

February 2026

# Tax Navigator

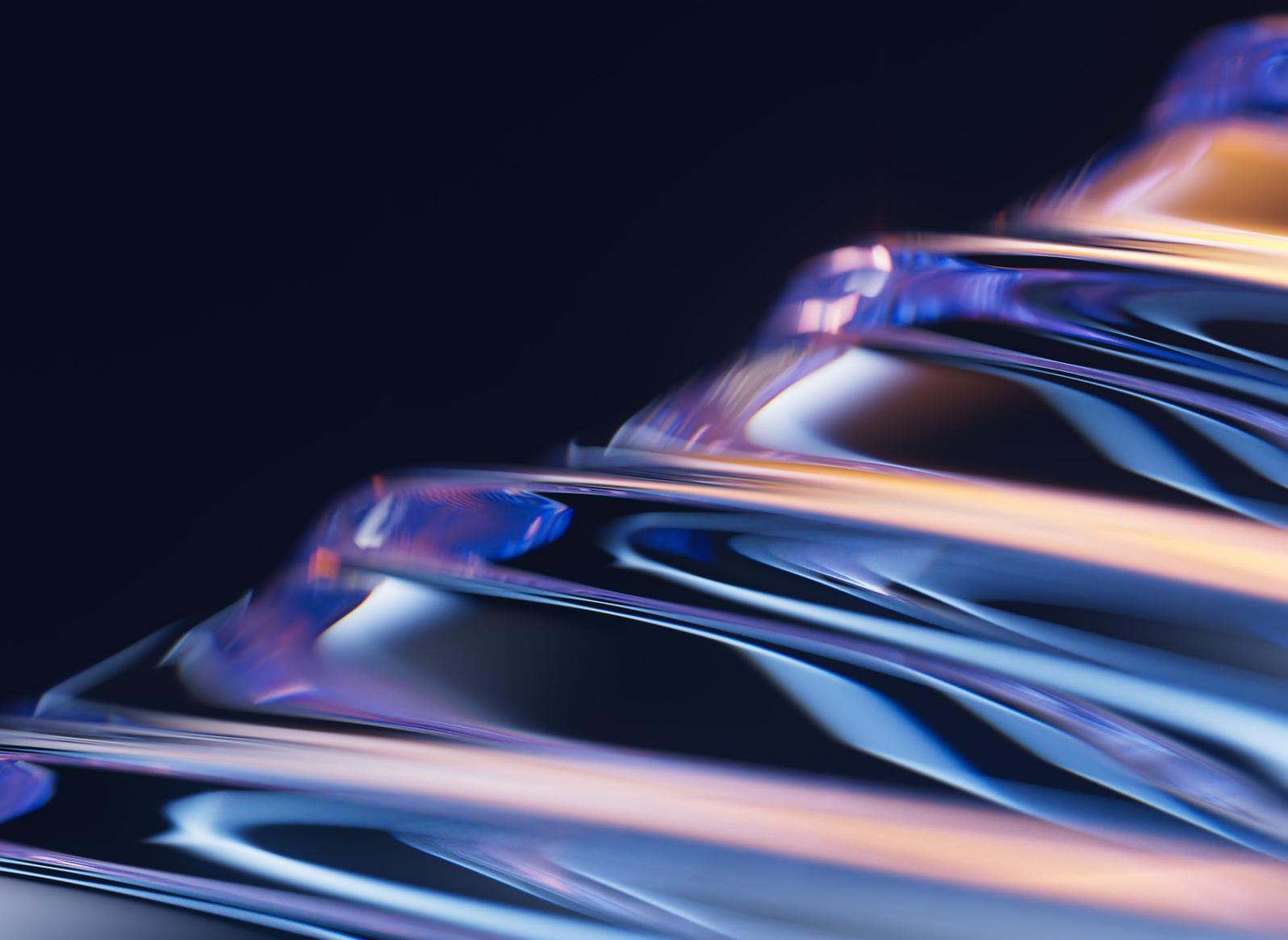
*Business Property Reliefs – Making Tax Digital –  
upcoming webinars – HMRC Employer Disclosure  
Team – and more*

