



Autumn 2025

Schools Briefing

HaysMac[★]



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Welcome from the editor



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Welcome to the Autumn edition of our Schools Briefing for independent schools, where we provide updates and insights on accounting, tax, reporting and governance for school bursars and Governors.

With significant change happening across the sector over the last few years, it's no surprise that strategy is high on the agenda for many schools. Jane Askew, Partner and Head of Education, talks about how financial modelling and due diligence can help guide those big strategic decisions. Jane shares practical tips on what to include in a financial model and how HaysMac can support schools through the process.

Following HMRC asking questions about 'Fees In Advance' and sparking concerns for schools, Phil Salmon, Partner explores the implications of the recent Supreme Court ruling in the Prudential case, clarifying how "time of supply" rules apply and why this could support schools' positions on pre-paid fees. Expert guidance is recommended if you're contacted.

Our guest author, Max King, Managing Director at Rheo, makes a strong case against complacency and challenges the idea that high interest rates are a long-term investment strategy. In his article, he explores how segmenting reserves can bring strategic clarity, why it's important to revisit your investment policy statement, and how to stay proactive to ensure your investments have purpose rather than relying on short-term comfort.

Louise Veragoo, Direct Tax Director, explores the hidden costs of Capital Gains Tax reform. With financial pressures still a major concern for schools, she examines how some of the proposed changes in the upcoming Budget could impact the sector. Louise also considers the practical and political challenges these reforms might bring, and what they could mean for the future of school funding.

In our next article, Sara Shrouti, Senior Manager, explains the upcoming changes to Companies House requirements around accounts filing. The article also includes information around Identity Verification and how it will impact independent schools.

Finally, HMRC has recently launched a programme of Structured Risk Reviews across the charity and not-for-profit sectors, including independent schools. Employment Tax Director, Nick Bustin, walks us through the process, from how an organisation is selected for review to understanding its scope and key focus areas, offering practical guidance to help schools prepare.

We hope you find this edition both informative and thought-provoking. If you have any questions about the topics covered, please feel free to reach out to the authors, your usual HaysMac contact, or me for further information and guidance.

The benefits of financial modelling and due diligence in supporting your school's strategy

Many independent schools are continuing to experience significant financial uncertainty at present, largely driven by unpredictable future pupil numbers. Many school's management teams postponed planning or commencing large-scale capital projects in recent years because of these uncertainties, but are now considering their options in these areas in order to ensure the continued development and improvement of their school. Mergers and acquisitions are also increasing in the sector, and are seen as a strategic response to the financial pressures, demographic shifts, and as a means of securing long-term sustainability.

In this turbulent landscape it is vital that such decisions are supported by appropriate and detailed financial data and forecasts. This article explores the benefits of financial modelling in providing the forward-looking insight necessary for you to **make confident, strategic decisions**.

Financial modelling in the independent schools sector

Financial modelling is the process of using data to build abstract representations of your school's financial future. Rather than being a static snapshot or a summary of expectations, a financial model is a dynamic tool, and typically one that allows governors and the leadership team to perform stress testing, explore a variety of strategic options, and assess the impact of change on areas of uncertainty. It is intended to help you to identify potential risks and develop mitigation strategies before committing to decisions.

In the case of a potential merger or acquisition, a financial model would integrate data from both the acquiring and target school(s) to forecast the financial performance of the combined entity. For capital projects, a model would explore areas such as different options for financing, build cost, scale, and timings.

Financial models are different to budgets. Budgets are typically short-term, operational plans that span a period of a year, and are primarily used for tracking performance, helping to control spending and making shorter-term financial decisions. Financial models are used for longer-term planning.

They normally incorporate scenario planning (e.g. best case, worse case scenario), strategic planning (e.g. potential mergers, capital projects and new activities), and investment decisions, including assessing finance options such as loans and leases. While budgets are often fixed once approved, a financial model may need to be updated and modified throughout the year as new opportunities arise or as cost estimates change.



What to include in a financial model

Financial models are generally built using Excel, and a typical model comprises an income statement, balance sheet and cash flow forecast, so that it provides a full picture of the school's future finances. A basic school financial model should include:

- ◆ Projected income and expenditure
- ◆ Forecast pupil numbers
- ◆ Anticipated fee levels and structures
- ◆ Discount levels
- ◆ Staff costs and pension obligations
- ◆ Capital investment plans
- ◆ Loans and debt servicing requirements

Another key element of a successful model is a page of clear and easily modifiable assumptions, which will allow governors and management to assess the impact of change on different inputs. For schools, modifiable assumptions will include fee increases, pupil numbers, discounts, pay rises and cost inflation. In this turbulent economic environment you may also consider including flexibility around taxation levels, such as VAT and National Insurance.

