TAXANGLES from COMPASS ACCOUNTANTS

A newsletter for proactive planning...

In this edition...

- New evidence requirements for personal pension relief
- Effective date of VAT registration
- Time to Pay for Simple Assessment
- Registering for Self Assessment
- Spotting signs of umbrella company fraud
- Tax diary

October 2025 Issue

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New evidence requirements for personal pension relief

Individuals who claim higher or additional rate relief for personal pension contributions through their tax code may now need to provide evidence in support of their claim where previously they did not need to do so.

HMRC changed the rules as regards the provision of supporting evidence with effect from 1 September 2025. From the same date, HMRC ceased accepting claims by telephone; claims now must be made online or by letter.

Taxpayers who complete a Self Assessment tax return must make their claim in their tax return rather than by this route.

Eligibility

A person is eligible to claim relief if they pay tax at a rate higher than the basic rate, for example, at the higher or additional rate or, in Scotland, at the intermediate rate or above, and pay into a pension scheme where they receive tax relief at the basic rate of tax. Basic rate taxpayers who pay into a workplace pension scheme where the employer does not or will no longer claim tax relief can also make a claim, as can basic rate taxpayers who pay a lump sum into a personal or workplace pension where the scheme is not a net pay scheme (i.e. one where pension contributions are deducted from gross pay).

Information required

In order to make a claim, the claimant will need the following information:
·their National Insurance number;
·the type of pension that they have;
·the name of their pension provider;
·the net amount of pension contributions for each tax year in respect of which they are claiming tax relief; and
·their payroll number or reference (where applicable).

Supporting evidence

The claimant will also now need to provide evidence in support of their claim for each tax year for which relief is claimed. The evidence could be in the form of a letter or statement from their pension provider or a pay slip from their employer. It must include:
·the claimant's full name;
·details of pension contributions paid in the tax year to which the claim relates; and
·where the claim relates to a workplace pension, evidence that they have received basic rate relief (20%) automatically from their employer.

Making a claim

HMRC prefer claims to be made online. This can be done by visiting the Gov.uk website (see www.gov.uk/guidance/claim-tax-relief-on-your-private-pension-payments). Where the claimant is unable to claim online or the claim is made by an agent on the claimant's behalf, the claim should be made by letter. The information and evidence set out above should be included with the letter. HMRC should contact the claimant within 28 working days.

Claims can be amended once submitted, for example, to provide details of another pension. Where the claim was made online, the claim details can be amended online. If the claim was made by letter, the taxpayer must send a further letter setting out details of the changes.

Effective date of VAT registration

Businesses must register for VAT when their turnover exceeds the registration threshold (currently £90,000). This must be done if, at the end of any month, the taxable supplies in the previous 12 months or less exceed the registration threshold or if the business expects that in the next 30 days alone their turnover will exceed the registration threshold.

Businesses whose turnover does not reach the threshold do not need to register; however, they may choose to do so voluntarily. This can be advantageous, for example, if they make zero-rated supplies but buy goods or services which are liable for VAT at the standard or reduced rate as it will enable them to recover the VAT suffered.

Start date

When a business registers for VAT voluntarily, they can choose the date from which their VAT registration takes effect. It is important that this date is chosen carefully as once the VAT registration is effective, the business can recover VAT incurred from that date but must also charge VAT on taxable supplies that it makes from that date. It is not possible to recover VAT incurred on purchases prior to the date of registration, so if the business is planning a large purchase on which they hope to recover the VAT, they should ensure that their VAT registration is effective before making the purchase.

A business can apply for their voluntary registration to be backdated by up to four years from the date that they register for VAT. Where the registration is backdated, the business will be able to recover VAT charged on taxable supplies from that date. On the flip side, the business must also account for VAT at the correct rate on all taxable supplies made on or after that date.

Amending the registration date

It is important that businesses voluntarily registering for VAT consider carefully when they want their registration to take effect as there is no automatic right to change it and there is no right of appeal if HMRC deny a request to amend the effective date of registration. Where a mistake is made in choosing the effective date of registration and this affects the pre-registration cost calculations of what the business can recover and what the business must account for, HMRC will not normally allow the registration date to be changed.

