TAXANGLES from COMPASS ACCOUNTANTS

A newsletter for proactive planning...



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New reporting requirements for company directors

For 2025/26 onwards, directors must provide additional information when completing their Self-Assessment tax return. The 2025/26 Self-Assessment return must be filed online by midnight on 31 January 2027.

All directors are now required to confirm whether they were a director of a company during the relevant tax year. If the company was a close company, this too must be confirmed. Directors of close companies must also provide the following information in their tax return:

·the name and registered number of the company;
·the amount received by way of dividend income from the close company during the year (which may be zero); and
·the percentage of the share capital of the close company held by the person (which may be zero). If that percentage has changed during the tax year in question, the percentage provided on the return should be the highest percentage held during the year.

The information should be provided on the SA102 employment pages of the return. Question 6 asks whether the individual was a director of the company. Where the directorship ceased in the tax year, the date of cessation should be entered in box 6.1.

The director must confirm whether the company is a close company in box 7. Where it is, they must provide the name of the company in box 7.1 and its company registration number in box 7.2. The director must also provide details of any dividends received from the company in the tax year in box 7.3 and their percentage shareholding in box 7.4.
Each directorship (including that of a dormant company) should be reported through the SA102 employment pages, even if the director was not a shareholder during the tax year and had no remuneration.The new reporting requirements provide HMRC with more information and allow them to cross-check the dividends provided in the director's tax return with the company's account.