When preparing a model for a potential merger or acquisition, consideration should be given to the operational efficiencies that might arise from changes to structure, such as the consolidation of facilities, streamlining administration, or changes to management structure.

You may wish to build flexibility into the time over which these efficiencies can be achieved, as well as factoring in the upfront costs of redundancy payments.

It is important that the assumptions in the model both interact and can also be modified independently. For example, when exploring a merger, the model might show that the combined schools could sustain operations even if pupil numbers decline by 10% but would face liquidity issues if pension costs rise unexpectedly.

The model should include assessment of performance against key financial indicators including, but not limited to, comparing performance against any financial loan covenants that the school must comply with, and monitoring cash levels against any liquidity policy that the school has. An executive summary page should also be used to highlight key areas, such as the surplus/deficit for the year, and cash levels.

The initial building block of a financial model is often the school's budget, so I would recommend that the model includes a summary of key income and expenditure lines rather than including each cost and income stream at granular level.

The headings should reflect the areas that are modified by separate assumptions, such as separating fee income from other income streams. This will enable governors and management to quickly review the impact of changes in assumptions, and also removes some of the risk of repeating conversations about a budget which has likely already gone through a detailed review process.

It is important to remember that a financial model is primarily a tool to support high-level strategic decisions. Once those decisions are made, more detailed budgets and financial plans can be developed to manage the operational specifics.

You may already have an existing financial model that was developed for a previous strategic decision. However, if your current strategic options differ significantly, it is often more effective to build a new model from the ground up rather than adapting the existing one. Reusing an older model can introduce unnecessary complexity, both in terms of detail and the number of spreadsheet tabs, making them harder to interpret and manage. Starting afresh allows you to tailor the model to the key decision drivers, ensuring clarity and relevance.

How we can help

Over the coming months your school may encounter opportunities for potential mergers/acquisitions. These decisions often need to be made quickly, placing considerable time pressure on the bursar and finance team to produce the necessary financial assessments.

At HaysMac, we have extensive experience supporting schools and other organisations in developing and refining their financial models. Our involvement not only alleviates the burden on the management team, but also brings an independent perspective to the analysis, helping to inform sound and strategic decision-making.



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Fees In Advance: The current position

Schools submitting their most recent VAT returns which show them in a repayment position will almost certainly receive some questions from HMRC. This is normal and is what is known as a pre-repayment verification or “pre cred” amongst HMRC staff.



In the normal course of events it is not something to be worried about, and as we are all taxpayers we should be comforted by the fact that that HMRC are carrying out some checks prior to authorising repayments of tax, rather than just paying them only to find out later they are fraudulent as with so many of the furlough claims.

However, we are now starting to see questions accompanying such checks coming from an email address which suggests it specialises in Independent Schools and asking questions about Fees In Advance payments.

Arguably such questions are of no relevance to whether or not a repayment is due but that is a question for a different article. It is, however, clear from the questions that HMRC are looking to gather information about Fees In Advance with a view to challenging whether or not they have set a time of supply or "tax point".

The Pru and tax points

The question then is the one that has been asked from the start, how secure is our position? It seems to me that the recent Supreme Court decision in the case of the Prudential Assurance Company Ltd (The Pru) does put quite a significant stumbling block in the path of HMRC if they are to argue no time of supply has been created, and that this would only occur when the education is provided at a point after a payment has been made.

The facts of the Pru case are relatively straight forward and quite different to those facing schools who have received a pre-payment of fees. But it seems, to me at least, that the principal involved is relevant. I would add, in passing, that this was a decision by a full panel of seven Justices which does not always happen.

The basic facts of the Pru case are as follows: The Pru was a member of a VAT group and included within the group was a company called Silverfleet Capital Ltd (Silverfleet). Silverfleet provided investment fund management services which were taxable for VAT purposes (such services can sometimes be exempt but not in this case).

In the ordinary course of events, Silverfleet would have charged the Pru VAT on its services but as they were part of the same VAT group it did not. The services were provided for periods between 2002 to 2007.

In November 2007 there was a management buy out of Silverfleet which subsequently left the Pru's VAT group as it no longer met the control criteria to be included within it. It also ceased to be the Investment Manager for the funds and received no further management fees.

