

Close companies directors in focus

Inside...

Payrolling benefits in 2027

Most popular benefits included in first phase

Freelance pensions

Self-employed workers fall behind in pension savings

Graduate debt burden

Plan 2 repayments even higher after threshold freeze



Looking ahead to payrollling benefits

HMRC is now taking a phased approach when it comes to the introduction of mandatory payrollling of taxable benefits.

.....

Simplified first phase

Mandatory payrollling from 6 April 2027 will apply to only the most popular benefits provided by employers; these are also generally the least complicated. The first phase will cover the following benefits:

- company cars and fuel;
- company vans and fuel; and
- private medical insurance and other employer-provided medical benefits.

The reporting requirements have also been significantly simplified following concerns around the opportunity for errors, with the number of required data fields reduced by 75%. The original number of over 100 fields could have easily led to an entire submission being rejected. With payrollling, the taxable value of benefits provided to employees has to be reported via your normal payroll full payment submission (FPS).

Other benefits

All other taxable benefits, with two exceptions, will have to be payrollled from 6 April 2028. The exceptions are employer-provided accommodation and cheap/interest-free loans,

although the intention is that these benefits will also have to be payrollled at some point in the future.

For 2027/28, the P11D process will remain in place for any benefits that are not payrollled either on a mandatory basis or voluntarily. The same applies from 2028/29 onwards, if an employer provides, but does not payroll, accommodation and/or loans.

Voluntary payrollling

Employers have the option of voluntarily payrollling those employee benefits that have not been mandated for 2027/28 – including accommodation and loans.

- Registration for voluntary payrollling must take place before 6 April 2027 prior to the start of the tax year (as is currently required). HMRC will open registration from November 2026.
- For 2028/29 onwards, it will be possible to voluntarily payroll accommodation and loans.

Double bill

The move to mandatory payrollling could mean that employees face having tax deducted for two tax years at the same time, so early communication is key. Any employee facing financial difficulty as a result will be able to ask HMRC to spread the underpayment over more than one tax year.

Self-employed pensions gap

Three-quarters of self-employed people are not saving into a private pension according to a report by the Institute for Fiscal Studies (IFS).

Pension saving is especially low among young workers and people in their first year after moving from employment to self-employment. This compares with four in five employees making regular contributions.

Much of the difference is the result of automatic enrolment of eligible employees by their employers, who also have to contribute to their employees' pensions. Self-employed people have to seek out a suitable scheme and decide how much to put into it – this at a time when they may be putting all their effort, time and financial resources into establishing and building their new business. Among workers aged 31–50, around 38% are paying into a pension scheme in the fifth year of self-employment, a very low figure.

A report by the second Pensions Commission in 2026 points to the challenges people face, citing “longer retirements, slower growth, and falling home ownership. ... Many more will live without the stability that home ownership once offered; and will face higher housing costs than any generation of pensioners before”. The value of the State pension is currently protected by the ‘triple lock’ to which the present government has committed until the end of its term in 2029, but for how much longer?

Personal circumstances will vary but the later you start a pension plan the more you will have to put in to achieve a reasonably comfortable lifestyle in retirement.

Tax relief for pension savings

Pension saving has a great advantage over other forms of saving because of tax relief on contributions. But it is essential always to take good professional advice.

Employees should also review their pension arrangements. A £2,000 cap on salary sacrifice comes into force in April 2029, meaning that contributions over that amount will not save national insurance contributions. HMRC has estimated that 2.9 million employees are expected to reduce their pension savings.

“ *Among self-employed workers aged 31–50, around 38% are paying into a pension scheme in the fifth year of employment, a very low figure.*



Close companies directors in focus

Small companies and their directors have suffered a number of tax rises in recent months and now also face additional onerous reporting requirements both by the company and in individuals' tax returns.

Since April 2025 companies have had to pay national insurance contributions (NICs) at 15% on all remuneration – salary and bonuses – paid to their directors above £5,000 a year, and on most benefits in kind. Many directors who also own their companies have been able to avoid this charge, and the separate employee's NICs on remuneration above £12,570 a year, by paying themselves dividends instead.

From 6 April 2026 the basic and higher rates of income tax on dividends went up by two percentage points, to 10.75% basic rate and 35.75% higher rate. The personal allowance and the basic- and higher-rate thresholds have been frozen since 2021/22 and are now set to remain at their current levels until 5 April 2031, a classic example of a stealth tax.

Because of the NIC burden, paying dividends rather than increasing salary is still more efficient for most directors, but the calculation of the best mix of salary and dividends depends on individual circumstances. Pension contributions and whether the company can claim the Employment Allowance to reduce employer NICs – not available to single-director companies – need to be considered.

Also increased from 6 April 2026 is the rate of tax charged where a close company makes a loan to a director/shareholder – now 35.75% rather than 33.75% before. A close company is broadly a company controlled by directors who are also shareholders, or by five or fewer shareholders. When the loan is repaid (often by way of a dividend) the company can claim repayment of the tax charge.