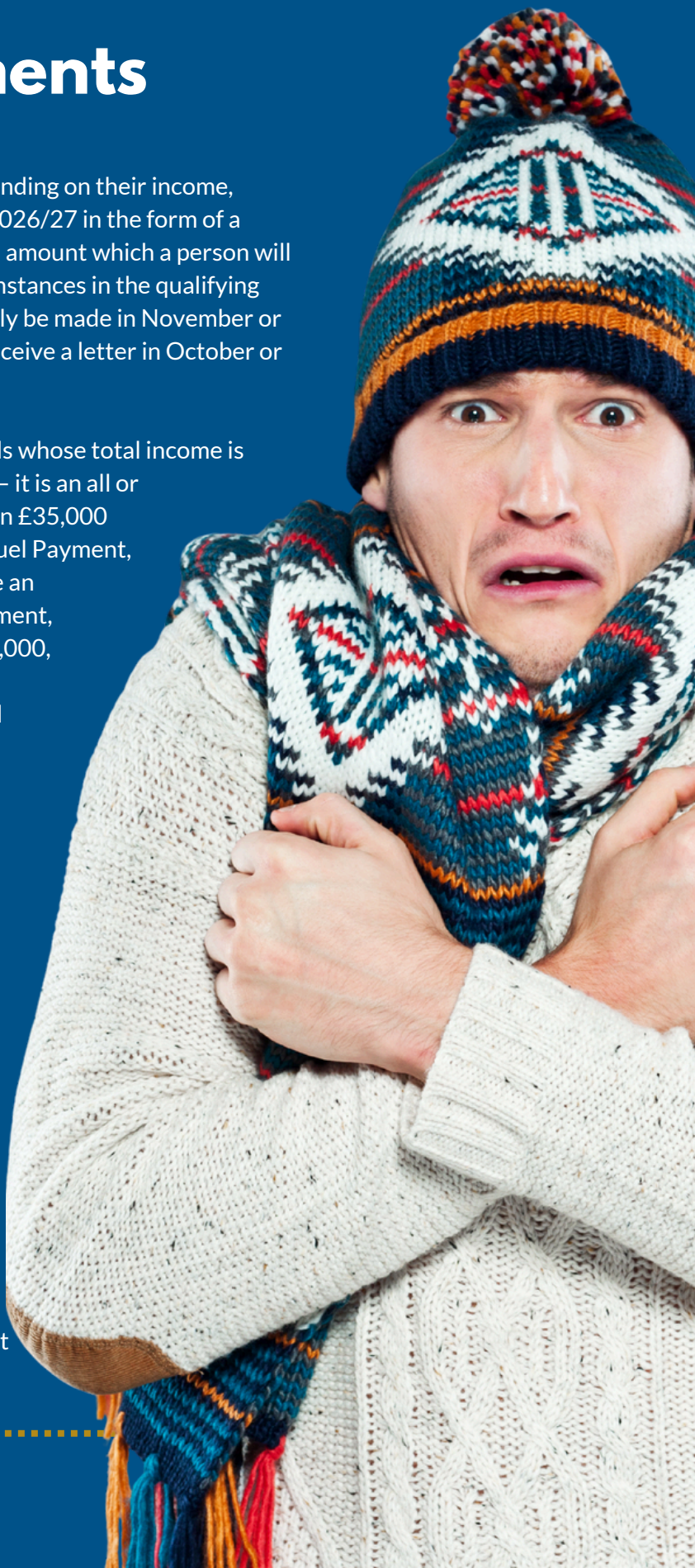
Winter fuel payments

Individuals born on or before 27 June 1960 may, depending on their income, receive help with their heating bills for the winter of 2026/27 in the form of a Winter Fuel Payment of between £100 and £300. The amount which a person will receive depends on their date of birth and their circumstances in the qualifying week (21–27 September 2026). Payments will normally be made in November or December 2026 and people who are eligible should receive a letter in October or November 2026 telling them how much they will get.

The Winter Fuel Payment is not available to individuals whose total income is more than £35,000 for the tax year. There is no taper – it is an all or nothing payment. Individuals with income of more than £35,000 had the option of opting out of receiving the Winter Fuel Payment, but this had to be done by 20 September 2026. Where an individual has not opted out, they will receive the payment, but if their total income for 2026/27 is more than £35,000, HMRC will take it back. This will normally be done by changing the individual's tax code but can be collected through Self-Assessment where they complete a Self-Assessment tax return.

Where the payments are clawed back through the tax code, HMRC have recently announced that they start collecting the payments for 2026/27 from January 2027 rather than from April 2027 as previously announced. Individuals affected may find that for the last few months of the 2026/27 tax year, they are paying back Winter Fuel Payments for both 2025/26 and 2026/27.

Where the Winter Fuel Payment is repaid through Self-Assessment, the payment should be included in the return for the year in which it is received, so that payments received for winter 2026/27 should be included in the 2026/27 tax return, which must be filed online by 31 January 2028. The payments will usually be pre-populated in the return. However, it is prudent to check that the figures are correct.



Why file your 2025/26 tax return by 30 December 2026?



Taxpayers who need to file a Self-Assessment tax return for 2025/26 must do so online before midnight on 31 January 2027. If they receive their notice to file after 31 October 2026, a later deadline of three months from the date of the notice applies. However, any tax due must still be paid by 31 January 2027.

However, where an individual owes tax and they want to pay what they owe through an adjustment to their tax code, they must file their return by 11.59pm on 30 December 2026. Where a paper return is filed, this must be filed by 31 October 2026.

A taxpayer can pay their Self-Assessment tax bill through their tax code if all of the following apply:
·the amount owed is less than £3,000;
·they already pay tax through PAYE, for example, because they are an employee or because they receive a company pension; and
·they filed their 2025/26 tax return online by 30 December 2026 or filed a paper return by 31 October 2026.

It should be noted that this route is only available where the total amount owed under Self-Assessment is less than £3,000 – if the amount due is more than £3,000, it is not possible to make a payment to reduce the outstanding balance to below £3,000 and then pay this through the tax code.

However, even if the above conditions are met, a person will not be able to pay their tax bill through their PAYE code:

·if they do not have sufficient PAYE income for HMRC to collect the tax that is owed;
·if the tax is collected through PAYE, the amount paid in tax would exceed 50% of their income; or
·if collecting tax through PAYE would mean that the person would pay twice as much tax as usual.

Where the return is filed by 30 December 2026 and the conditions are met, HMRC will automatically adjust the taxpayer's code to collect the tax that they owe. If the taxpayer does not want to pay in this way, they will need to tell HMRC in their return.

Advantages and disadvantages

Paying tax through the tax code can be worthwhile. The tax that is owed for 2025/26 is collected via an adjustment to the 2027/28 tax code. This means that if a person is paid monthly, they will pay the tax in 12 instalments over the 2027/28 tax year. For example, if a person owed tax under Self-Assessment of £1,200, they would pay their tax in 12 monthly instalments of £100. However, unlike an instalment plan, there is no interest to pay.