But, like many financial service transactions the work it had been carrying out came with the possibility of success fees, the conditions for which were met in 2014 and 2015 after it had left the VAT group. It duly raised invoices for these fees charging VAT which the Pru challenged and the nub of the argument was quite simply; was the time of supply when the work was actually done when Silverfleet was part of the VAT group such that no VAT was chargeable because it was an intragroup transaction, or was it done afterwards because the issue of the VAT invoice charging VAT was after it had left the group?

Quite clearly the fact pattern is very different from that faced by schools, but the nub of the argument is which takes precedence, when the supply was actually provided in the real world (within the VAT group) or in the VAT world after it had left the group, become entitled to an additional payment and issued its invoice?

The Pru won its initial appeal to the First-tier Tax Tribunal but lost on appeal to the Upper Tribunal and again on appeal to the Court of Appeal.

The Supreme Court's view

The Court reviewed both the EU and UK legislative provisions including the continuous supply of services regulations in Regulation 90 of the VAT Regulations 1995 which have always potentially applied to school fees but which have not featured much in the public commentary about advance payments.

These rules say that where services are supplied for a period for a consideration the whole or part of which is determined or payable periodically or from time to time, they shall be treated as separately and successively supplied at the earlier of the receipt of the date of payment or the date of issue of a VAT invoice. In essence they mirror the normal time of supply rules but are specifically said to deal with the situation where there is an ongoing supply of services such as exists when a school is supplying education to a pupil over a period of a number of years.

Having reviewed the statute, the Court turned its attention to the case law including that of the House of Lords which was the predecessor Court to the Supreme Court and in particular the case of BJ Rice & Associates.

That case concerned an accountancy practice which was initially not VAT registered. It was supplying services to its clients, invoicing them and receiving payments and in due course exceeded the VAT registration limit and registered for VAT. HMRC argued that VAT was due on payments received after registration for work carried out before registration because the invoices issued prior to registration were not VAT invoices and so it was only payment that created a tax point.

In other words HMRC argued that the “VAT world” displaced the “real world” as to when supplies were made.

By a majority decision the Lords dismissed HMRC’s argument and held that you had to determine whether there was a taxable transaction in the first place before looking to the rules which say when it is deemed to be supplied.

In the Thorn case, contracts provided for 90% of the purchase price to be payable at the date of the contracts with the 10% balance payable on delivery of the goods. Between the date of the contract and delivery the relevant company left a VAT group and only accounted for VAT on the 10% charge. Lord Nolan noted that the only purpose to the arrangement was to avoid paying VAT.

The Lords held that the transfer of the goods happened after the company had left the group it followed that VAT was payable on the full consideration.

Thorn was followed shortly afterwards by a case called Svenska which involved a London branch of a Swedish bank supplying services to its parent against which it claimed back input tax but did not charge its parent. It then joined its parent’s VAT group and only then did it seek to charge for its services, but without VAT since it was now grouped.

The Lords all applied the time of supply rules to identify when the supply was being made for the purposes of the VAT group disregard but the majority rejected Svenska’s argument that you ignored when the work was done and not when the invoice was issued, but went on to address the “avoidance” by arguing that the supply made to the parent was used in making exempt supplies and so the London branch should not have claimed back its input tax, since it never used the costs in making any taxable supply.

Having reviewed the statute and case law the Court held that if you applied the time of supply rules as they applied within Regulation 90 the Silverfleet success fee supplies were made after it had left the VAT group so that VAT was chargeable. The Court specifically said it regarded this as consistent with Thorn and Svenska. It also agreed with HMRC that BJ Rice must be narrowly confined to its own facts.

Importantly it went on to say that Regulation 90 applied for the purposes of determining when the VAT Group disregard applied which is not a point that is relevant to the pre-payment of fees but other comments to the effect that one can have two chargeable events arising out of the same supply are relevant.

Ultimately though the Court held that the “VAT world” time of supply rules took precedence over the “real world” rules. It is also interesting that in considering all of the three cases mentioned the Court managed to reach a conclusion which supported BJ Rice who was not involved in any avoidance and had genuinely carried out work for clients prior to registration, but had simply not been paid, but against Thorn and Svenska who had sought to manipulate the time of supply rules.

