Spring 2025
Financial and business intelligence
SHIPSHAPE

Change is in the air

New opportunities, big challenges, heartfelt goodbyes, and a bold new beginning...

shipleys LLP

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Managing the rise in employer NICs
Changes to transfer pricing rules
More on IHT and pensions
VAT corner and payrolling answers
R&D tax credits update
Making Tax Digital for Income Tax
The Chancellor's Spring Statement
Latest news on Shipleys' merger with Moore Kingston Smith

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Shipleys LLP is a firm of chartered accountants and business advisers. Shipshape is our regular newsletter for clients and contacts.

Registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

More detailed information on tax changes is available on our website at www.mooreks.co.uk

Shipshape articles are intended to create awareness of issues and specific advice should be obtained before taking action, or refraining from taking action in relation to the topics covered.

Designed and co-edited by thirdperson.co.uk

This Shipshape has been printed on Revive uncoated paper made from FSC® Recycled certified post-consumer waste pulp, manufactured in accordance with ISO certified standards for environmental, quality and energy management. The paper is BRC-certified for storage and distribution and carbon balanced. The magazine has been printed by Woodrow Press which is ISO14001 certified for its environmental management systems.

Carbon Neutral Britain™
CERTIFIED CARBON NEUTRAL BUSINESS

£10,500
maximum employment allowance eligible businesses can claim

< £15m
new turnover threshold for companies to qualify as 'small'

8.5%
new compensation rate for small employers relief for statutory payments

12 weeks
new neonatal care leave and pay for parents

6 April 2026 – Making Tax Digital start date for sole traders and landlords with income of **£50,000+**

62%
of UK organisations facing skills shortages

Striking a balance between affordability and growth

Spring always brings a renewed sense of energy and optimism. Yet for many UK organisations, this season has brought fresh challenges as they continue navigating the tricky balancing act between affordability and growth. It's a tension that enterprises of all sizes are grappling with – and one the Government seems to be wrestling with too.

This issue of Shipshape focuses on that very theme: practical strategies for sustaining growth while keeping an eye on affordability and resilience. From coping with rising costs to planning for future investment, we hope the insights shared across these pages offer timely support.

Higher employment costs
A key challenge, of course, is the rise in employers' national insurance contributions (NICs). Some businesses are also facing rising business rates, as well as the fallout from the new US tariffs.

On page 2, we explore practical ways to manage the additional cost – whether through identifying operational efficiencies, smarter resourcing, alternative remuneration models or making use of available allowances.

Government action
On page 6, we summarise the Chancellor's recent Spring Statement, which set out the Government's efforts to manage this same balancing act. Fiscal caution was evident, and there were moves to tackle public spending and get the UK on a stronger growth trajectory.

Our most recent Shipleys Business Club session explored the issue of what it means to build financial resilience while still pursuing growth ambitions. A few takeaways stood out. Firstly, the businesses best positioned to grow in today's climate are those that develop robust financial strategies and regularly stress-test their financial models.

Secondly, businesses with a firm grip on costs and cash flow and which empower their people to identify efficiency gains are also more likely to succeed.

Thirdly, while its tempting to focus on the short-term when times are tough, it's essential also to maintain a long-term focus. That means investing time to leverage finance options, diversification or strategic partnership opportunities to strengthen sustainable resilience and growth. Read more at *https://tinyurl.com/2sfzcxj2*

Upskilling, engagement and productivity
Alongside managing costs, retaining and developing skilled people is another area where investment feels essential. As we cover on page 10, upskilling teams is not just a 'nice to have' – it's a key driver of productivity and competitiveness. From another Business Club discussion this year, we've highlighted some practical and affordable tips to help teams enhance their capabilities, become more productive and stay motivated.

Staying compliant in a changing landscape
With ongoing cost pressures for both businesses and individuals, it's vital to remain alert to the increasing pace of regulatory and tax change. This issue includes several important updates across areas like transfer pricing (page 3), payroll (page 5) and personal tax (page 7). Staying compliant avoids costly penalties and gives everyone the clarity they need to plan with confidence.

Looking ahead: a new chapter
On the subject of change, Shipleys is now just days away from rebranding fully to Moore Kingston Smith on 6 May. It's an exciting milestone and one we've been preparing for carefully. I'd like to sincerely thank everyone – across both firms – who has worked tirelessly behind the scenes to make the transition as seamless as possible. You'll find an update on page 9.

