



# TAX BRIEFING

## SUMMER 2026



**Yorkshire Dales Accountancy**  
Chartered Accountants

Yorkshire Dales Accountancy  
Kiln Place | Dryden House | Market Place | Hawes | North Yorkshire | DL8 3RA  
01969 678128  
[info@yorkshiredales.co.uk](mailto:info@yorkshiredales.co.uk) | [www.yorkshiredalesaccountancy.co.uk](http://www.yorkshiredalesaccountancy.co.uk)

**taxation & business advisors**

## REPORTING REQUIREMENTS FOR DIRECTORS

**F**rom the tax year 2025-26 directors of close companies are required to provide additional information in their tax returns, even where no income has been received.

HMRC has updated the self assessment tax return for the tax year just ended (2025-26). The form includes additional boxes on the employment pages (SA102) in relation to close companies.

A company is a 'close company' if it is controlled by five or fewer participators or by any number of participators who are also directors; or if more than 50% of the assets on a winding up would be distributed to five or fewer participators (or participators who are directors). The term 'participator' is used to describe the shareholders and others with a financial interest in the company for example a loan provider.

On the previous form, it was sufficient to tick a box to say that you were a director of a close company during the year. The updated form asks for more detailed

information about each close company directorship, including the company's name and registration number; the amount of dividends received from it (even if this is zero); and the maximum percentage of the share capital held by you during the year.

If you are a director of more than one company, a separate SA102 must be completed for each directorship even where no salary, dividends or other income have been received. HMRC may charge penalties for incomplete or inaccurate returns.

If you are a director of one or more close companies we can help you collate the necessary information to complete the employment pages on your self assessment tax return.

## LOANS TO DIRECTORS: TAX RATE INCREASED

**A**n outstanding loan to a director or shareholder from a close company can trigger a tax charge under Section 455 of the Corporation Tax Act 2010.

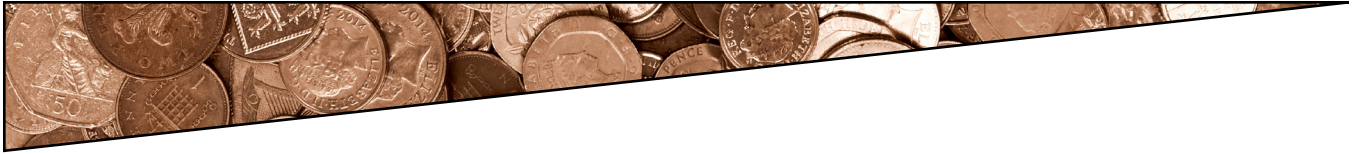
The director's loan account is generally used to account for temporary withdrawals from the business for the director's personal spending. However if the director does not pay the company back within nine months and one day after the company's year end, the company must pay a corporation tax charge known as the s455 charge. This is to prevent owner-managed companies from extracting profits in the form of loans instead of taxable dividends or salary.

For several years the charge has been calculated as 33.75% of the amount outstanding, matching the higher dividend tax rate. Following changes announced in the 2025 Budget the dividend higher rate, and therefore the s455 rate, increased to 35.75% for loans made on or after 6 April 2026.

The s455 charge is paid by the company, not the individual director, but it is usually temporary. If the loan is repaid, released or written off the company can claim a refund of the charge from HMRC. However, writing off a director's loan can have tax implications for the individual.

Where the director is also a shareholder, the write-off is usually taxable as a dividend. The company cannot claim corporation tax relief on the amount written off and the director must report the deemed dividend on their self assessment tax return. If the director is not a shareholder, the write-off is normally treated as employment income subject to PAYE income tax and Class 1 national insurance contributions.





HMRC anti-avoidance rules prevent 'bed and breakfasting' where loans are repaid and immediately redrawn simply to avoid the charge.

difference will be taxable on the director as a benefit-in-kind. The company will also have to pay Class 1A national insurance on the taxable benefit.

If a loan to a director exceeds £10,000 at any point in the tax year it will be treated as a beneficial loan and additional tax rules will apply. If no interest is charged, or interest is below HMRC's official rate of interest, the

With the higher rate now in force for newer loans, it is important to monitor directors' loan accounts closely and maintain accurate records of repayments and balances.

## ARE YOU MISSING OUT ON A PAYE REFUND?

Employees and pensioners are being encouraged to check whether they are due a PAYE tax refund.

HMRC figures suggest that more than 730,000 PAYE refunds went unclaimed last year, with the average repayment worth approximately £855.

PAYE overpayments can arise for a number of reasons. Common examples include being placed on the wrong tax code because HMRC held incorrect income information; changing jobs during the tax year and being paid by two employers in the same month; starting to receive a workplace pension; or receiving employment and support allowance or jobseeker's allowance.

In the past HMRC would often issue PAYE refunds automatically. However since 31 May 2024 taxpayers are generally required to claim any repayment due to them. You can claim a refund through the HMRC app; via online bank transfer; through a personal tax account; or by requesting payment by cheque.