**HaysMac**★



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# Welcome from the editor



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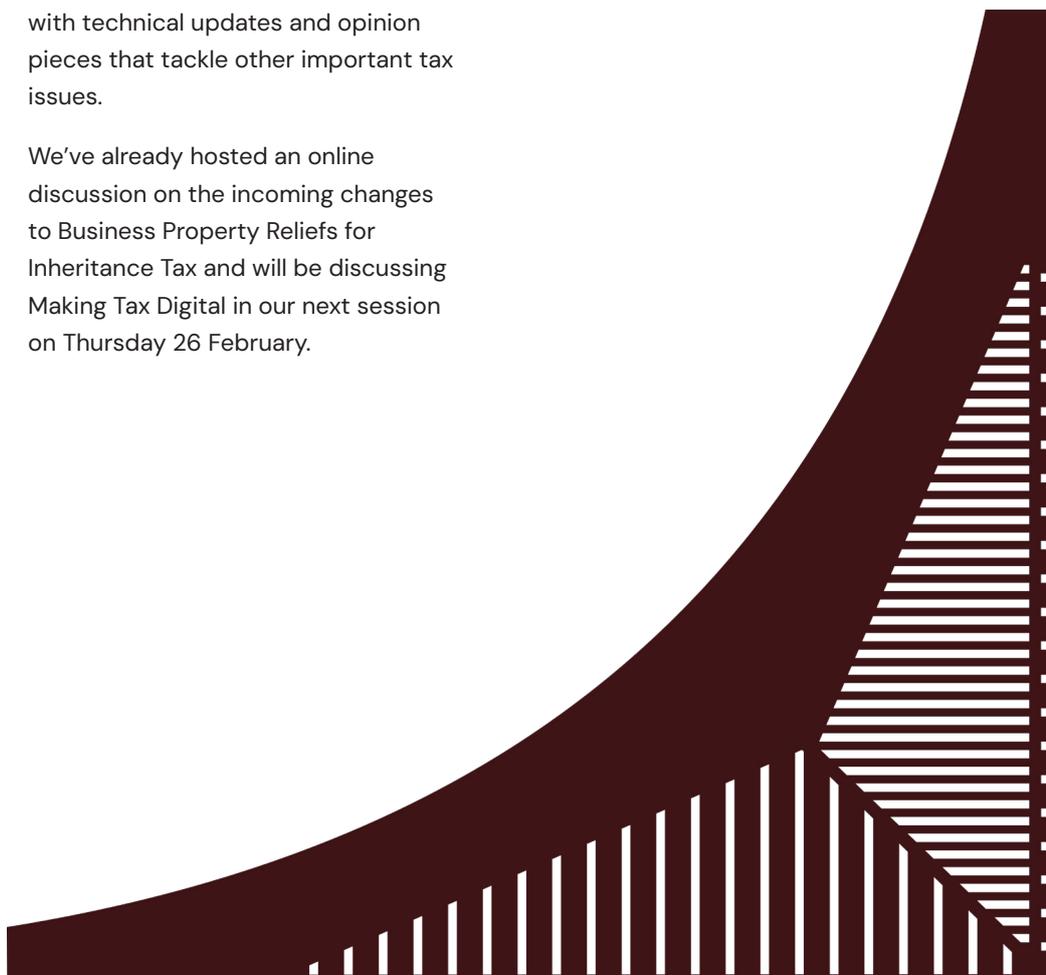
Welcome to our first edition of Tax Navigator; a new series of insights to help you navigate the rapidly evolving tax landscape, bringing together HaysMac's expertise **across services and sectors.**

Tax Navigator will be available to you free of charge in two formats. Firstly, our regular webinars will guide you through the biggest tax topics that are shaping decisions for businesses and individuals, giving you the opportunity to put questions to our experts in real time. Our newsletters will expand on these topics and supplement them with technical updates and opinion pieces that tackle other important tax issues.

