Newsletter
May 2026

BUSINESS HELP UK group

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In this edition

Dividend Planning – Why It Matters More This Year

With dividend tax rates increasing from April 2026 and the Dividend Allowance remaining at only £500, planning how directors take income is becoming increasingly important.
Many owner-managed businesses continue to rely on dividends as a tax-efficient way of extracting profits, however the gap between salary and dividend taxation is narrowing.

Dividend Tax Rates for 2026/27

Dividend income above the £500 allowance is now taxed at:

- Basic Rate: 10.75%
- Higher Rate: 35.75%
- Additional Rate: 39.35%

The £500 Dividend Allowance remains unchanged.
For many directors, the increase means:

- Higher personal tax liabilities
- Reduced take-home income
- Greater importance on timing dividend payments carefully

Example:
A director taking £40,000 of dividends could now pay several hundred pounds more tax compared to previous years.
Higher-rate taxpayers may see significantly larger increases.

Salary vs Dividends – Getting the Balance Right

For many limited company directors, a combination of:

- A tax-efficient salary, and
- Planned dividend withdrawals

continues to be the most effective strategy.
However, every situation is different and should take into account:

- Other personal income
- Pension contributions
- Student loans
- Child Benefit exposure
- Corporation Tax position

Pension Contributions May Be More Valuable

With dividend tax rates rising, employer pension contributions are becoming increasingly attractive as a tax-efficient extraction method.
These can:

- Reduce corporation tax,
- Build long-term retirement savings,
- And potentially reduce higher-rate tax exposure.

Important Reminder

Dividends can only legally be paid from available profits and should always be supported by:

- Up-to-date management accounts
- Dividend vouchers
- Board minutes

Poor documentation remains a common issue identified during HMRC enquiries.

Planning Early Makes a Difference

Leaving dividend planning until January often limits available options.
Reviewing your strategy now allows:

- Better cash flow management
- Improved tax planning
- Fewer surprises later in the tax year

Mandatory E-Invoicing – UK Businesses Need to Prepare

The UK government is moving towards mandatory electronic invoicing, with proposals indicating wider implementation by 2029.
Although this may seem some way off, businesses that prepare early are likely to benefit significantly.

What Is E-Invoicing?

E-invoicing involves sending and receiving invoices digitally in a standardised electronic format that can integrate directly into accounting software systems.
This is very different from simply emailing PDF invoices.

Why This Matters

The move aims to:

- Reduce VAT fraud and reporting errors
- Improve payment processing
- Increase efficiency for businesses
- Support further digitalisation of the UK tax system

Benefits for Businesses

Businesses adopting digital systems early may benefit from:

- Faster invoicing and payments
- Improved cash flow visibility
- Reduced administration
- Better integration with Making Tax Digital requirements

Tip: Don't Wait Until 2029 to Modernise Your Systems

What Businesses Should Do Now

- Review current invoicing systems
- Ensure accounting software is cloud compatible
- Begin reducing manual invoice processing
- Improve digital record keeping procedures

Umbrella Company & IR35 Reforms

Further reforms surrounding umbrella companies and off-payroll working continue to develop.
These changes may affect:
Contractors
Freelancers
Recruitment agencies
Businesses using temporary workers

Contractors Should Review:

Existing contracts
IR35 status assessments
Umbrella company arrangements
Payslip deductions and employment rights
Early review is strongly recommended as further reforms are expected.

What Is the Concern?

The government is increasing scrutiny over:
PAYE compliance
Worker rights
Tax avoidance within labour supply chains
Potential Risks
Businesses may face:
Increased compliance obligations
Greater responsibility for PAYE deductions
Higher risk of HMRC investigations
Financial penalties for incorrect worker status treatment

Renters’ Rights Bill – What Landlords Need to Know

The proposed Renters’ Rights Bill represents one of the biggest changes to the private rental sector in recent years.

Key Proposed Changes

End of Section 21 Notices

“No fault” evictions are expected to be abolished, meaning landlords will need specific legal grounds for possession.

Periodic Tenancies

Most tenancies are expected to move to rolling periodic agreements rather than fixed-term contracts.