Conclusion

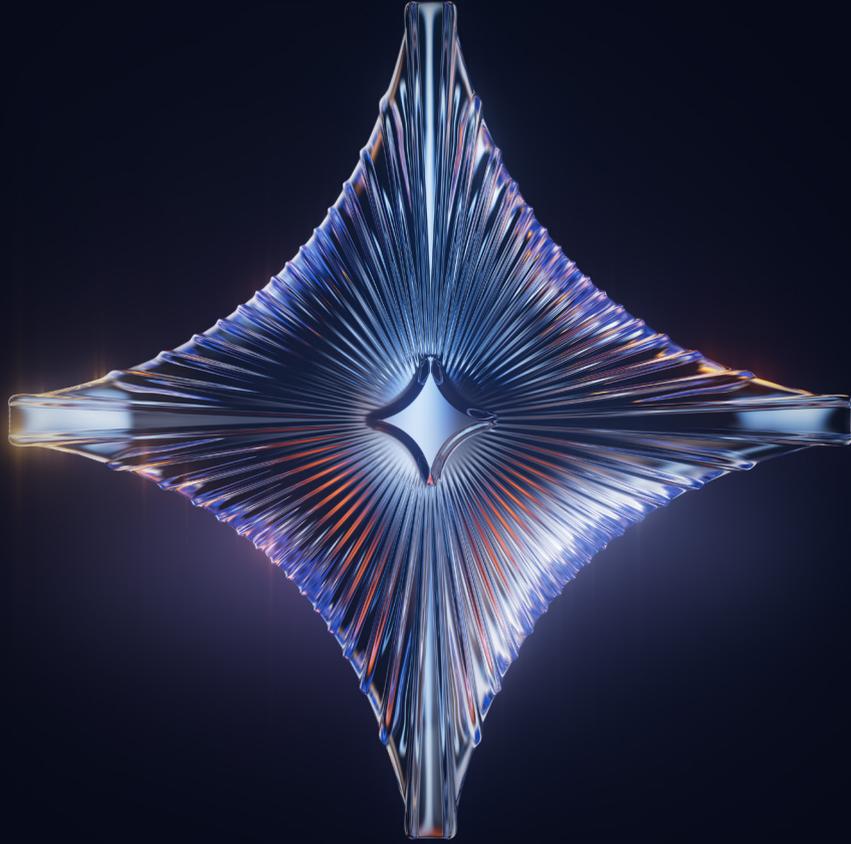
There is a lot in the case which this simplified account does not deal with, but it does appear to be a supportive judgement as to when a tax point has been set in the case of pre-paid fees.

If you do start to receive queries from HMRC, especially about FIA then we would advise contacting your adviser before responding to them.



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The case against complacency: Why high interest rates aren't a long-term investment strategy

In 2025 independent schools face a new financial reality. After years of near-zero interest rates, today's environment offers deposit yields of 4% or more. It's a welcome change, but also a potential trap. For independent school boards responsible for long-term assets, the challenge isn't just earning more, **it's thinking strategically.**

From ZIRP to real returns and real decisions

From 2009 to 2022, the Zero Interest Rate Policy (ZIRP) era made holding cash a convenient default. With negligible opportunity cost, many schools simply deposited reserves in the bank and moved on. Today, however, inflation has re-emerged and remains, prompting a higher for longer interest rate policy and a reassessment of cash management strategies.

Gilts and investment-grade bonds now yield upwards of 5%, offering genuine opportunities to preserve and grow capital.

Yet yield alone isn't a strategy. Holding cash may feel prudent, but it risks locking in underperformance if rates fall or inflation persists. Worse, it can lead to strategic drift, where inaction becomes the default and reserves quietly lose value in real terms. Counterparty risk should also be a consideration and holding all of your funds in a bank deposit may not be an appropriate risk management strategy.

Stewardship means action

Investing isn't gambling. For independent schools with long-term missions, concerns around financial sustainability, education etc. investing should be seen as a form of stewardship. The Charity Commission's guidance (CC14) makes clear that trustees must invest in ways that serve their organisation's purpose. That means aligning decisions with time horizon, risk appetite, and strategic goals, not just reacting to interest rates.

Whether or not your organisation is a registered charity, the fiduciary standard applies. Bursars and Boards must demonstrate prudence, purpose, and clarity in how they manage reserves.

Segmenting reserves for strategic clarity

A segmented reserves strategy helps boards move beyond binary choices like "all in cash" or "all in the market." Instead, funds can be allocated based on time horizon and purpose.

An example of this could be as follows:

- ◆ Operational reserves: 3 to 6 months of expenditure, held in secure, accessible accounts
- ◆ Medium-term reserves: Funds not needed for 2 to 5 years, invested conservatively
- ◆ Long-term capital: Strategic reserves with a 5-year-plus horizon, invested for growth

This approach supports better decision-making and may help unlock meaningful value.