We've already hosted an online discussion on the incoming changes to Business Property Reliefs for Inheritance Tax and will be discussing Making Tax Digital in our next session on Thursday 26 February.

When it comes to tax, businesses and individuals are expected to understand all matters. Tax can be complex and the stakes are high. HaysMac's Tax Navigator will be your guiding star.

We have plenty planned for 2026, so look forward to you joining the conversation!



# Planning for the future- the sunset of BPR

After the announcement of its imminent demise in October 2024, and despite the well publicised protests, the end of unlimited reliefs for Business Property and Agricultural Property arrives on 5 April 2026.

From 6 April only £2,500,000 of unquoted shares, sole trades, trading partnership interests and other qualifying assets will be effectively exempt from IHT for each individual, with the excess being taxed at half of the main rate; potentially a 20% tax charge on significant value on the death of a shareholder. The P/E multiples loved by entrepreneurs selling their businesses become a double edged sword when used to value a company for a tax levy.

The charge can be deferred until a second death through the spouse exemption, with a surviving spouse having both their own £2.5m allowance and the ability to claim any unused allowance from the deceased spouse. Despite the Treasury forecasts for growth in the economy and its underlying businesses, it is unlikely that this £5m maximum tax allowance will see regular increases.

With business interests often representing one of the largest assets in an estate, there will be a material liability to be funded.

It is now supposed to be easier to obtain probate "on credit" in cases of extreme illiquidity and it is possible to pay the IHT due on unquoted shares over 10, interest free, instalments but the account will have to be settled, and this will normally be funded out of the business.

There is no income tax exemption for dividends taken to fund IHT and they may be impractical if the business value rests in its enterprise value rather than reserves. It may be possible to arrange a repurchase of shares if cash in the company permits, but this will change the relative shareholdings and has to be effected within two years- of death, not the grant of probate- for CGT treatment to apply.

Either route leads to a drain on the cash of the company, depleting the amounts available for working capital and investments.

Unfortunately death is both inevitable and its precise timing unknowable. Holding cash reserves or easily realisable investments against the future demands will itself result in no BPR being available on the value of those assets, leading to IHT at 40%. At the extreme end, investments in the company can prejudice its status as at least mainly trading, a condition for the shares to qualify for BPR at all.

Business interests will now share some of the planning characteristics of other assets. At its simplest this is means giving away the assets that are not needed, either from a capital or an income producing perspective. Retaining benefits from assets will usually undermine any IHT planning.

At present, assets inherited on death are received at the probate value so any capital gains that accrued in life are washed away. This applies even where the assets are not subject to IHT, for example if inherited by a spouse or exempted by BPR.

Lifetime planning aims to avoid the IHT charge but, in the case of business assets, the uplift foregone and a CGT liability pending for the future.

It is impossible to rehearse all of the considerations when passing assets to individuals and the changes will not affect these lifetime gifts, they will remain potentially exempt and drop out of consideration entirely in due course.

An opportunity still exists for the use of lifetime trusts. If assets qualify in their entirety then they can be settled into trust before 6 April 2026 with no limit on value. With trusts having their own allowance of £2.5m after 5 April, shared between trusts created by the same person, separate from the individual's own allowance this mechanism will allow four allowances in total between a married couple, provided the assets are gifted and retained in appropriate way so that each person has at least £2.5m of value at the relevant dates. In simple terms, a broad discretionary trust with extensive trustee powers may act as a default vehicle.

After 5 April trusts may still play a role, but the maximum value that can be added without an immediate tax charge will be restricted to £331,000.