Increased Tenant Protections

The reforms are expected to include:
Stronger rights for tenants
Restrictions around rent increases
Greater property condition requirements

Financial Impact for Landlords

Landlords are already facing:
Higher mortgage costs
Reduced tax reliefs
Increased compliance requirements

Now is a good time to review:

Property profitability
Ownership structures
Long-term investment plans
Record keeping and compliance systems

New GDPR Requirements – June 2026

Businesses should also be aware of updated data protection requirements expected from June 2026.

Areas Receiving Increased Attention

The Information Commissioner’s Office (ICO) continues to focus heavily on:

- Cyber security procedures
- Customer data protection
- Staff training
- Data retention policies
- Use of third-party software providers

Businesses Should Review:

- Privacy policies
- Cookie policies
- Employee data procedures
- Password and access controls
- Data breach reporting procedures

Why This Matters

Even smaller businesses are being targeted by cyber threats and data breaches.
Failure to comply with GDPR obligations can lead to:

- Financial penalties
- Reputational damage
- Loss of customer trust

Now is a good time to carry out a GDPR health check.

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Making Tax Digital - Income Tax

Making Tax Digital for Income Tax has now officially begun for qualifying landlords and sole traders with income exceeding **£50,000**.

Further thresholds are planned in future years:
£30,000 threshold from **April 2027**
£20,000 threshold expected from **April 2028**

Quarterly Reporting

Quarterly reporting of income and expenditure is required every 3 months of a tax year, this may be different to your business year end date.
Each quarterly report will be a cumulative total of income and expenses for the tax year to date. This should avoid the need for the correction to previous updates where errors have been identified.

Finalisation Statement

A finalisation statement is required as well as the quarterly reports. This is required at year end, which is replacing the current annual tax return. It will include any adjustments to quarterly reports and declarations of the amounts of any other income and claims for allowances and reliefs. This continues to have a deadline of 31 January.

You are no longer be able to use the free filing service on HRMC's website if you are enrolled in MTD IT

When is qualifying income determined?

HMRC will look at the tax return that should have been submitted in the January before the tax year being considered
2026/2027 - Qualifying income exceeds **£50,000** on the **2024/25 tax return**
2027/2028 - Qualifying income exceeds **£30,000** on the **2025/26 tax return**
2028/2029 - Qualifying income exceeds **£20,000** on the **2026/27 tax return**
(this is subject to change for 2027/2028 and 202/2029)

Example:
John has gross income declared in 2024/2025 tax return as below;

- £23,000 from rental properties
- £31,000 from self employment

Therefore, total qualifying income is £54,000.

As this is over the £50,000 threshold, he has registered for MTD April 2026.

Software

You are now required to use commercial software that is compatible with MTD IT. The software must be able to:

- Create, store and amend digital records of income and expenditure
- Submit quarterly updates to HMRC
- Submit a finalisation statement at year end

We support clients with this and offer software solutions that we already use successfully within our practice.

If you are managing this yourself, it is important to check with the software provider that the product fully meets your requirements. Remember, the finalisation statement includes other income sources and personal tax information — not just business income and expenses.
It is also important to understand that some software packages complete the full MTD process, while others only handle certain parts of it, so choosing the correct system remains essential.

Landlords

Under the new MTD you are expected to:
- Keep your own digital records (even if your property is owned jointly)
- Submit quarterly updates online to HMRC

If your property is jointly owned, you must include your share of gross property income as qualifying income.

Making Tax Digital - Income Tax

Information required by HMRC

Each quarterly update needs to be submitted to HMRC by the 7th of the month following the end of the relevant quarter.

- **Q1 – 7 August 2026**
- **Q2 – 7 November 2026**
- **Q3 – 7 February 2027**
- **Q4 – 7 May 2027**
- **Final Declaration – 31 January 2028**

You will now have 5 submission deadlines per year.

It must include the period start and end date as well as all income and expenditure that falls within the period dates.

Reporting Categories

Reporting categories include:

Income
Turnover, takings fees, sales or money earned
Full value of all credit or other non-cash retail sales
Any other business income
Rental income
Other income from property
Premiums for the grant of a lease
Reverse premiums and inducements

Expenditure
Costs of goods bought for re-sale or goods used
Payments to sub-contractors
Wages/salaries and other staff costs
Vehicle and travel expenses
Rent, rates, utility and insurance costs
Property/equipment repairs
Office costs including phone and broadband
Advertising
Interest on loans or credit card charges
Professional (legal, accountancy and other) fees

Penalties

Moving in to MTD, we also move into a new regime for late filing and late payments. This means that late filing of quarterly updates or the MTD tax return won't trigger an automatic financial penalty. Instead, you will receive a penalty point, with a £200 penalty being imposed when a certain threshold is reached. Points will also expire after two years if the threshold is not reached, or can be reset after a period of good behaviour if the threshold is reached.