Time to Pay for Simple Assessment

A Simple Assessment is used for taxpayers with very straightforward tax affairs. A taxpayer may receive a Simple Assessment letter from HMRC if they owe income tax that cannot be taken out of their income automatically, they owe HMRC more than £3,000 or they have tax to pay on their state pension. A person may also receive a Simple Assessment letter if they have tax to pay on their bank or building society interest.

A Simple Assessment letter will be sent by post and, where the taxpayer has a personal tax account, to their personal tax account. The letter will show the person's taxable income, such as that from employment income, a state pension or investments, any income tax that they have already paid (for example, under PAYE) and the balance that they owe.

If you receive a Simple Assessment letter, it is important that you check that the figures shown on it are correct. For example, you can check that the figure for your employment income matches that shown on your P60. If you do not agree with the figures shown or the calculation, you should contact HMRC within 60 days of the date on the letter.

If you receive a Simple Assessment but you complete a Self Assessment tax return, you should contact HMRC (on 0300 200 3300) within 60 days of the date of the letter to get the Simple Assessment withdrawn.

Paying the bill

The deadline for paying a Simple Assessment bill depends on the date on which the letter is received. If a Simple Assessment letter for 2024/25 is received before 31 October 2025, the tax owing must be paid by 31 January 2026. However, if the letter is not received until after 31 October 2025, the tax must be paid within three months of the date on the letter.
The tax due can be paid online, by bank transfer or by cheque.

Help to pay

Taxpayers who will struggle to pay their Simple Assessment bill by the due date can now spread the cost and pay in instalments by setting up a Time to Pay arrangement. A taxpayer can set up a Simple Assessment payment plan online if they owe between £32 and £50,000 and do not have any other payment plans or debts with HMRC.

Taxpayers within Simple Assessment who want to pay in instalments but are not able to set up a plan online will need to contact them to see if they can agree an instalment plan with them. Where an instalment plan is agreed, interest is charged on tax paid after the due date, but there are no late payment penalties.

Registering for Self Assessment

If you are new to Self Assessment and need to submit a tax return for 2024/25, you will need to register for Self Assessment. This should be done before 5 October 2025 in order to avoid a penalty and to ensure that you receive your Unique Taxpayer Reference (UTR) and Notice to File in good time. You can either register for Self Assessment yourself or appoint an agent to register on your behalf. If you register after 5 October 2025, you may receive a failure to notify penalty.

Check whether you need to register

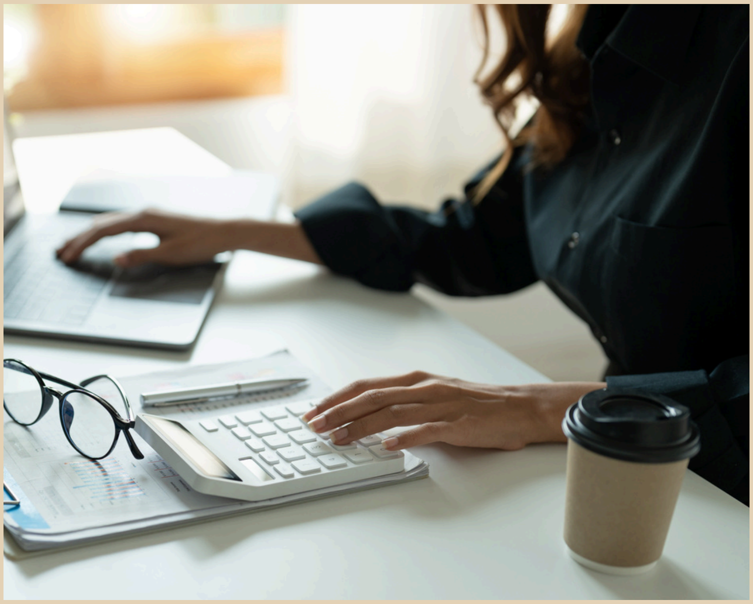
You may need to register for Self Assessment if you do not currently complete a Self Assessment tax return and you had a new source of untaxed income in 2024/25. This may be the case if you started a new trade, which may include a side hustle in addition to your employment, or you started renting out property, either on a long-term let or as holiday accommodation.

However, even if you have a new source of untaxed income, you will not necessarily need to register. This will be the case if, for example, all your income from self-employment (before deductions) is less than £1,000 in the 2024/25 tax year or if your property rental income is less than £1,000 in the tax year. If you let a furnished room in your own home, there is no need to register if your rental income is less than the rent-a-room limit (£7,500 where one person receives the income or £3,750 each where more than one person receives the income).