Revisiting your Investment Policy Statement (IPS)

A strong IPS is the backbone of good governance. It should clearly define:

- ◆ Prioritised, realistic investment objectives and time horizon
- ◆ Risk appetite and ethical considerations
- ◆ Delegation and oversight structures
- ◆ Review processes and performance monitoring

If your IPS hasn't been updated since ZIRP, or since a change in bursar or adviser, now is the time. A well-crafted IPS ensures that investment decisions are defensible, mission-aligned, and forward-looking.

Avoiding complacency

Here are a few common pitfalls to watch for:

- ◆ Relying too heavily on cash
- ◆ Underestimating the impact of inflation
- ◆ Allowing strategy to drift through inaction
- ◆ Confusing short-term volatility with long-term loss

Bursars and Boards must balance caution with clarity. Stewardship means knowing where your money is, what it's doing, and whether it's doing enough.

Investing with purpose

Beyond financial returns, investment can support your organisation's mission. Mission-aligned strategies including ESG, thematic, or impact investing are increasingly accessible. Whether funding green infrastructure, sustainable transport, education technology ventures, or social impact, independent schools can invest in ways that reflect their values and amplify their impact.

What to do now

Whether managing a small reserve or a substantial endowment, consider these steps:

- ◆ Revisit your IPS and governance arrangements
- ◆ Clarify the role of cash and define how much is enough
- ◆ Assess the opportunity cost of holding cash versus reinvesting
- ◆ Engage with advisers who understand the independent schools sector
- ◆ Explore mission-aligned investment options

Final thoughts

High rates have bought breathing space, but not long-term security. In 2025, stewardship demands more than prudence, it demands purpose.

Bursars and Boards must lead by aligning reserves with strategy, values, and mission. Your pupils and staff deserve more than financial caution. They deserve clarity, courage, and commitment.



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From homes to school fees: The hidden cost of Capital Gains Tax Reform

[Graeme Privett](#), Partner in the HaysMac Private Client team, was recently [quoted in eprivateclient](#). His concern is shared by many onlookers, as we hold our breath to see what Rachel Reeves will announce in the upcoming Autumn Budget.

In a move that has sent ripples through the private wealth and property sectors, Chancellor Rachel Reeves is reportedly considering a truly radical change to the UK's taxation landscape. Namely, the introduction of Capital Gains Tax (CGT) on main residences.

For decades, the UK tax system has upheld a fundamental principle, Private Residence Relief, which exempts homeowners from CGT when selling their primary residence. This relief has not only encouraged homeownership but has also provided a vital financial planning tool for individuals and families, particularly those approaching retirement. The proposed removal of this relief for properties valued above £1.5 million threatens to upend this long-standing norm.

The impact on personal and family wealth following such a change, should not be underestimated, and with financial pressures already impacting the Schools' sector due to recent VAT and other taxation changes, is this another financial challenge to the Schools' sector?

The Mechanics of the proposal

Under the reported plan, homeowners selling properties above the £1.5 million threshold would face CGT on the gain in value. Higher-rate taxpayers could be liable for 24% of the gain, while basic-rate taxpayers would pay 18%. Treasury estimates suggest that around 120,000 households could face average CGT bills of nearly £200,000.

While the policy is framed as a measure to plug a £40 billion fiscal gap, its implications extend far beyond revenue generation.

Who will Be affected?

The impact will be felt most acutely by:

- ◆ **Long-term homeowners:** Individuals who have lived in their homes for decades and seen substantial appreciation, often due to inflation and regional development, will be disproportionately affected.
- ◆ **Pensioners and downsizers:** Many retirees rely on the equity in their homes to fund later life. Taxing this equity could discourage downsizing, freezing larger homes in the market and reducing housing mobility. This may impact the ability of grandparents to pay or contribute to school fees for their grandchildren.
- ◆ **Middle-class families in London and the South East:** In regions where property values have soared, even modest homes may breach the £1.5 million threshold, dragging ordinary families into the tax net.

The practical and political challenges

From a technical standpoint, implementing such a tax raises significant questions:

- ◆ **Rebasing:** Will gains be calculated from the date of acquisition or rebased to the date of the law change? Without rebasing, homeowners could face tax on decades-old gains, many of which are not reflective of real economic profit.
- ◆ **Market distortion:** A hard threshold at £1.5 million creates a cliff-edge effect, incentivising artificial pricing and discouraging transactions near the limit.
- ◆ **Liquidity concerns:** Unlike other assets, property gains are often unrealised until sale. Taxing these gains could force homeowners to sell or borrow against their homes to meet tax liabilities. This could provide an additional burden for families that are already struggling to pay school fees.

A step too far?