This, as it happens, is my final leader for our final edition of Shipshape. On behalf of all the magazine's production teams, it's been a privilege to share insights with you through these pages over the years. I'm immensely proud of how this publication has helped keep our clients and contacts informed through decades of dramatic change in the world of business and finance.

Rest assured that while Shipshape may be retiring, our commitment to keeping you informed is not. Under the Moore Kingston Smith brand, we will continue to share timely advice, insights and practical tips via their website (mooreks.co.uk), e-bulletins and webinars.

Thank you for reading – and for your continued trust and support. We look forward to supporting you in this next chapter.

Steve

Navigating the higher employment costs

Top tips for mitigating the higher rate of employers' national insurance contributions while still positioning your business for sustainable growth.

Most UK businesses now face an increased cost burden with the rise in employers' national insurance contributions (NICs). This is leaving many wondering how best to manage higher costs while sustaining growth.

Strategic financial planning, driving cost efficiencies and leveraging available tax allowances can help businesses adapt without compromising their staff retention or expansion plans.

What are the new rates?

From 6 April 2025, the employers' NICs rate increased from 13.8% to 15%, while the earnings threshold (after which contributions start) dropped from £9,100 to £5,000.

Reviewing operational costs for efficiency

One of the most effective ways to offset higher NICs is to conduct a thorough review of operational expenses. Identifying inefficiencies and reducing unnecessary costs can also free up capital.

Assessing supply chain and procurement costs is a good starting point. Renegotiating contracts with suppliers, exploring alternative vendors and streamlining procurement processes can help to secure better rates and overall savings.

Energy efficiency is another potential area of focus to help reduce costs. Reviewing energy usage and switching to more cost-effective suppliers can significantly lower expenses over time. Similarly, businesses should periodically audit their use of digital tools, software licences and subscriptions to eliminate redundant or underutilised services that may be draining resources.

Preserving staff retention

To maintain performance and support growth plans, most businesses will want to preserve and enhance their workforce productivity. Investing in staff training, outsourcing, automation and digital tools can all improve efficiency. This investment can also reduce the need for additional hires and the increased payroll costs they bring.

Another consideration is salary sacrifice schemes, which can reduce the NICs liability for both the employer and employee. Under these schemes, an employee gives up part of their salary in exchange for certain benefits, such as pension contributions or a low emission/ electric car.

The value of reinvesting in staff development and wellbeing shouldn't be underestimated. Prioritising employee training, wellbeing and other retention strategies can yield significant long-term benefits in productivity and efficiency. Examples here include additional paid time off or offering more flexible working hours.

Making the most of tax allowances

Taking full advantage of available allowances can help businesses reduce their overall tax liability, which in turn creates room to absorb the higher employment costs. Capital allowances enable businesses to invest in qualifying plant, machinery and business assets to offset taxable profits. The annual investment allowance remains a valuable tool for businesses looking to invest in equipment while reducing their tax exposure.

The employment allowance is another helpful consideration. Eligible businesses can now claim £10,500 per year (previously £5,000). The eligibility threshold has also been removed as (previously) only employers with a total NICs liability below £100,000 in the prior year could claim the allowance. Learn more from the gov.uk website at *https://tinyurl.com/yh3jk8nk.*

Finally, don't forget that research and development tax credits can be financially beneficial for businesses investing in innovation. The credits allow them to claim back a portion of their qualifying expenditure and reduce their overall tax burden.

Fulfilling your growth plans

Rather than scaling back operations, many businesses will want to continue to pursue their growth ambitions. Helpful approaches here might include:

- Considering a strategic restructuring of the business – for example, to be more tax-efficient.
- Running investment and cash-flow projections and planning for different scenarios to keep plans and timescales on track.
- Exploring government incentives, such as grants, tax reliefs and support, as these can provide a useful financial cushion.

Seeking investment through private equity, venture capital or alternative lending sources may offer additional funds to help manage increasing staff costs and facilitate growth.

Looking ahead

Adjusting to higher employers' NICs requires a proactive approach. By streamlining costs, leveraging tax efficiencies and exploring new financial arrangements, businesses may be able to mitigate the impact of increased employment costs, while positioning themselves and their teams for sustainable growth.

If you would like further help navigating the new employers' NIC landscape, talk to your usual Shipleys contact. There are also further insights at Moore Kingston Smith's Insights pages *https://tinyurl.com/ye23f2vt* and in particular *https://tinyurl.com/yaandzez* and *https://tinyurl.com/yc22snun.*

Are you ready for potential transfer pricing reforms?