For individuals looking to take advantage of trust planning before 6 April there are several steps that need to be completed urgently:

1. Initial advice on whether it is appropriate;
2. Assessment of the activities, valuation and assets of the business
3. Drafting of Deeds and associated documents- which will require qualified legal expertise
4. Confirmation of all permissions necessary, especially for jointly owned businesses
5. Execution, implementation and filing of all paperwork and associated returns

As mentioned above, the changes to BPR do not mark the end of IHT and business succession planning. Other routes still exist to pass down value to future generations and there are various strategies to help businesses built up over years continue to thrive and provide into the future.



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# Making Income Tax Digital:

*The final countdown*



In 2015 the then Chancellor first announced a digital revolution that would make tax “easier”. By the end of that year the project was named as “Making Tax Digital” (MTD) and the HM Treasury Road Map heralded quarterly filing requirements from April 2018.

A week may be a long time in Westminster but sometimes Whitehall need a little longer than three years to implement the policies.

Now, 11 years after it was first announced, the first mandatory returns for Making (Income) Tax Digital are just round the corner and the rules apply to Income Tax Self Assessment returns from 6 April 2026.

This regime is different from the VAT MTD regime that has applied to VAT registered businesses since April 2019.

HaysMac has been advising its clients of the changes for some time and published a guide to the income tax scheme in June 2025.

There are some practical aspects that are worth exploring in more depth.

### Timing

The rules take effect from 6 April 2026 so the first return that will be needed will be due by 7 August 2026. This return will normally cover the three months from 6 April to 5 July but it is possible to report on the calendar quarter to 30 June instead.

School holidays will not be considered an excuse for missing that first deadline and subsequent returns are due quarterly thereafter. This means that tax returns for 2025/26 will be due by 31 January 2027 and the MTD return for the quarter ending 31 December 2026 just a week later!

For anyone eager to tell HMRC about their income more regularly, it will be possible to make returns between the quarter dates. An extra report will not change the next quarterly reporting date, so these are fixed even if extra returns are made.

If all figures are known it is possible to make a quarterly return up to 10 days before the end of the quarter. The early return would still need to cover the full quarter and as with an extra return, it will not change the due date for the next quarterly submission.

One final point about timings. The income that triggers the rules is that for the ante-preceding tax year. For the first year of reporting, starting April 2026, this means that the income is that for 2024/25- the tax returns being filed by 31 January 2026. Amending tax returns after the MTD year starts, to report a lower turnover, will not be able to take someone out of MTD.

## Turnover

The initial threshold for entering the MTD Income Tax reporting regime will be gross income of £50,000 a year from sole trades and/ or rental income (both UK and overseas for UK residents).

These sources need to be combined, so £40,000 of trading turnover and £12,000 of rental income will put an individual into the system.

Only the individual's share of a jointly owned property income is included but it must be remembered that the rental income is before expenses, not the amount paid by an agent after deducting their commission.

If any damage deposits are retained from tenants at the end of a lease, that is also included as gross income even if it simply disappears to fund the repairs.

If the income is reported including VAT on a tax return then this counts towards the gross income for threshold purposes.

As the test looks at income, not profit, any adjustments that are being made because of changes to reporting periods (eg basis period reform) are not included. Partnership profits are also ignored when determining the individual's income for this purpose.

The entry threshold will reduce over the next two years, to £30,000 in April 2027 and to £20,000 from April 2028.

It takes one year of income over the threshold to be within MTD but three years of reduced income below the thresholds to leave it. Only if all relevant sources (sole trades and property income) cease can the MTD returns be stopped sooner.