This proposal risks undermining the very fabric of UK homeownership. The British public has a deep emotional and financial attachment to their homes. Introducing CGT on main residences not only breaks a long-standing tax covenant but also risks destabilising the housing market at a time when affordability and mobility are already under strain.

Moreover, the policy may prove counterproductive. By discouraging sales, it could reduce overall transaction volumes, thereby shrinking the tax base and limiting the very revenue it seeks to raise.

Final thoughts

While reforming property taxation to address inequality and modernise outdated systems is a worthy goal, targeting primary residences with CGT is a blunt instrument. Given the Schools' sector parent and grandparent population are much more likely to be impacted by these proposals than most, they not only risk penalising prudence, punishing long-term ownership, and creating unintended consequences across the housing market, but could also have a profound impact on the ability to fund school places in the future.



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Companies House Updates: Accounts Filing and Identity Verification

From 1 April 2027, all independent schools that are companies will be required to file their accounts electronically at Companies House and will also **need to consider Identity Verification**.

Filing accounts by software only

All accounts must be filed using commercial software from 1 April 2027. This includes dormant accounts.

It applies equally to schools who file accounts themselves AND to schools who use accountants (or other third-party agents) to file their accounts for them.

Companies House have already emailed all registered email addresses notifying each individual company of these changes. If you have not received this email for your company, please check which email address you have registered with Companies House.

Companies House web and paper filing routes will be closed for accounts filings. If you do not already use commercial software, consider making the change now, don't wait for 2027! Commercial software is already available and most types of accounts can be filed using software (depending on the software package you select). Companies House has compiled a list of software providers (although does not endorse any particular provider).

Software-only accounts filings is the first step towards filing accounts in a digital format and is aimed at being a more efficient and secure way to file accounts. Companies House state it will create a single, cost effective, sustainable, traceable way to file.

Understanding Identity Verification for Companies House

Companies House is currently introducing identity verification. This is designed to reduce the risk of fraud and to improve transparency and the accuracy of information on the Companies House register.

What is identity verification?

Identity verification is a process to confirm that individuals holding key roles within UK companies are who they claim to be.

Verification is intended to be a one-time requirement. It will be an offence if you fail to comply with the requirements.

Does this impact independent schools?

Anyone incorporating, running, controlling or owning a company in the UK will need to verify their identity. This will therefore include independent schools and any trading subsidiaries that are companies.

You will be legally required to verify if you are a:

- ◆ Director (new or existing) of a UK company;
- ◆ Member of a Limited Liability Partnership (LLP) (including general partner and individual managing officers of general partners who are legal entities);
- ◆ Person with significant control ("PSC") (new or existing)
- ◆ Relevant Officer of a registrable relevant legal entity ("RRLE") (i.e. a qualifying company that would be a PSC if it were an individual);
- ◆ Authorised Corporate Service Provider ("ACSP"); or
- ◆ Individual who makes filings on behalf of a company either on their own or another's behalf (e.g. a company secretary) (unless they are an officer or employee of an ACSP).

How do I verify my identity?

There are two routes to verify.

Option 1: Direct verification with Companies House:

You may choose to verify online directly with Companies House using the GOV.UK One Login service which is free of charge. Verification will require specific identity documentation, typically:

- ◆ A biometric passport (any nationality), or
- ◆ A UK photocard driving licence

This process will ask you some questions to select the best way to verify your identity online and depending on your answers, it will guide you to verify using the GOV.UK mobile phone app or a web browser. If you don't have the required types of ID but live in the UK, you may be able to verify with bank/building society details as an alternative.

Option 2: Verification via HaysMac:

HaysMac is a registered ACSP and can demonstrate your identity is verified to the standard required under the legislation.

What happens if I don't verify?

Once the legislation is fully in force and if you do not complete identity verification, the consequences include:

You will not be able to act as a director or PSC

- ◆ The company and each of the officers will be committing a criminal offence/be liable for civil penalties issued directly by Companies House.
- ◆ A publicly visible "unverified" flag may be added to the Companies House register in relation to which can cause reputational damage as it illustrates the company is not compliant.
- ◆ The company may not be able to make its required statutory filings (which means further consequences such as fines and being struck off are also a risk).

What should I do now?

If you are impacted by this new legislation, we recommend that you act now.

Avoid waiting until you are required to verify as we expect technical delays and a huge demand on resource at Companies House this coming Autumn.

If you are impacted, please reach out to your usual HaysMac contact, or feel free to email IDV@HaysMac.com, if you have any questions.