Changes being proposed by the UK government could mean extra documentation for businesses if they want to stay compliant

Possible reforms to the UK's rules on transfer pricing (TP) could mean more businesses come within the scope of the regime, forcing them to meet new compliance requirements to avoid tax penalties.

TP refers to the common requirement of national tax authorities that exchanges of goods and services between connected parties are priced at market value – as if they were conducted between independent entities. This is known as the arm's-length principle.

In theory, the TP rules exist to stop multinational corporations allocating earnings among their various subsidiaries or sister organisations to cut their global tax liability by shifting profits to lower-tax countries.

UK entities that are part of a small or medium-sized consolidated group are currently generally exempt from TP rules, but those that are part of larger groups and certain medium-sized companies (for example, those transacting with entities in non-qualifying territories) must comply.

Lowering exemption thresholds

A medium-sized business is currently defined as a business with fewer than 250 employees that has an annual turnover of less than €50m and/or a balance sheet total of less than €43m.

However, the UK government has announced it will engage in consultation this spring that includes plans to lower the thresholds for TP exemption for medium-sized businesses. This would mean many more organisations would need to prepare formal TP documentation.

HMRC's Guidelines for Compliance 7 (GfC7) state that these organisations would then be expected to show that their interactions with connected parties adhere to the arm's length principle by keeping documentation called 'a local file', which details intercompany transactions and the pricing of them.

The expansion of the UK TP regulations will have a significant impact on businesses because of the time and resources needed to adhere to the compliance requirements, so businesses should keep a close watch on the consultation process to ensure that they're prepared for the changing thresholds.

Other potential changes include:

- the removal of UK-to-UK TP
- a new requirement for multinationals within the scope of TP to report cross-border-related party transactions to HMRC
- a review of the current TP arrangements for group companies sharing the costs and benefits of developing intellectual property
- a review of current TP arrangements for group companies sharing the costs and benefits of marketing and distribution.

Risks due to misunderstandings

Misunderstandings about TP rules were already exposing some UK businesses to the risk of tax penalties before these latest proposals.

Whether your company is a UK member of a multi-national group with global revenues exceeding €750 million, or a smaller UK entity conducting transactions with connected parties, ensuring that TP policies adhere to arm's-length principles is critical for managing tax risks and avoiding penalties.

Tax authorities around the world generally require qualifying businesses to produce TP reports, which set out inter-company pricing for goods and services and explain how that pricing is calculated.

For accounting periods starting on or after 1 April 2023, UK members (regardless of size) of multi-national groups with global revenues exceeding €750 million must prepare and maintain (or have access to) documentation in the format prescribed by the Organisation for Economic Co-operation and Development:

- **a master file** providing an overview of the group's global operations and TP policies
- **a local file** detailing specific intercompany transactions undertaken by the UK entity.

Failure to maintain and provide this documentation upon HMRC's request can result in penalties of up to £3,000, plus additional penalties if a tax shortfall is identified.

Even if your group's global revenues do not exceed €750 million, the UK's current TP rules may still apply. HMRC expects all UK entities within the scope of TP, whether formally required to maintain master and local files or not, to ensure their connected party transactions reflect arm's-length pricing and maintain records to evidence this.

Find out more via ***https://tinyurl.com/33pe6ekw***

Time to review your R&D tax relief strategy

Reforms to the R&D tax relief scheme, coupled with an HMRC clampdown on fraud and compliance errors, mean businesses should be proactive in reviewing their approach if they don't want to miss out on the reliefs available in 2025 and beyond.

As a reminder, here are the key R&D tax changes, which have been effective for accounting periods beginning on or after 1 April 2024.

- R&D expenditure credit (RDEC) and the small or medium enterprise (SME) schemes have been merged, with the relief rate under the combined new regime set at 20% – an effective rate of 16.2% for companies subject to the standard corporation tax rate.
- Loss-making, R&D-intensive SMEs now qualify for enhanced relief (ERIS) once they allocate 30% of their total expenditure to R&D (reduced from 40%.)
- Tax relief is now generally restricted to R&D activities conducted within the UK, although there are some exceptions.
- Businesses can claim tax relief for the costs associated with contracted-out R&D, provided certain conditions are met.