It is worthwhile reviewing your PAYE position, particularly if your employment or pension circumstances changed during the year. We can help review your tax position and assist with making a refund claim.

## TEMPORARY SUMMER VAT RELIEF

The Government has announced a temporary VAT reduction this summer aimed at helping families with the cost of school holiday activities.

Under the new 'Great British Summer Savings' scheme, the standard VAT rate of 20% will be reduced to 5% on selected family-focused goods and services between 25 June and 1 September 2026.

Marketed and sold as children's tickets qualify. However, family tickets that include one or more children will benefit from the reduced VAT rate for the entire ticket price.

The temporary reduction applies to qualifying children's meals, children's cinema, theatre, show and concert tickets, and admission to certain family attractions. Businesses operating in the hospitality, leisure and entertainment sectors should review their pricing and VAT treatment ahead of the changes.

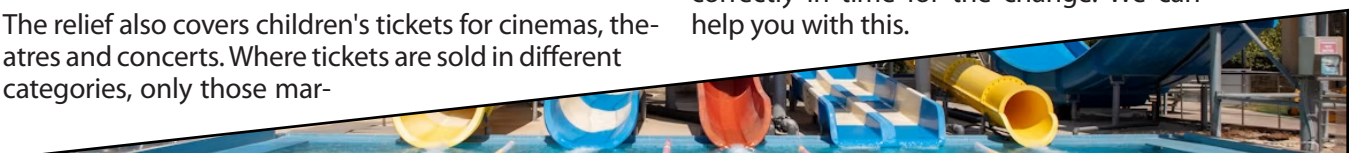
**It is important to ensure that your pricing and VAT accounting systems are updated correctly**

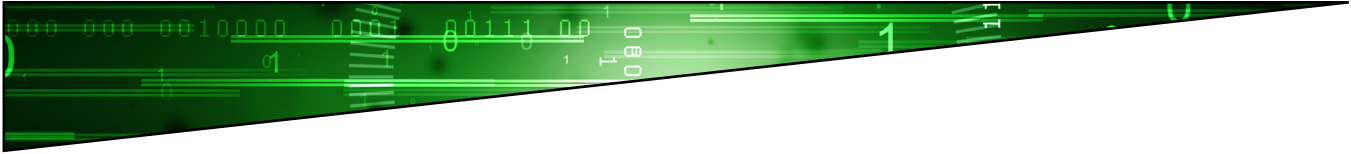
Family attractions such as soft play centres, zoos and water parks may also qualify, regardless of the age of the visitor using the ticket. The relief does not normally apply to season passes or multi-entry tickets extending beyond the relief period, unless they are priced the same as a single-day admission.

For catering businesses, whether a meal qualifies will depend mainly on how it is marketed. Meals listed specifically on a children's menu will qualify for the reduced VAT rate, while smaller portions shown on the main menu will not.

Businesses can choose whether to pass the VAT saving on to customers or retain some or all of it within existing pricing structures. If your business may be affected by these temporary changes, it is important to ensure that your pricing and VAT accounting systems are updated correctly in time for the change. We can help you with this.

The relief also covers children's tickets for cinemas, theatres and concerts. Where tickets are sold in different categories, only those mar-





## MAKING TAX DIGITAL: CEASING TO TRADE

Individuals and landlords with gross income from self-employment and/or property above £50,000 on the 2024-25 tax return are mandated to join Making Tax Digital (MTD) from April 2026. But what happens if that income has ceased by then?

If you completely stopped trading before 6 April 2026, and you have no other qualifying income, you must notify HMRC that although you fall within the MTD for income tax rules from April 2026, your qualifying income ceased before that date. You can do this by phone or by webchat. This will mean that you do not need to sign up for MTD.

Where an individual ceases to trade on or after 6 April 2026, they will need to sign up for MTD and submit quarterly updates until that trade stops. To end your MTD obligations you will need to submit the final quarterly update covering the period in which your income ceased; and declare the business end date on your HMRC services account before the next quarterly update is due. We can help you with this.

You must complete a final self assessment tax return for the tax year in which the income ceased.

If you have any residual qualifying income, even if this is minimal, you will need to remain in MTD for at least three years. For example, if you ceased your sole trade

on 5 April 2026 but you continue to receive rental income of £3,000 per year from a property that you own, you must continue to create digital records and send quarterly updates for the property income, even though it is below the MTD threshold.

If your qualifying income falls below the relevant threshold for three consecutive years, you can choose to continue using MTD voluntarily; or opt out of MTD and submit a self assessment tax return instead.

For example, if you are required to join MTD for income tax in April 2026 you will be able to opt out after the end of the 2029-30 tax year if your qualifying income is:

- £30,000 or less based on your 2025-26 tax return;
- £20,000 or less based on your 2026-27 tax return; and
- £20,000 or less based on your fourth quarterly update for 2029-30.