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Structured risk reviews

We are aware that HM Revenue & Customs (HMRC) has recently initiated a programme of Structured Risk Reviews (SRR) across the charity and not-for-profit sectors, which will include independent schools. This is a very new approach from HMRC to the sector and below we consider some of the **key points you should be aware of.**

How is an organisation selected for an SRR?

Whilst HMRC has always undertaken reviews into individual taxes, the SRR is a concerted attempt to join forces across the different taxes, to understand how charities and not-for-profit organisations operate, as well as recovering any 'lost taxes', together with interest on any penalties.

HMRC has within its resources, a powerful computer programme called "Connect", which has been in place for some time now.

Connect can pull together information from publicly available sources like social media in addition to over thirty databases.

Whilst it was initially used in connection with fraud investigations, some of the questions we have seen being raised on SRRs indicate that Connect is now being used along with AI tools to examine all tax and payroll returns which have been filed and to test them against public statements.

Certainly, some of the questions we have so far seen relate to data being included in the wrong box on a return, which could potentially result in an underpayment of tax.

Clearly, any potential errors will increase the likelihood of a review. However, the following are examples of other reasons why HMRC may initiate a SRR:

- ◆ Number of employees and where they work
- ◆ Income sources
- ◆ Whether any repayments are being claimed
- ◆ Extent of any commercial activities;
- ◆ Nature of any overseas projects.

Whatever the reason the SRR has been initiated, it is important to be fully prepared.

What is the scope of an SRR?

HMRC will carry-out a review across all taxes and duties which they believe are relevant to the organisation, including:

- ◆ Corporation Tax and charitable expenditure
- ◆ Gift Aid
- ◆ VAT
- ◆ Employment taxes.

As part of the review process, HMRC will have already undertaken an internal review of returns which have been submitted by the organisation, and this will form the basis of the 'opening' meeting. The focus of the review will include, but not necessarily be limited to the following:

- ◆ What is the structure within the organisation?
- ◆ Where the school has an overseas operation, how has this been set-up?
- ◆ What internal controls and protocols are in place?
- ◆ Who is responsible for the tax reporting within the school?
- ◆ What special arrangements or easements are in place and how they are monitored?
- ◆ Details of the school's investment strategy.
- ◆ Fraud prevention and safeguarding.
- ◆ What is the school's fundraising strategy?

The approach HMRC are adopting is to hold a fact-finding opening meeting, typically lasting between three to four hours. During the meeting HMRC will raise specific questions based on tax returns that have been submitted to HMRC. Some examples of the questions which may be asked are, but not limited to the following:

- ◆ What are the income sources and fundraising activities?
- ◆ Details of any trading subsidiaries, overseas subsidiaries, project partners (including franchise arrangements) and any connected parties.
- ◆ Basis upon which any creative tax reliefs have been claimed.
- ◆ How Gift Aid payments are monitored and reported to HMRC.
- ◆ Income recognition for VAT purposes, especially in relation to school fees.
- ◆ What are the Fees In Advance arrangements at the school?
- ◆ How any reverse charging is applied.
- ◆ Details regarding how any partial exemption method calculations are prepared.

- ◆ What is the approach to paying senior members of staff at the school?
- ◆ Details of employee expense procedures.
- ◆ What benefits are provided to employees?
- ◆ What salary sacrifice arrangements are in place?
- ◆ What fee remission arrangements are in place for employees?
- ◆ Where living accommodation is provided, how is the school determining whether the accommodation benefits from one of the statutory exemptions?
- ◆ What arrangements are in place for employees who work overseas?

Following the initial meeting, HMRC will write to the school setting out any additional questions they wish to raise as well as inviting the school to re-visit any returns previously submitted to HMRC.

If the school receives an SRR enquiry notice they should act upon it promptly and we recommend speaking with your main contact at HaysMac in the first instance. We can help you manage the review and based on the SRRs we have seen to date, establishing a project plan to help manage the process if especially important.



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Schools Team

If you need guidance on any audit and accounting, financial reporting, statutory obligations, funding, VAT, employment tax or direct tax matters you can **contact any member of our Schools team.**



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Upcoming events programme

We have one of the largest education and social purpose teams in the country: we act for over 800 clients, accounting for approximately 30% of our annual turnover. Our team of specialists host topical seminar updates and speak at other organisations' events presenting the latest developments within the not for profit sector. Get in touch with events@haysmac.com should you wish to book on to any of our events.