With these changes in mind, and to stay compliant with the rules, here are some tips:

1. **Review eligibility** – understanding the qualifying criteria is crucial for effective planning and compliance. A good place to start is the gov.uk website at *https://tinyurl.com/y8chbyvx*
2. **Evaluate R&D expenditure** – with territorial restrictions, companies must assess the location of their R&D activities and whether re-shoring them within the UK is beneficial.
3. **Review contractual arrangements** – companies should analyse R&D contracts to assess if they meet the new criteria and the extent to which they can be restructured on more favourable terms.
4. **Maintain comprehensive documentation** – this supports claims and ensures compliance with HMRC requirements.
5. **Get expert advice** – seeking advice from tax professionals with expertise in these complex R&D tax relief rules will provide valuable insights. Complementing Shipleys' expertise, Moore Kingston Smith's specialist R&D team can also assist you in navigating the changes, preparing robust, optimised claims and ensuring you secure the reliefs available to you. Visit: *https://tinyurl.com/ju756y58*

New company size limits impact audit exemption

Changes to UK company size definitions are now live and will affect whether companies or limited liability partnership are eligible for audit exemption.

Effective for accounting periods commencing on or after 5 April 2025, the new size limits are defined by turnover, total gross assets (referred to in the legislation as balance sheet total) and employee numbers, as shown in our table.

Company size	Criterion	New threshold	Previous threshold
Micro	Turnover not more than:	£1 million	£632k
	Balance sheet total not more than:	£500k	£316k
	Employees not more than:	10	10
Small	Turnover not more than:	£15 million	£10.2 million
	Balance sheet total not more than:	£7.5 million	£5.1 million
	Employees not more than:	50	50
Medium	Turnover not more than:	£54 million	£36 million
	Balance sheet total not more than:	£27 million	£18 million
	Employees not more than:	250	250

The updated size categories directly affect audit exemption, with only businesses qualifying as 'small ' able to apply for exemption from statutory audit. This is also provided they meet other conditions, such as not being part of a larger group.

Understanding the implications of these changes can be surprisingly complex. Here are some key considerations.

1. **Review your status** – to clarify if your company qualifies for audit exemption.
2. **Consider group dynamics** – if part of a larger group, apply the new limits to consolidated figures, considering intergroup eliminations.
3. **Check exclusions** – certain industries remain ineligible for audit exemption regardless of size.

For more information talk with your Shipleys contact or see the gov.uk website at *https://tinyurl.com/4szjpvv5*

VAT corner

A round-up of useful updates

HMRC clampdown
HMRC is increasing its scrutiny of VAT returns and taxpayers after the government announced it will make tax compliance a high priority.

We're seeing plenty of evidence of the VAT clampdown that was announced at the Budget in October and businesses should ensure they're ready for VAT inspections (in person as well as online) by understanding HMRC's powers to access records and how the process works.

Moore Kingston Smith provides a guide with practical, pragmatic and clear information plus tips about how to deal with HMRC, including inspections. Download the guide at: ***https://tinyurl.com/3wkbz4nx***

Virtual events in Europe
A change in VAT rules for virtual events in Europe could mean UK businesses face potential double taxation.

As of 1 January this year, business-to-consumer (B2C) services for all virtual events will be taxed depending on the consumer's location. Following Brexit, this means UK businesses could have to pay both EU and UK VAT if they have customers across Europe, as well as extra administrative costs.

To reduce the possible impact of the tax change, businesses could file individual VAT returns or utilise the VAT one-stop-shop scheme, allowing for registration through one member state.

Private school fees update
Private school fees have been subject to the standard 20% VAT charge since 1 January this year and that's had a negative impact for some schools.

Of those schools that were quick off the mark in applying for VAT registration before 1 January, some are finding that the HMRC system is logging a requirement to file a VAT return before the school has received confirmation of its VAT number. As a result, some are filing the return late. Repeated late filing of VAT returns can lead to financial penalties.

We continue to help schools with the VAT changes, and there is also guidance about registering for VAT on the gov.uk website at ***https://tinyurl.com/mr9efj42***

Payroll answers

Answering your payroll questions

New hours of work regime ditched
Employers won't have to provide more detailed employee hours data to HMRC after the government listened to warnings from businesses about the administrative burden the new requirements would bring.

The new regime for reporting hours through the PAYE (pay as you earn) real time information return was to be introduced from April 2026.

Employment allowance changes 2025/26
More eligible businesses will be able to claim the employment allowance (EA), and at an increased amount, after rule changes came into effect this April.