Date	Step	Details
31 January 2026	HMRC self-assessment filing deadline	Initial entry to MTD is based on income reported on the 2024/25 Self-Assessment return
6 April 2026	MTD regime start date	First tax year under MTD – record keeping obligations begin
7 August 2026	Quarter 1 filing deadline	Tax Quarter: 6 Apr – 5 July 2026 or Calendar Quarter: 1 Apr – 30 Jun 2026
7 November 2026	Quarter 2 filing deadline	Tax Quarter: 6 Jul – 5 Oct 2026 or Calendar Quarter: 1 Jul – 30 Sep 2026
31 January 2027	HMRC self-assessment filing deadline	Normal self-assessment return for 2025/26 to be filed via usual software of HMRC's website
7 February 2027	Quarter 3 filing deadline	Tax Quarter: 6 Oct 2026 – 5 Jan 2027 or Calendar Quarter: 1 Oct – 31 Dec 2026
7 May 2027	Quarter 4 filing deadline	Tax Quarter: 6 Jan – 5 April 2027 or Calendar Quarter: 1 Jan – 31 March 2027
31 January 2028	Final Declaration and 2026/27 Tax Return deadline	Final MTD adjustments and the tax return for the 2026/27 tax year to be filed via MTD software

## Record Keeping

The requirement for taxpayers to maintain and retain records has existed for longer than the MTD project, with draconian penalties of up to £3,000 sitting on the statute books but rarely, if ever, imposed. It has been whispered that HMRC officers may have been dissuaded from applying them in even the most egregious cases.

Business records will now need to be kept digitally and more regularly. The proverbial plastic bag of paperwork will no longer suffice and whilst professional packages such as Xero are not obligatory, the new regime may lead to financial reminders of the need to comply with the rules.

With the new regime coming into effect only two months after the tax return deadline for the year that determines entry, solutions should be considered as early as possible. It is vital to ensure that both the record keeping and the mechanism of filing returns meets HMRC's requirements.

If mistakes are made, they need to be corrected as soon as possible and reflected in the next return, either regular or additional.

## Outside the system

There are some exemptions to the MTD regime, such as those without a National Insurance Number, executors, trustees and Digitally Excluded individuals.

Living outside the UK will not allow individuals to escape the system for long. Non-residents will also need to comply with MTD obligations from April 2027 if their UK income, typically rental income, is over the threshold. A non-UK resident's overseas trading and foreign property income will not be included when testing to determine MTD requirements.

With commencement round the corner, HMRC issued an update to the exemptions on 29 January. Taxpayers who:

- ◆ Received income from UK trusts or estates,
- ◆ Claimed averaging relief as a farmer or creative artist, or
- ◆ Claimed relief for certain Carer reliefs

in the 2024/25 return as well as those who included the "residence and domicile" pages in 2024/25 and expect to do so again in 2026/27 will receive an automatic deferral of MTD for twelve months until April 2027. If none of these applied for 2024/25 but one is expected in 2026/27, the deferral is not automatic and needs to be claimed.

This is a reminder that HMRC are allowed not to be fully prepared for MTD but taxpayers will not be granted the same latitude.

With the deadline to start complying with the new rules now imminent, the HaysMac Private Client Tax Team are always happy to talk support you and ensure that the transition goes as painlessly as possible.



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# Tax insights & Opinion

## HMRC Employer Disclosure Team Accelerates Progress on 2024 Voluntary Disclosures

The HMRC Employer Disclosure Team is showing encouraging momentum as it continues to work through voluntary disclosures submitted during 2024. This progress has been welcomed by employers and advisors alike, marking a positive step forward in what can often be a complex and time consuming process.

Timely movement on these disclosures provides much needed clarity for employers navigating their compliance obligations, helping them resolve issues efficiently and with greater confidence.

Attention now turns to the year ahead, with hopes high that disclosures submitted in 2025 will benefit from the same pace and focus. Maintaining this trajectory will be key to supporting employers across the UK as they engage with HMRC on historic PAYE matters.

For organisations preparing to make a disclosure or seeking guidance on the process, HaysMac's specialist Tax Disputes & Resolutions team is available to help. More information can be found via the link below.

[Read more](#)

## Payroll Savings Schemes: When good intention becomes a National minimum wage risk

Payroll savings schemes are often introduced to support the financial wellbeing of lower-paid staff, particularly during periods of seasonal pressure. But recent case law shows that even voluntary deductions can unintentionally trigger National Minimum Wage (NMW) underpayments where employers retain control over the funds. This means that well-meant initiatives can quickly become legal, financial, and reputational risks if not carefully designed.