Quarterly Charities Update

3 December 2025

16:00 – 17:30

Online

AGBIS Conference

19 March 2026

09:00 – 17:00

QEII Centre, London

Biannual Schools Update

January 2026 (TBC)

Online

Trustee Training: Charity Law Update

24 March 2026

13:30 – 15:30

Online

Trustee Training: Introduction to Charity Finance

24 February 2026

13:30 – 17:00

Online

ISBA Conference

11 May 2026

09:00 – 17:00

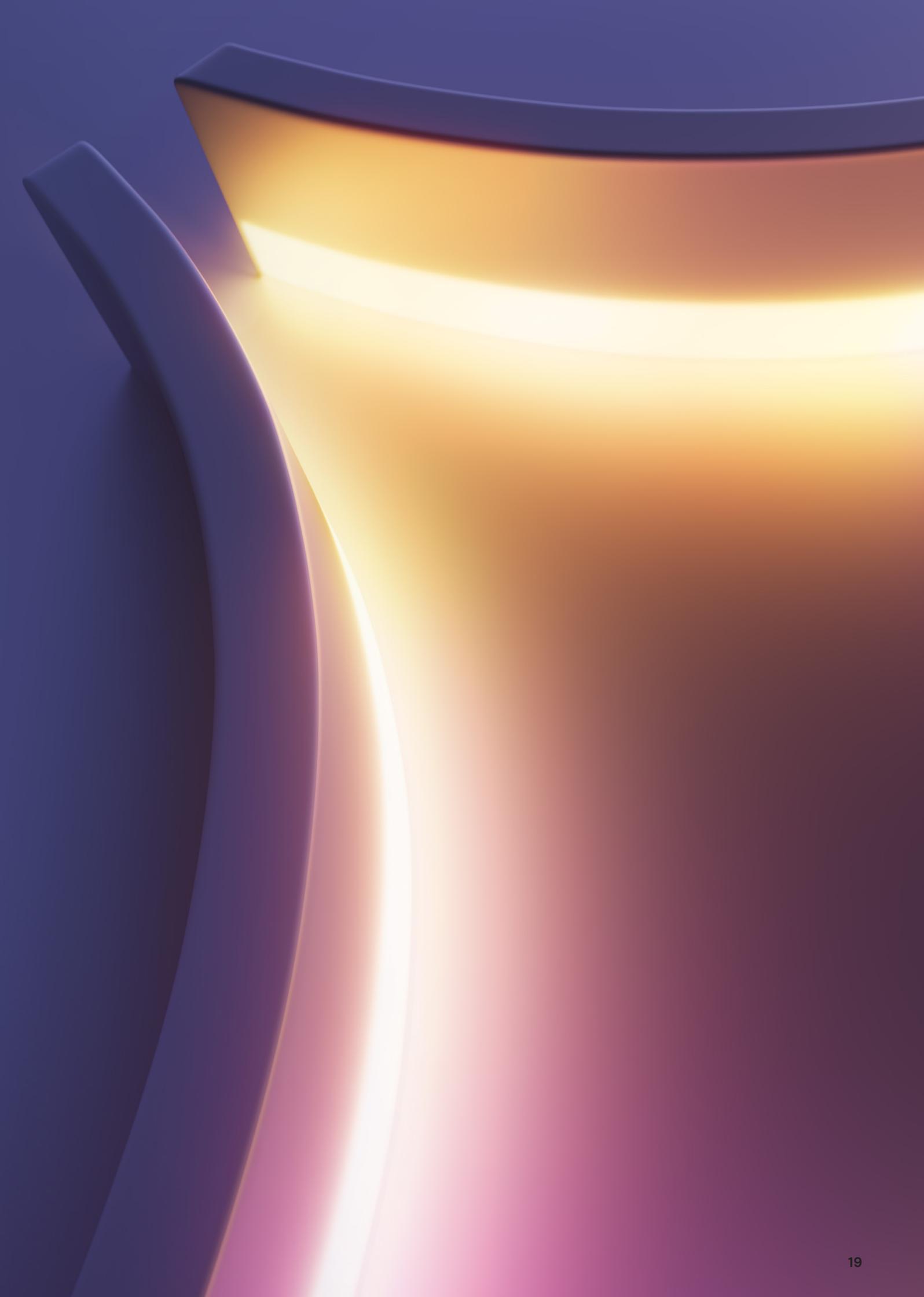
ICC Wales

Trustee Training: Roles and Responsibilities

12 March 2026

09:30 – 13:30

Online



HaysMac⁺



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Winner: Large Firm
of the Year 2023



An eprivaclient
top accountancy firm 2024



Top 10 auditor to quoted companies
in Adviser Ranking Listing