The EA reduces employers' national insurance contributions (NICs) liability but was previously restricted to businesses with a bill for NICs of less than £100,000 in the previous tax year.

From 6 April this year, that £100,000 threshold has been removed, and the maximum amount of EA employers can claim has increased from £5,000 to £10,500.

Small employers relief
From 6 April 2025, the compensation rate for small employers relief (SER) for statutory payments has increased from 3% to 8.5%. This is good news for smaller businesses, following the increase in employers' NICs that went live on 6 April, with the secondary threshold reduced to £5,000 and the NICs percentage rate now at 15%.

Payrolling benefits in kind reminder
Payrolling benefits in kind, which is available to employers who have already registered with HMRC, will be compulsory for all from April 2026.

Employers should familiarise themselves with the process of payrolling benefits in real time before the change comes into effect and communicate these changes to employees.

For employers who do not yet payroll, the deadline for reporting P11D expenses, and benefits in kind provided in the 2024/25 tax year, is 6 July 2025.

For more information contact our Payroll Team.

Chancellor to crack down further on tax evasion

HMRC will recruit hundreds more compliance staff and its use of third-party debt collection agencies will be expanded.

Instead of new tax increases, it was measures to tackle tax evasion that were among the key announcements in Chancellor Rachel Reeves's Spring Statement.

The Chancellor said the government would continue to invest in HMRC's capacity to check up on tax compliance. Along with a package of other measures outlined in last year's Budget, the Chancellor said the total revenue raised from reducing tax evasion would be £7.5bn.

Tax debt collection
Additional funding will be provided to increase HMRC's debt management capacity by expanding the use of third-party debt collection agencies, the Chancellor said.

Furthermore, HMRC will recruit an extra 500 compliance staff, starting in April 2025, and 600 more debt management staff, starting in April 2026. Together, these moves alone are projected to raise an extra £810 million by 2029/30.

Increase in late payment penalties
Late payment penalties for VAT and for individuals who have volunteered early for the 'beta' testing of Making Tax Digital (MTD) for Income Tax will increase from April 2025. The new rates will be:

- 3% of the tax outstanding where tax is overdue by 15 days
- 3% where tax is overdue by 30 days
- 10% per annum where tax is overdue by 31 days or more.

The higher penalties are projected to raise £125 million by 2029/30.

Expanded rollout of MTD for Income Tax
From April 2028, MTD for Income Tax will apply to taxpayers with trading or property income over £20,000. The threshold from April 2026 is £50,000 – dropping to £30,000 in April 2027. This is projected to generate £120 million in 2029/30. (See more on MTD for Income Tax on page 7.)

ISAs
Options for reforms of individual savings accounts (ISAs) "that get the balance right between cash and equities to earn better returns for savers" are being examined by the Treasury, it was announced in the Spring Statement.

Home Office fees
A range of Home Office fees went up on 9 April 2025, following the Spring Statement. These included fees for electronic travel authorisation (ETA), visas, sponsorship, immigration, nationality and passports.

The level of increases ranges from 5% for some visas to 120% for certificates of sponsorship. These increases are projected to produce £400 million additional income by 2029/30.

Further information
For a full overview of Shipleys' coverage of the Spring Statement, visit *https://tinyurl.com/523cr4z9*

If you wish to discuss how the Spring Statement impacts you, please do talk with your usual Shipleys contact.

More payroll news...

New neonatal entitlement
Employers should be aware that a new statutory entitlement to neonatal care leave and pay came into effect on 6 April.

This will provide employed parents whose babies are admitted to neonatal care with a day-one employment right to take up to 12 weeks off work, depending on the length of time their baby is in neonatal care. Eligible parents will also be entitled to up to 12 weeks of statutory pay.

P11D and P11D(b) deadlines
Employers who do not yet payroll, should also remember that the deadline for reporting P11D(b) Class 1A national insurance contributions, P11D expenses, and benefits in kind provided in the 2024/2025 tax year, is 6 July 2025.

Your P11Ds and P11D(b) must be filed online and at the same time. Late submission may result in a penalty. HMRC charges penalties monthly and issues penalty notices each quarter until you file your return.

Non-doms tax regime rethink

A new tax regime governing how foreign income and assets are taxed for non-domiciled individuals (non-doms) living in the UK has now come into effect – but with some important last-minute changes.