You can check if you need to send a return by using the tool on the Gov.uk website at www.gov.uk/check-if-you-need-tax-return.

Registered before

If you have previously registered for Self Assessment but did not file a return for 2023/24, you will need to sign into the Government Gateway to reactivate your account. If you are unable to do this, you can instead complete form CWF1 and send this to HMRC.



Register online

If you need to register for Self Assessment, you can do so online by visiting the Gov.uk website at www.gov.uk/register-for-self-assessment. It can take up to 21 working days for your registration to be confirmed.

File your return

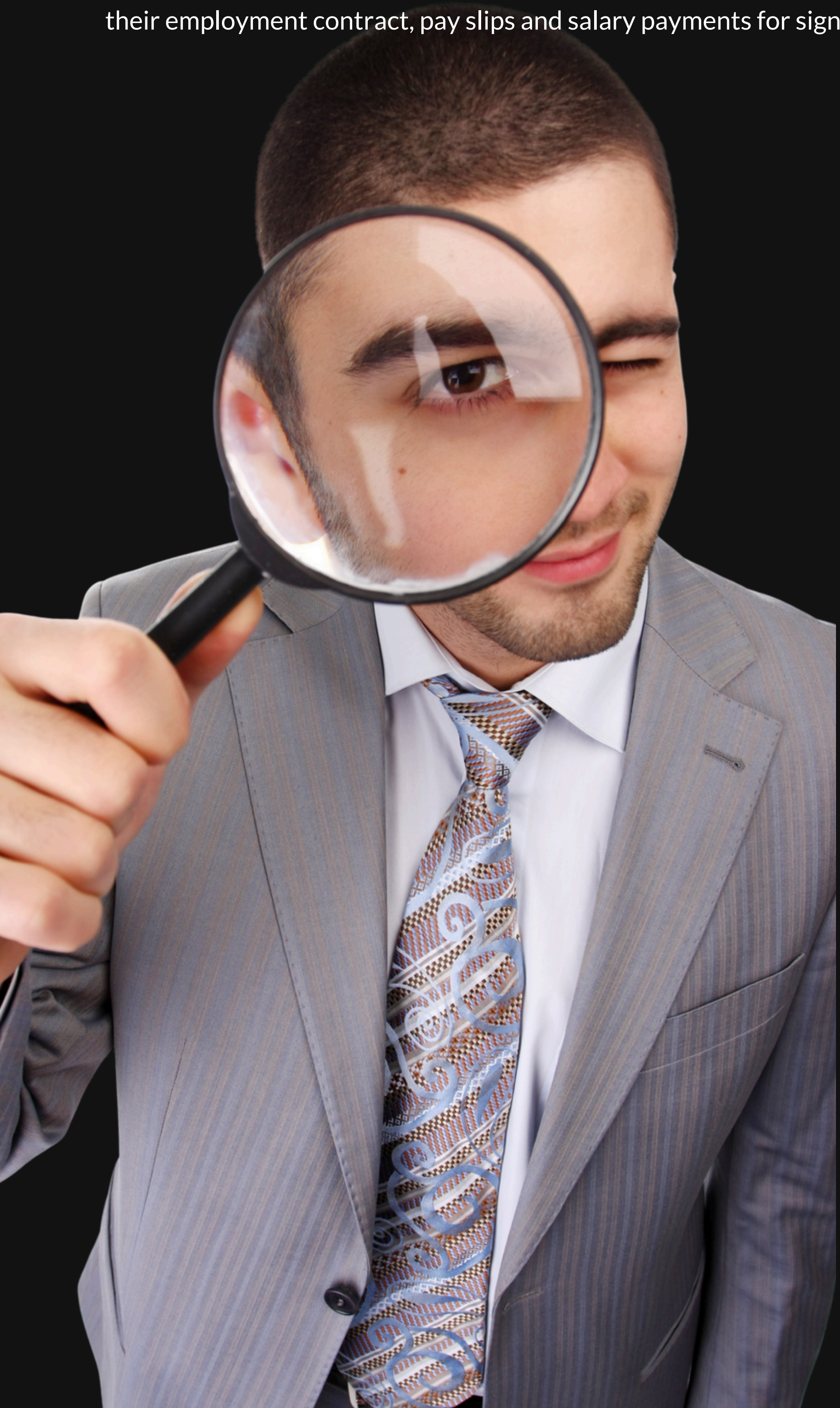
The deadline for filing your 2024/25 Self Assessment tax return online is midnight on 31 January 2026. Once registered, you can file your return – you do not need to wait until January. If you miss the deadline, you will receive a late filing penalty of £100. If you did not receive your Notice to File a return until after 31 October 2025 (but you registered for Self Assessment on or before 5 October 2025), you have until three months from the date on the Notice to File in which to file your return.