In addition, directors who receive income from their company in the form of dividends must now show this income in the employment section of their tax return (although dividends are not actually employment income) and give much more detail than previously.

Close company directors must state each company's name and registration number, the amount of dividends received and the percentage of share capital owned. This is required even if no salary or dividends are received.

Additional reporting on the horizon

It may not stop there. An HMRC consultation document published in March 2026 has proposed even more onerous reporting requirements, to enable HMRC fully to cross-reference company information with directors' personal tax returns. HMRC believes that some small businesses are not paying the right amount of tax and a significant reason is "error and evasion in transactions that occur between a company and its owners".

Under the proposed plans companies would have to provide detailed information about transactions between the company and its shareholders. Any new rules are likely to be revealed in the autumn Budget.

As discussed on page 2, the phasing in of compulsory payrolling of some benefits in kind from April 2027 will also affect directors themselves. Instead of reporting benefits to directors annually, the tax and employer's NICs will be paid monthly through the payroll.

All this adds to the complexity and expense of running a limited company rather than self-employment. Limited companies still offer many advantages, but the decision depends on your own circumstances and good professional advice is essential.

News in brief...

Prime Minister Burnham takes office

Following Kier Starmer's resignation in early July, Andy Burnham became Labour leader unopposed and took over as Prime Minister on 20 July. He has stated his primary concern is tackling cost of living concerns, announcing a VAT cut on electricity bills on his second day in power. John Healey has taken over from Rachel Reeves as Chancellor, so we await news on the timing of the next Budget.

Delays at Companies House

Filing deadlines might have been missed due to recent service issues at Companies House, but any penalty issued as a result of a late filing can be appealed. Companies House should now be processing same day transactions as normal.

Advisory fuel rates

With the Middle East conflict continuing to impact oil prices, HMRC's latest advisory fuel rates see large per mile increases for company car users with petrol or diesel vehicles. Liquefied petroleum gas (LPG) rates are also up, but fully electric rates are unchanged.

Changes to voluntary NICs for periods abroad

People going abroad for a fixed time period can no longer pay voluntary class 2 NICs to preserve entitlement to the state pension. New applications to pay voluntary class 3 contributions require ten years of continuous UK residency or at least ten years of paid NICs.



Graduates paying a high price

Many graduates are finding themselves worse off compared with employees without degrees once their 9% student debt repayment is taken into account, despite earning higher salaries.

Graduates pay back 9% of their income over specific thresholds ranging from £25,000 to £33,795 per year.

- For English and Welsh students who started an undergraduate course under Plan 2 (academic years 2012/13 to 2022/23) the repayment threshold increased to £29,385 in April 2026.
- A person without any student debt and earning, for example, £40,000 will take home £32,320 after taxes.
- A graduate earning £1,000 more, but with a student loan on Plan 2, will only take home £31,995. This is because they will also have to repay £1,045 of their loan.

Self-funding

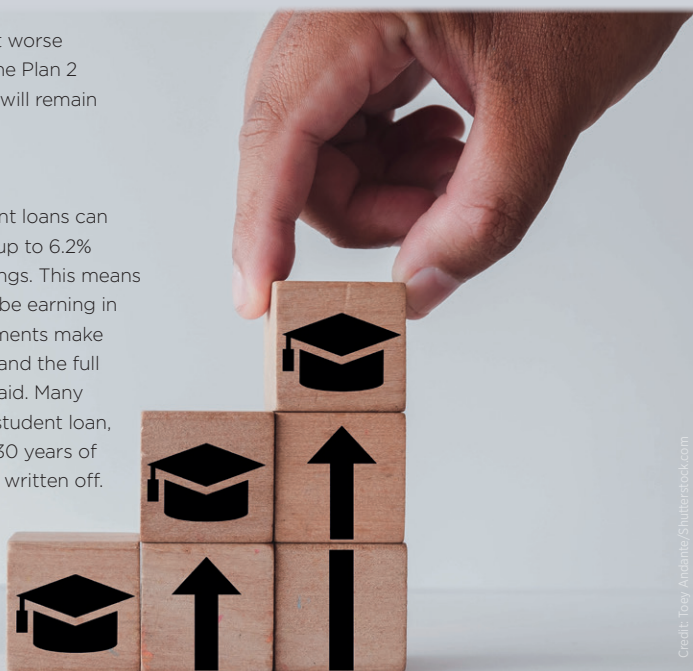
Wealthier parents will want to know whether they should be self-funding their child's university fees and living costs, rather than taking out a student loan (the 2026/27 cohort will be on Plan 5). However, the decision is far from straightforward given that the normal debt rules do not apply here.

For example, parents might pay the full cost of university education thereby avoiding any student debt, but if their child never earns more than the repayment threshold then they will have paid off a debt that would never have been due.

The disparity is only going to get worse for English graduates, because the Plan 2 repayment threshold of £29,385 will remain frozen for the next three years.