A big shake-up of the UK's tax rules for non-doms went live on 6 April 2025. Under the now defunct tax system, non-UK domiciled individuals who were tax-resident in the UK could choose to pay UK tax only on the foreign income or gains they bring into the UK. That arrangement has now been swept away by a new set of rules: the foreign income and gains (FIG) tax regime.

Under the FIG set-up, non-doms who have not been UK residents for any of the previous 10 consecutive years can benefit from a full exemption on their foreign income and gains (including non-UK trust distributions) for the first four years after becoming UK residents.

After these four years, non-doms will become fully taxable in the UK on all income and gains, regardless of where they are sourced.

Late amendments

However, late amendments to the Finance Bill meant some other FIG measures were tweaked. The temporary repatriation facility rules, which allow foreign income or gains previously untaxed in the UK to be remitted at preferential tax rates of 12% in the first two years and 15% in the final year, have been expanded to include provisions in relation to income and gains of offshore trusts, together with various clarifications.

Not all concerns over the legislation put forward have been addressed, and it is hoped that some retrospective changes will be made in the future.

There's also a change relating to inheritance tax (IHT), which under the new FIG rules also shifted to a residence-based system. It had been proposed that individuals who had been UK residents for 10 out of the past 20 tax years would face IHT exposure on all non-UK assets and settlor interested trusts, which wasn't previously the case.

Instead it has been clarified that certain trusts with non-domiciled settlors and non-UK assets as at 30 October 2024, will remain outside of IHT.

Get ready for Making Tax Digital for Income Tax

It's now less than a year before the first tranche of sole traders and landlords move to a new reporting system for income tax as part of HMRC's Making Tax Digital (MTD) programme.

MTD, which has already been rolled out for VAT, is intended to improve the accuracy of business records and help ensure that individuals pay the right amount of tax. MTD for Income Tax only applies to individuals with self-employment and/or property income and is being implemented in stages:

- from 6 April 2026, if annual self-employment and property income (taken together) exceeds £50,000
- from 6 April 2027, if annual self-employment and property income exceeds £30,000.

As announced in the Chancellor's Spring Statement, the threshold will reduce further, bringing those with income over £20,000 into the regime from April 2028.

Other types of income – including employment and pension income and partnership income – are not taken into account, and MTD for Income Tax will not change how tax liabilities are calculated or when payments are due.

Once within MTD for Income Tax, individuals will have to keep digital records and provide quarterly updates of their self-employment and property income and expenditure to HMRC.

Quarterly updates do not need to include accounting or tax adjustments, such as claims for capital allowances.

Instead, these can be made after the end of the tax year, when final business and property income figures will be reported alongside non-MTD income and expenses in a process similar to the current tax return.

Whether an individual is in MTD for Income Tax from April 2026 will depend on the figures reported on their 2024/25 tax return (due by 31 January 2026). To help individuals get ready, HMRC is currently writing to those whose 2023/24 returns showed relevant income over £50,000 to make them aware that they are likely to be affected.

Rule changes make financial planning for your estate all the more important.

IHT and unused pension funds

Financial planning for the future is even more important now that unused pension funds will form part of a person's estate for inheritance tax (IHT) purposes.

These changes, effective from 6 April 2027, will mean that more estates will become large enough to be subject to paying IHT.

In addition, more estates may now exceed a valuation of £2m – meaning that the residential nil rate band allowance (set at £175,000 per person) is tapered and eventually lost altogether once an estate exceeds £2.35m.

So, thought should be given to using the available reliefs to ensure more of your estate is passed on to your loved ones. Planning strategies can include:

- Gifting up to £3,000 in any tax year.
- Paying into an ISA or pension for children or grandchildren but remember there are potential capital gains tax consequences for gifts like shares or land.
- Using available exemptions like 'normal expenditure out of income' – for example, paying for a grandchild's school fees
- Making gifts to a trust or charity – you can give up to £325,000 to a trust every seven years without having to pay IHT, but if you die within seven years of making the gift it will affect the IHT payable on your estate.
- Reinvesting into assets attracting business relief – although that is going to be less valuable with the new £1m limit on 100% relief from April 2026.
- Paying into pensions, but bear in mind possible income tax consequences.
- Taking out life insurance, which can cover potential IHT costs.

It's worth bearing in mind that if a pension fund is transferred to a spouse or civil partner it is exempt from IHT.

Another important note is that a pension containing agricultural or business property worth up to £1m will not benefit from the new 100% IHT exemption rule as the nature of assets held in a pension are not relevant for IHT purposes.