Pay your tax

You must pay any tax owing for 2024/25 by 31 January 2026. If your tax bill for 2024/25 was more than £1,000, unless 80% of your tax bill for the year was collected at source (such as under PAYE), you will also need to make the first payment on account of your 2025/26 tax liability by the same date. This is 50% of your Self Assessment tax and Class 1 National Insurance bill for 2024/25.

Spotting signs of umbrella company fraud

An umbrella company is a business which may be used by a recruitment agency to pay temporary workers. However, many umbrella companies are not tax compliant and umbrella company fraud is widespread. HMRC are taking a number of steps to crack down on fraud by umbrella companies, including educating workers to spot signs of umbrella company fraud. To this end, they have recently published Spotlight 71 which highlights warning signs that an umbrella company may be involved in tax avoidance. Workers are asked to be vigilant and to check their employment contract, pay slips and salary payments for signs that something may be amiss.



Employment contract warning signs

Workers are advised to check their employment contract carefully, including the small print and any disclaimers. Factors which may indicate that the umbrella company could be involved in tax avoidance include:

·an unexpected move to a new umbrella company which happens at very short notice and with very little paperwork;

·signing a contract with one company but being paid by another company which may have a very similar name or be based overseas;

·being asked to sign a new employment contract or a different agreement, such as an annuity agreement in addition to the employment contract. Signing more than one employment contract is not standard practice and may indicate that the worker is being moved to another scheme.

Pay slip warning signs

A worker has a legal right to a pay slip and it is prudent to check that their pay slip is as it should be. The following are warning signs that the umbrella company may not be tax compliant:

·the PAYE reference, employer name or way in which the worker is being paid changes unexpectedly;

·the pay shown on the pay slip is significantly less than the worker expected to receive or had received previously;

·the amount of net pay shown on the pay slip is less than the amount paid into the worker's

CONT ON PAGE 7

bank account;
·the correct amount of tax and National Insurance has not been deducted from the worker's gross pay;
·the worker suddenly receives a hard copy pay slip rather than one online;
·the worker is moved to a new payroll system or is unable to access the online portal of the previous umbrella company to view their pay slips.

Salary payment warning signs

The worker should also check their bank statements to make sure what they are paid ties up with the net pay amount on their pay slip. They should also check that their pay is received as a single payment rather than comprising a number of payments, some of which may not have been taxed.

A move to a new payroll system

An unexpected move to a new payroll system is a red flag. The worker may be told that nothing will change and that the move is because the current payroll has too many workers. Workers should not simply accept this – payrolls are not subject to limits.

What to do if fraud is suspected

Workers who have concerns should raise these with their umbrella company, which might be able to allay their fears. However, if they are involved in tax avoidance, the company may be unwilling to answer questions.

If a worker suspects that their umbrella company is not tax compliant, they should move to a new umbrella company as soon as possible, checking that the new company seems compliant.

Workers can also report non-compliant umbrella companies to HMRC. This can be done anonymously.

TAX DIARY

OCTOBER

1 October 2025 – Due date for Corporation Tax due for the year ended 31 December 2024.
19 October 2025 – PAYE and NIC deductions due for month ended 5 October 2025. (If you pay your tax electronically the due date is 22 October 2025)
19 October 2025 – Filing deadline for the CIS300 monthly return for the month ended 5 October 2025.
19 October 2025 – CIS tax deducted for the month ended 5 October 2025 is payable by today.
31 October 2025 – Latest date you can file a paper version of your 2024-25 self-assessment tax return.

For further information on any of the stories in this month's newsletter, or for any other matter that Compass Accountants can assist you with, please contact us on 01329 844145 or contact@compassaccountants.co.uk

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