We have been preparing to help clients navigate MTD for income tax for some time. Contact us to find out what you need to do to meet the requirements.

## PUBLIC EV CHARGING STANDARD-RATED

HMRC has reconfirmed that supplies of electricity for charging electric vehicles (EVs) at public EV charging points is standard-rated for VAT purposes.

Electricity supplied at public EV charging points is subject to VAT at the standard rate of 20%, rather than the reduced 5% domestic rate that often applies to home charging. The clarification continues to create complications for businesses and employees reclaiming VAT on electric vehicle costs, particularly where vehicles are charged away from home.

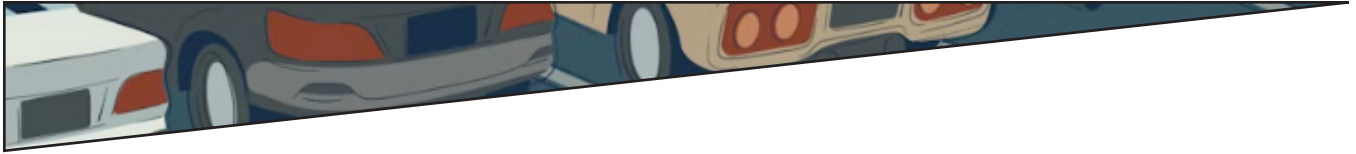
The tax landscape for EVs is gradually becoming less generous. The company car benefit-in-kind (BIK) rate for EVs increased to 4% this year and is set to rise annually, reaching 9% by 2029-30. In addition, electric vehicles are now being brought into the Vehicle Excise Duty (VED) regime through the introduction of EVED charges.

**EVs continue to represent one of the most attractive company car options**

Despite these changes, EVs remain far more tax-efficient than petrol or diesel alternatives for companies and owner-managed businesses. Even with rising BIK percentages, the tax cost for directors and employees using EV company cars is still dramatically lower than for traditionally fuelled vehicles. Combined with lower running costs and favourable capital allowances, EVs continue to represent one of the most attractive company car options currently available.

If you are considering purchasing a car through your limited company, speak to us about the tax implications and potential tax savings.





## APPROVED MILEAGE ALLOWANCE

Employees and business owners could be entitled to an additional £1,000 per year in tax relief for business journeys undertaken in personal vehicles.

If you use your own vehicle for business travel you may be entitled to tax relief to help with the cost of owning and running your vehicle. The mileage allowance is the maximum tax-free amount you can be repaid by your employer, or by your business if you are self-employed.

This change, which has been back dated to apply for journeys made on or after 6 April 2026, is the first increase to the mileage allowance since 2011. The increase only applies for cars and vans; the rates for motorcycles and bicycles remain unchanged.

The Government has increased the mileage allowance for cars and vans by 10p per mile from 45p to 55p per mile for the first 10,000 miles in the tax year. This equates to a maximum of £5,500 (previously £4,500) that your company or your employer can pay you for the first 10,000 miles without incurring national insurance or income tax. The rate for any mileage over 10,000 remains at 25p per mile.

The approved mileage rates for 2026-27 are:

Vehicle type	First 10,000 miles	Each mile over 10,000
Cars and vans	55p (was 45p)	25p
Motorcycles	24p	24p
Bicycles	20p	20p

You can claim the mileage allowance every time you drive somewhere for work in your own vehicle, for example to visit a customer, attend a meeting, or see a supplier but it cannot be claimed for ordinary commuting to and from your place of work. An additional 5p per mile can be paid per passenger, provided that the journey is also business travel for the passenger.

If your employer pays you less than the approved mileage rate, you can reclaim tax on the difference. If you are self-employed you can use the rates as part of the simplified expenses claim on your tax return instead of having to calculate the exact running costs of your vehicle.

## SMALL EMPLOYERS' RELIEF INCREASED

From April 2026 small businesses will benefit from a further increase in small employers' relief.

From 6 April 2026 HMRC will reimburse eligible employers 109% of statutory payments made to employees. The relief is designed to support smaller employers with the cost of payments such as:

ers can reclaim the full amount of statutory payments plus an additional 9% compensation payment. This is an increase from the 108.5% reclaim rate available in 2025-26.

- statutory maternity pay;
- paternity pay;
- adoption pay;
- shared parental pay;
- parental bereavement pay; and
- neonatal care pay.

Larger employers that do not qualify for small employers' relief are generally able to reclaim 92% of most statutory payments made to employees.

The only exception is statutory sick pay which cannot be reclaimed.

Claims are made through payroll software using an employer payment summary (EPS) submission to HMRC. The reclaimed amount is then deducted from PAYE and national insurance payments due to HMRC, helping employers manage the financial impact of statutory leave payments.

To qualify, employers must have paid £45,000 or less in Class 1 national insurance contributions during the previous tax year, before deductions such as the employment allowance are applied. Eligible employ-

Get in touch if you think you might be eligible for the relief and are not already claiming it.