If you would like to discuss your IHT arrangements, please talk to your usual Shipleys contact.

Furnished holiday letting tax scheme end brings mixed results

Landlords will find the 6 April abolition of the furnished holiday letting (FHL) scheme has brought both positive and negative impacts for property income and gains.

Negative

- Relief for finance and mortgage interest costs reduced to 20%.
- Capital gains tax at the 24% residential property rate, with no 10% business asset disposal relief rate, and no 'rollover' of gains.
- Income will no longer count as 'net relevant earnings' for pension contribution purposes.
- Landlords will no longer be able to claim capital allowances.

Positive

- FHL losses can now be set against other types of property profits and vice versa.
- Brought forward FHL losses can be claimed against future profits of a property business.
- Landlords can claim replacement of domestic items relief (although this isn't as generous as the capital allowances regime).

Increase in late payment interest charge

An additional 1.5% interest has been charged by HMRC on late payment of tax since 6 April this year. The new interest rate is the Bank of England (BoE) base rate plus 4%.

There has been no corresponding rise in the repayment interest paid on tax overpayments, which remains at the BoE base rate minus 1% with a minimum of 0.5%.

HMRC is reviewing the penalty regime for taxpayers who have to comply with Making Tax Digital (MTD) for income tax from April 2026.

Another change that went live on 6 April affects the official rate of interest that's used for tax calculations on certain employment benefits, such as company loans and employer-provided accommodation.

This rate had previously been fixed for an entire tax year but it will now be reviewed quarterly in April, July, October and January. The rate from 6 April until 6 July has been set at 3.75%.

Our rebrand to Moore Kingston Smith

We're excited to announce that from 6 May, Shipleys LLP will switch over to the Moore Kingston Smith LLP name and brand.

We've been delighted by the positive response from clients and contacts since we announced the merger in October. Over recent months, both firms have been busy preparing and working hard to integrate our teams smoothly.

On 6 May 2025, Shipleys will become part of Moore Kingston Smith in name and brand. Here, we explain what you can expect.

MOORE Kingston Smith

Service continuity

Rest assured your day-to-day contacts at Shipleys will stay the same and will remain fully committed to delivering the high-quality service and industry expertise our clients and contacts value.

When it comes to emails, our new addresses will end with the @mks.co.uk domain name. Look out for emails with this new suffix and be assured they are not spam. Our offices and direct dial phone numbers will remain the same.

The merger has expanded our London presence. Our colleagues in the capital will be working between Shipleys' Orange Street office, as well as Moore Kingston Smith's Appold Street and Gresse Street offices. If you are due to attend in-person meetings, they will advise you of the office location. Our colleagues based at the Godalming office will continue to work from there as usual.

Terms of engagement will remain unchanged; however, they will be formally issued under the Moore Kingston Smith banner in the coming months.

Additional expertise

A big attraction of the merger is the additional expertise and services it enables us to offer our clients. This includes HR consultancy, employer services, digital transformation and research and development tax relief support – to name but a few.

In addition to bolstering our specialist sectors, Moore Kingston Smith specialises in a number of other industries. Find out more about our now broader service and sector offering via *https://mooreks.co.uk/* or by chatting with your Shipleys contact.

Furthermore, Moore Kingston Smith is part of a national and international network of accountants (Moore UK and Moore Global). This gives our clients access to even wider resources and international reach.

Helpful insights, tools and events

While Shipleys' website and publications will cease, Moore Kingston Smith produces an impressive array of resources for businesses and individuals.

The insights section of the Moore Kingston Smith website holds an extensive range of useful content for both businesses and individuals. Also on the website, via the insights section, the Enterprise Hub features topical webinars backed up by a wealth of helpful advice on building a business and helping it reach its full potential.

A range of specialist sector teams – such as media, property, financial services, technology and nonprofit – regularly issue e-bulletins. You can sign up to these by subscribing here *https://tinyurl.com/49jwrch2*

On social media, our Business Club LinkedIn Group will rebrand and remain. If you follow the Shipleys LinkedIn page, it will switch across to Moore Kingston Smith's page at *https://tinyurl.com/2fd2hv3s* You can also follow their media-specific page at *https://tinyurl.com/mrykte3m*

Moore Kingston Smith also publishes on X (formerly Twitter), YouTube and Instagram.

Thank you for your patience over recent months as we have worked hard to integrate smoothly with Moore Kingston Smith.