In this article we outline the key risks and the steps employers can take to implement payroll savings schemes safely and compliantly.

[Read more](#)

## Tax Strategy Beyond the Budget: what CFOs Should be Thinking About

The Autumn Budget 2025 delivered no headline-grabbing tax reforms, but for CFOs of fast-growth and mid-sized companies the detail tells a different story. Beneath the surface, the Government has tightened reliefs, narrowed planning opportunities and increased the effective tax burden in ways that will impact restructures, funding rounds and founder exits over the next 12–24 months.

With Corporation Tax held at 25% but multiple reliefs being eroded, overall tax costs for both companies and shareholders are set to rise. For finance leaders, this Budget is a reminder that stability at the headline level doesn't mean simplicity in practice.

In our recent article, we highlight the updates that matter most and why now is the moment to revisit your tax strategy to stay ahead of HMRC scrutiny and protect future value.

[Read more](#)

## UK/US Dual Taxation: the Hidden Stress You Can't Afford to Ignore

Managing tax affairs across the UK and US is rarely straightforward. For internationally mobile, high-net-worth individuals, the overlap between two complex tax systems can turn ordinary financial decisions into a source of stress, uncertainty and real financial risk. Even with a tax treaty in place, mismatched rules, conflicting definitions and heavy reporting obligations mean that dual taxation is not just a technical challenge, it's a personal burden.

Small errors can quickly escalate into costly outcomes: missed filings, unexpected liabilities, penalties, and long-term exposure around residency, domicile, trusts and global assets. And when advisors in each country operate in isolation, the risk only increases.

In the following article, we share why the UK/US tax relationship is uniquely challenging and how coordinated, joined-up advice can protect your wealth, your plans and your peace of mind.

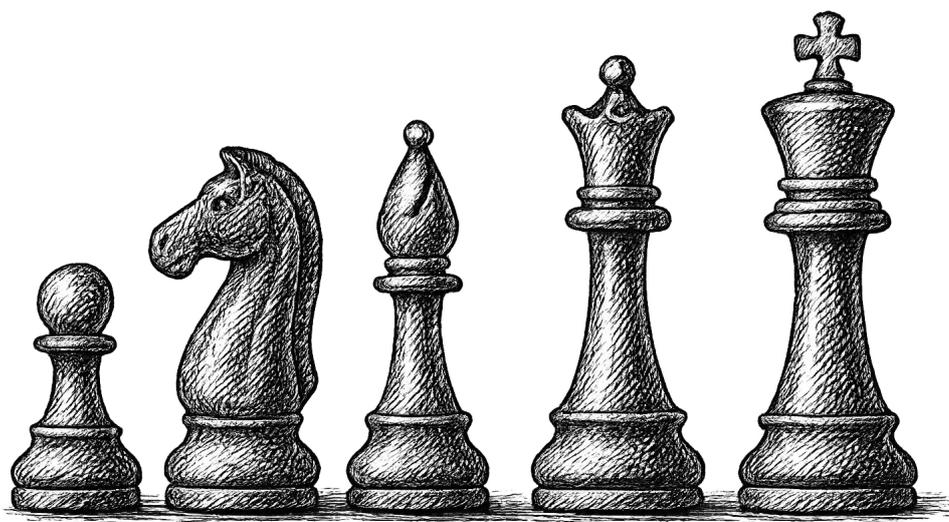
[Read more](#)

## Property tax is changing – is your business model still fit for purpose?

For finance leaders in fast-growing, deal-driven property businesses, the tax landscape is shifting more quickly than many realise. HMRC has intensified its scrutiny of how property activity is classified trading versus investment and this distinction now carries real consequences for SPV structuring, relief availability and exit tax outcomes. Approaches that once worked smoothly can now create unexpected tax costs, delays and compliance risks.