Late payment penalties will also change under MTD, with penalties kicking in at 15 days, then becoming more severe from 30 days onwards.

Common Compliance Risks We're Seeing

Several common issues continue appearing across businesses:

- Falling behind on bookkeeping
- Mixing personal and business spending
- Poor dividend documentation
- Missing VAT registration thresholds
- Inadequate payroll checks
- Weak cyber security procedures

Small compliance issues can quickly become expensive if ignored.

Financial Planning Tips for 2026/27

A few practical steps now can make a major difference later in the year:

- Review profit forecasts regularly
- Monitor cash flow monthly
- Plan tax liabilities in advance
- Keep bookkeeping up to date
- Review pension contribution opportunities
- Ensure software remains compliant with MTD requirements

Good planning reduces stress, improves cash flow and helps avoid unexpected tax bills

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Financial Calendar

May 2026

31 May 2026
Deadline to provide employees with P60s for 2025/26.

July 2026

6 July 2026
Deadline to submit:

- P11D and P11D(b) forms for 2025/26
- Employment Related Securities (ERS) returns

6 July 2026
Deadline to agree PAYE Settlement Agreements (PSA) for 2025/26.

August 2026

1 August 2026
Corporation Tax due for companies with a year end of 31 October 2025.

October 2026

5 October 2026
Deadline to notify HMRC of new chargeability to Income Tax or Capital Gains Tax for 2025/26.
31 October 2026
Deadline for paper submission of 2025/26 Self Assessment tax return.

December 2026

30 December 2026
Deadline for online submission of 2025/26 Self Assessment return if tax is to be collected via PAYE (where tax due is under £3,000 and criteria met).

January 2027

31 January 2027

- Deadline for online submission of 2025/26 Self Assessment tax return.
- Balance of tax due for 2025/26 payable.
- First payment on account due for 2026/27.

February 2027

1 February 2027
Corporation Tax due for companies with a year end of 30 April 2026.

March 2027

31 March 2027
This is an important planning cut-off date for several reliefs:

- Last chance to:
  - Use most 2026/27 tax reliefs before year end
  - Make certain capital expenditure qualifying for full expensing (company year-end dependent)

April 2027

5 April 2027
Last day of the 2026/27 tax year.
6 April 2027
Start of the 2027/28 tax year.
19 April 2027
Deadline for PAYE, NIC and CIS payments (postal).
22 April 2027
Deadline for PAYE, NIC and CIS payments (electronic).
30 April 2027
Deadline for submitting 2026/27 Annual Tax on Enveloped Dwellings (ATED) return (if applicable).

Every Month

1st of the month
Corporation Tax due for companies with a year end nine months and one day earlier.
19th of the month
PAYE, NIC and CIS deductions due (postal payments).
22nd of the month
PAYE, NIC and CIS deductions due (electronic payments).
Quarterly (if applicable)
VAT returns and payments due one month and 7 days after the VAT quarter end.
Quarterly instalments (large companies)
Corporation Tax instalments due for companies within the quarterly instalment regime.

If the due date for payment falls on a weekend or Bank Holiday, payment must be made by the previous working day.
Electronic payments sent using the Faster Payments Service (FPS) are able to clear into HMRC's account on a non-banking day - a Saturday, Sunday and most Bank Holidays.

File accounts with Companies House for private companies with a year ending nine months earlier and for public companies with a year ending six months earlier.

ADDITIONAL IMPORTANT NOTES FOR 2026/27

- CGT Annual Exempt Amount remains £3,000 for individuals.
- Dividend Allowance remains £500.
- Personal Allowance remains frozen (currently £12,570 unless changed in future Budgets).
- Making Tax Digital (MTD) for Income Tax continues to apply to qualifying sole traders and landlords — ensure quarterly reporting obligations are met where relevant.
- Late payment interest and penalties continue to apply for missed deadlines.

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