If you have any questions, please get in touch with your usual Shipleys/Moore Kingston Smith contact.

Affordable strategies to beat the skills shortage

Sixty two per cent of UK organisations are currently facing skills shortages, according to the British Chambers of Commerce, making the nurturing and development of people with the right skills more important than ever.

With financial pressures like rising national insurance costs, many businesses will be looking to adopt cost-effective upskilling strategies for their teams. Suggestions discussed by our first Business Club meeting of 2025 included:

- **Align skills with business goals** to ensure that training supports the organisation's overall strategy.
- **Allocate enough time** for skill development within daily operations.
- **Share learning and best practices** by, for example, getting high performers to mentor colleagues.
- **Focus on long-term benefits** rather than short-term costs to identify highly effective training.
- **Foster the right culture** so that employees are encouraged to continually learn and improve.
- **Get external help** by collaborating with other businesses and/or making use of cost-effective resources available through industry bodies, such as the Federation of Small Business knowledge hub.

Personal learning and development play a crucial role in addressing skills gaps, so our Business Club members also shared some tips on this:

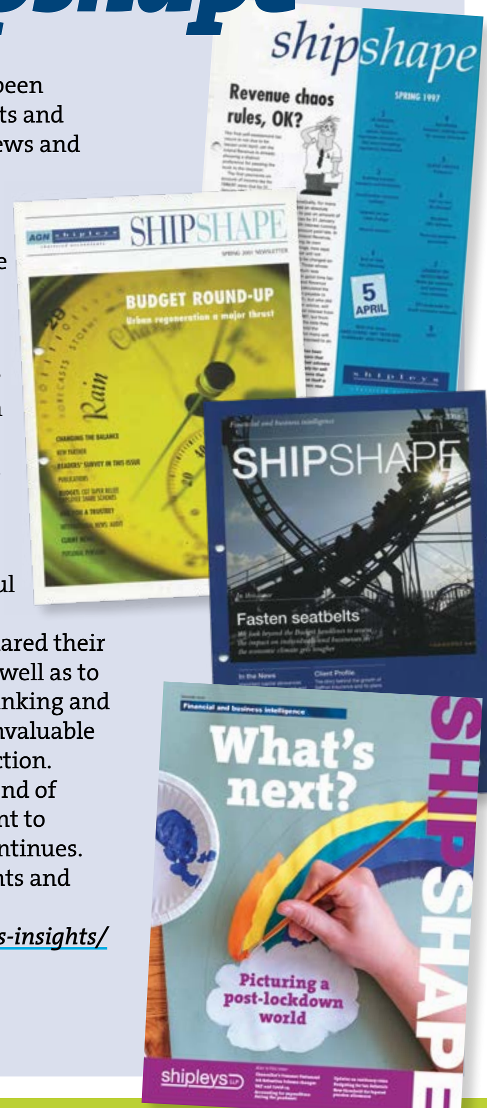
- **Break it down** – divide skill-building goals into manageable steps and ringfence time for them.
- **Get feedback** – find a mentor to review progress and offer advice.
- **Use different learning methods** – try online courses, apps, hands-on practice, mentorship and so on until you find the approach that works best for you.
- **Ask for help** – draw on your colleagues and industry bodies for insights and support.

Members also pinpointed several useful government initiatives that support skills development. These include:

- Department for Education's Employer Standards for Careers Education connects businesses with schools and colleges.
- The UK government's search service for grants at *https://tinyurl.com/52msrhmv*
- Many local councils run courses and skills development as part of their broader support for businesses.

From 6 May you can find out more about our Business Club events via the Godalming office page on the Moore Kingston Smith website at *https://tinyurl.com/mry439cy*

A fond farewell to *Shipshape*



For decades, Shipleys has been dedicated to keeping clients and contacts informed with news and expert advice on the pages of our popular publication, *Shipshape*. With our rebrand to Moore Kingston Smith on 6 May, this marks the final edition.

Our original newsletter was renamed *Shipshape* in 1996. Since then, the magazine has evolved and adapted to the rapidly changing landscape of business and finance.

We're incredibly grateful to the many Shipleys professionals who have shared their insights along the way, as well as to Thirdperson, Extended Thinking and Woodrow Press for their invaluable contributions to its production.

While this may be the end of *Shipshape*, our commitment to sharing tips and advice continues. You'll find the latest insights and practical guidance at *https://mooreks.co.uk/mks-insights/*

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