Below, we outline what's changing, why long-standing strategies may no longer hold, and the steps property CFOs should take to ensure their structures remain efficient, defensible and fit for purpose in a more aggressive HMRC environment.

[Read more](#)



# Available webinars

Our webinars are available for registration via the links below. In case you have missed one, they are also available on demand via the same link.

## Business Property Reliefs

Inheritance Tax change is coming to business owners and not just farmers. Deadlines are creeping up fast.

The much-publicised reforms will impact both succession planning and tax efficiency for businesses across the UK. Getting your house in order is important to soften the landing when it comes to these new requirements.

Do you have questions? Join us as we cover why the law is changing and how this will affect your business, and discuss some of the solutions to consider, giving you time to act before the law changes on 6 April 2026.

Watch on demand

## Making Tax Digital

The way taxpayers report their income is changing. From April 2026, Making Tax Digital (MTD) will apply to self employed individuals and landlords with qualifying income above £50,000.

If you fall within this group, our upcoming webinar will guide you through what the new requirements mean in practice.

We'll provide a clear overview of the MTD framework, outline your obligations, and explain the steps you will need to take ahead of the transition.

We will also demonstrate how HaysMac will use the latest Xero functionality to support you and help make the move to digital record keeping as straightforward as possible.

Register now



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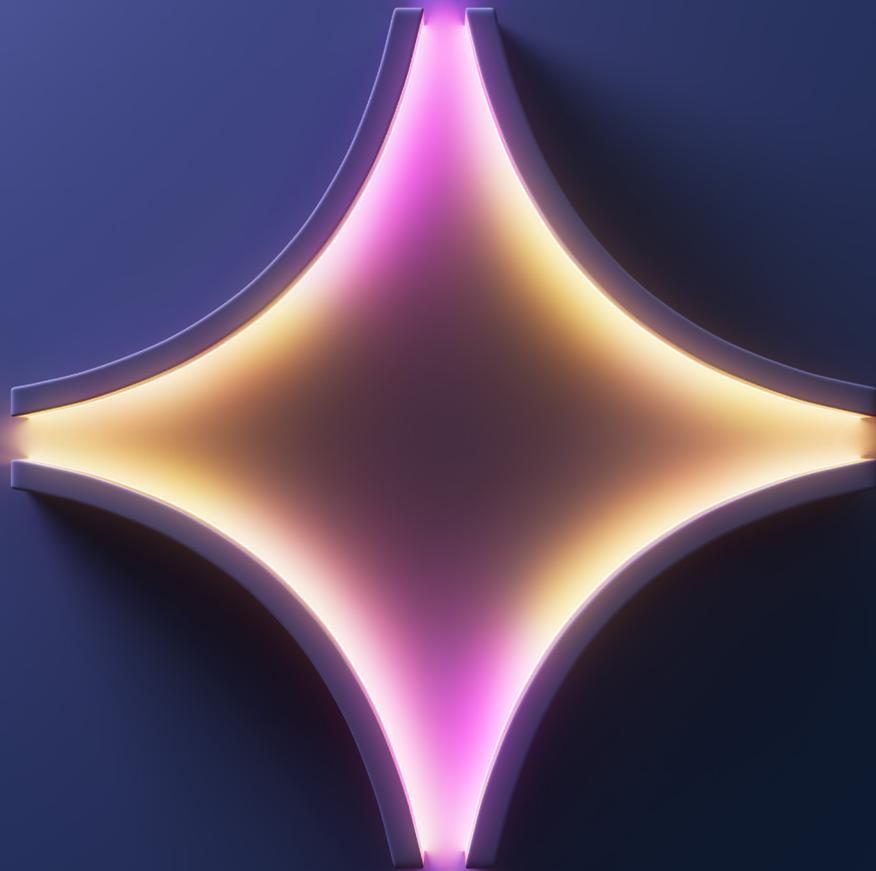
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