-fits-all solution. But one thing is clear: leaving the decision too late can limit your options.

Forward planning gives you time to explore the routes available, strengthen the business, undertake tax planning and make better informed decisions that work for both your commercial ambitions and personal priorities.

Specialist advice can help you anticipate potential challenges and put the right structures in place for a successful transition.

The earlier you start the conversation, the more choice you have. Grooming your business can add considerable value.

To discuss your business planning options, contact James Flood, Director, on 023 8046 1244 or james.flood@hwb-accountants.com

Inherited an Estate? How a Deed of Variation can complement tax planning



When someone dies, the subsequent distribution of their estate may not always reflect what the family now considers the best outcome. This where a Deed of Variation can help.

A Deed of Variation allows beneficiaries to redirect some or all of an inheritance, for example to another family member or into a trust.

There can also be an important tax benefit. Where the relevant conditions are met, HMRC can treat the variation as if it had been made by the person who died. This can provide opportunities for Inheritance Tax planning and, depending on the assets involved, Capital Gains Tax benefits.

But there's an important deadline and a proviso. The variation must normally be made within two years of the date of death to obtain the relevant tax treatment, and anyone whose inheritance would be reduced by the changes must agree to the variation.

If you or your family have recently inherited an estate, we recommend considering the wider tax implications and checking whether or not it's worth reviewing your options before the two-year window closes.

To discuss the tax implications of an inheritance or a potential Deed of Variation, contact Steven Martin, Senior Tax Manager, on 023 8046 1225 or steven.martin@hwb-accountants.com

Could You Be Exempt from Making Tax Digital for Income Tax?

With Making Tax Digital (MTD) for Income Tax now underway for higher earning sole traders and landlords, some taxpayers may be wondering whether they can opt out.



The short answer is: only in limited circumstances.

HMRC has reminded taxpayers that compliance with MTD for Income Tax is a legal requirement for sole traders and landlords with qualifying income over £50,000 unless they are granted an exemption. The rules will widen from April 2027 to include those with qualifying income over £30,000.

Who can apply for an exemption?

HMRC may agree that you are exempt if it is not reasonably practical for you to use digital tools to keep records and submit information. This is often referred to as digital exclusion.

Examples may include:

- A disability that makes it impossible or unreasonably difficult to use digital technology.
- Living in a location with little or no reliable internet access.
- Certain religious beliefs that prevent the use of electronic communications.

Each application is reviewed individually and HMRC will assess the specific circumstances of the taxpayer before granting any exemption.

Reasons HMRC is unlikely to accept

Many taxpayers assume they can opt out because MTD represents an additional administrative burden. However, HMRC has made it clear that the following reasons alone will not qualify for an exemption:

- You have always filed paper tax returns.
- You are unfamiliar with accounting software.
- You only have a small number of transactions each year.
- MTD will take extra time to manage.
- There will be additional costs involved in software or professional support.

In other words, a preference for existing methods or concerns about cost and administration are unlikely to be enough.

Don't assume you are exempt

If you believe digital exclusion may apply to you, you must make a formal application to HMRC. Simply choosing not to register for MTD, or deciding that it is inconvenient, does not create an exemption.

For many businesses and landlords, the most practical approach will be to prepare for compliance rather than assume they can opt out.

Penalties are coming

Although HMRC has confirmed there will be no penalty points for late quarterly updates during the 2026/27 tax year, taxpayers must still meet their obligations for Tax Returns and payments.

Quarterly updates do not replace the Self Assessment Tax Return. Instead, they form part of the reporting process and must be submitted before the annual Tax Return can be completed.

From 6 April 2027, a points-based penalty regime will apply to late quarterly submissions. Taxpayers will receive one penalty point for each missed filing deadline, with a fixed £200 penalty once four points have been accumulated.

What should you do now?

If you are a sole trader or landlord and think MTD for Income Tax may affect you, now is the time to review your position.

If you believe you may qualify for an exemption due to digital exclusion, you should check the criteria and understand the evidence HMRC may require before applying.

Further guidance is available on the GOV.UK website: https://www.gov.uk/guidance/find-out-if-you-can-get-an-exemption-from-making-tax-digital-for-income-tax.

If you're unsure whether MTD for Income Tax applies to you, or whether you may qualify for an exemption, contact HWB and we can help you assess your obligations and prepare for compliance.

For an initial discussion, email Martin Back, Tax Compliance Manager, on martin.back@hwb-accountants.com or ring on 023 8046 1232

Congratulations to quartet

Congratulations to our HWB colleagues who have achieved long-service milestones in their careers.

Alan Davies and Andrea Fox have amassed 20 years, while Michelle Woomble and Martin Back have achieved 10 years.

We thank them for their dedicated service.





Support for Sophie's Legacy goes on

We are busy fundraising and supporting the Hampshire charity Sophie's Legacy after staff voted to make it their charity of the year.

The charity, which provides vital support to families with children admitted to hospital.

It provides parent packs, containing items such as tea bags, toiletries, cosmetics and phone chargers, to help with bedside times and overnight stays.

It currently distributes around 50 packs a week to each of 12 hospitals across the south including 13 wards at Southampton General Hospital.

HWB is providing a range of support to Sophie's Legacy this year. As well as hosting and participating in fundraising events and encouraging staff to give blood and platelets, the team have been gathering food donations, as well as being hands-on contributing to the making up and delivery of hospital packs.

Director Michaela Johns says: "We're keen to offer as much support as we can to such a deserving cause in the community. Sophie's Legacy is all about helping families locally who have to spend time in hospital with their child."

For more information on Sophie's Legacy, visit **www.sophieslegacy.org.uk**











Former staff get together

Our Alumni Group held its latest social event at The Mayflower Village, this was a great opportunity for former employees to network with current staff and catch up on life after HWB.

Please contact **marketing@hwb-accountants.com** to be added to our list.



Rent a room scheme

Under the UK Rent a Room Scheme, you can earn up to £7,500 per year tax-free by letting a furnished room in your main home. If the property is shared with a partner or another person, the allowance is split, giving each person £3,750 tax-free. Income below this threshold does not need to be declared to HMRC and does not affect your taxable income or personal allowance.

HWB events for 2027

We are busy adding to our regular webinars and seminar events for 2027.

You can register online here: **www.hwb-accountants.com/events**.

If you've missed any of our previous events, you can catch up via our YouTube channel. It is also home to useful guide videos: **https://www.youtube.com/@Hwbaccountants**