Interest implications

Graduates repaying Plan 2 student loans can currently be charged interest of up to 6.2% depending on their level of earnings. This means that a typical graduate needs to be earning in excess of £66,000 before repayments make an impact on their student debt and the full amount of debt is eventually repaid. Many graduates will never repay their student loan, meaning – for those on Plan 2 – 30 years of repayments before the loan gets written off.



Profit and loss reporting for small companies and micro-entities returns

The government has confirmed that micro-entities and small companies will have to file profit and loss (P&L) accounts with Companies House from 2028, but can then choose whether these accounts are made public.

The original intention was that changes would come in from April 2027, but, following stakeholder concerns, reform has been put back to April 2028.

Filing requirements

Both micro-entities and small companies will have to file a P&L account, but there will be the option to opt out of publishing this information on the public register.

- Details of the opt out have not yet been published.
- Even if a company opts out of publishing its profit and loss account, HMRC (as is currently the case) and law enforcement will still have access to help identify fraud and tax evasion.
- Many company owners have been against the change because it will put commercially sensitive information into the public domain, making the opt out option a welcome amendment.
- All companies will have to file their annual accounts using commercial software, which is already the case for HMRC filings. The existing Companies House web and paper-based accounts filing routes are to be closed.

As HMRC already receives a full set of accounts, many may consider the P&L opt out option

somewhat academic but still requiring more time and costs. Companies should ensure that the filing software they use can support the Companies House requirements, as they must also continue to fulfil the existing HMRC filing requirement.

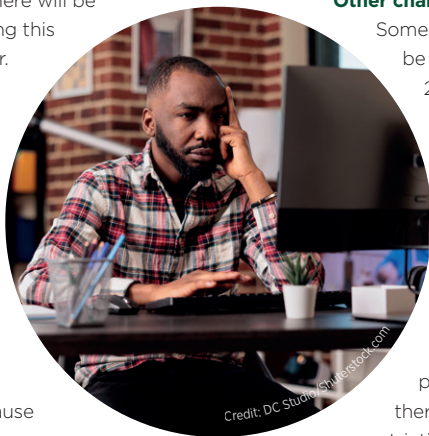
Other changes

Some other reforms will also be brought in from April 2028:

- Companies will no longer be able to prepare and file abridged accounts.
- The number of times a company can shorten its accounting reference period will be reduced; there are currently no restrictions on how often this can be done.

Companies House will contact all companies via their registered email address to tell them about the upcoming changes.

“ *The filing software companies use should support the Companies House requirements, as they must also continue to fulfil the existing HMRC filing requirement.*





Rising fraud – steer clear of scams

Jutharat Jaroenvong/Shutterstock.com

Rising fraud – steer clear of scams

Record levels of fraud, now often aided by the use of artificial intelligence (AI) to enhance convincing scams, mean increased vigilance is more important than ever.

AI is bringing many benefits to individuals and businesses but, as its capabilities and accessibility grow, it is not surprising that criminals are also exploiting its potential. Dealing with finances online and obtaining information from social media leaves people exposed to fraudsters as well as so-called 'finfluencers' – financial influencers – who generally have no professional qualifications. The fraud prevention service Cifas revealed earlier this year that more than 444,000 cases were recorded to the National Fraud Database in 2025, a record high. Nearly three-quarters were linked to identity fraud and facility (account) takeover through use of stolen or compromised personal details.

Criminals can quickly and easily create convincing impersonations, fake documents and false identities. Fraudsters even tried to dupe customers of Coutts bank using the fake firm name 'Coutts Wealth Management', with fake client emails and phone numbers.

Research by Queen Mary University of London found that financial guidance shared by 'finfluencers' on popular social media platforms is generally of low quality. Although people say they verify what they read, many do so only by reading comments on a post. Fewer than 10% of posts from independent content creators stated the creator's relevant expertise.

Earlier this year seven 'finfluencers' were fined at Southwark Crown Court for promoting an unauthorised foreign exchange trading scheme on Instagram. They included TV stars from popular shows and their combined Instagram following was 4.5 million.

You can protect yourself by checking online advice on websites of respectable financial organisations and consulting your own accountants or financial advisers before taking any action. Remember: if it looks too good to be true, it almost certainly is.

HERE TO HELP WITH...

Business and Share Valuations
Business Finance
Business Ownership and Structure Advice
Business Planning
Capital Gains Tax Planning
Corporate Tax Planning
Due Diligence
Entry and Exit Strategies
Financial Forecasting
Inheritance Tax and Estate Planning
Management Information and CRM
Mergers and Acquisitions
Non UK Domicile and Expat Tax Planning
PAYE and Employee Benefits
Personal Tax Management and Planning
Probate Services
Research and Development Tax Relief Claims
Statutory Audits
Succession Planning
Systems Consultancy
Trusts: Planning and Advice
VAT Management

Linden House
Linden Close
Tunbridge Wells
Kent TN4 8HH

01892 514514



www.bsr.co.uk