On the downside, monthly take-home pay will fall, and this will not suit everyone. Some people may prefer to settle the bill by 31 January 2027 and maintain their monthly income.

Tax on savings income from 6 April 2027



There are changes ahead for savers. From 6 April 2027, savings income will have its own tax rates – the savings income tax rates. Where savings income is not sheltered by the personal allowance or the savings allowance or taxable at the savings starting rate, for 2027/28 it will be taxed at the savings basic rate of 22% where it falls in the basic rate band, at the savings higher rate of 42% where it falls in the higher rate band and at the savings additional rate of 47% where it falls in the additional rate band. Changes to the ordering rules mean that trading, employment and pension income is taxed before property, savings and dividend income, with savings income treated as the second top slice before dividend income. Reliefs and allowances are allocated in the same order.

Basic and higher rate taxpayers will still benefit from the savings personal allowance, set at £1,000 for basic rate taxpayers and at £500 for higher rate taxpayers. The savings starting rate of 0% will continue to apply to savings income which falls within the savings starting rate band, set at £5,000 but reduced pound for pound to the extent that taxable non-savings income exceeds £5,000. For example, if a taxpayer has pension income of £14,000 and savings income of £5,000, their savings starting rate band would be reduced by £1,430 (£14,000 – £12,570) to £3,570.

For taxpayers looking to shelter their savings income from tax by investing in an ISA, it should be noted that the cash ISA limit for under 65s is reduced to £12,000 for 2027/28. The overall ISA limit remains at £20,000, but at least £8,000 must be invested in a stocks and shares ISA. Further, any savings income on cash held in a stocks and shares ISA will be taxed at the savings income tax rates. The lower cash ISA limit of £12,000 does not apply to individuals who are aged 65 or older at the end of the tax year who can still invest their full £20,000 limit in a cash ISA.



Lower MTD threshold from April 2027

Under Making Tax Digital for Income Tax Self-Assessment (MTD for ITSA), individuals within its scope must keep digital records of their trading and property income and expenses and make quarterly returns and a final declaration to HMRC using software that is compatible with MTD for ITSA. From 6 April 2026, individuals whose combined trading and property income was £50,000 or more in 2024/25 were required to comply with MTD for ITSA.

The MTD for ITSA threshold drops to £30,000 from 6 April 2027 based on income for 2025/26. It will fall to £20,000 from April 2028.
To ascertain whether you will need to join MTD for ITSA from 6 April 2027, you will need to work out your qualifying income for 2025/26. This is your total of trading and property income from all sources before the deduction of expenses.

Example
In 2025/26, Betty had trading income of £28,000 and property income of £11,000. As her combined trading and property income at £39,000 exceeds the threshold, she will be required to join MTD for ITSA from 6 April 2027. It does not matter that individually both her trading income and her property income are below £30,000.

If all qualifying sources of income cease before 6 April 2027, it is important to notify HMRC. Where this is the case, the individual will not need to comply with MTD for ITSA from 6 April 2027. However, if a person has more than one source of income, and at least one of those sources continues, they will still need to comply with MTD for ITSA in respect of the continuing source(s) if their combined trading and property income in 2025/26 was £30,000 or more.

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This remains the case even if the income from the continuing source(s) was less than £30,000 in that year. However, if your qualifying income is below the MTD for ITSA threshold for three consecutive years, you can opt out of MTD for ITSA.

If you have yet to submit your 2025/26 tax return, it is advisable to do so sooner rather than later so that you know whether you will need to join MTD for ITSA from 6 April 2027. Once your return has been submitted, HMRC will write to you if you are within MTD for ITSA from that date.

It may be that you need to amend your 2025/26 tax return after you have submitted it. If as a result of the amendments your qualifying income drops below £30,000, you will not need to join MTD for ITSA if your amended return is filed before 6 April 2027.

If it is filed after that date and you have signed up for MTD for ITSA, you can opt out. If as a result of the changes, your qualifying income rises to more than £30,000, you will need to join MTD for ITSA from 6 April 2027 if you file your amended return before that date. If the amended return is not filed until after 5 April 2027, you will not need to comply with MTD for ITSA for 2027/28.

Getting ready

If you need to join MTD for ITSA from 6 April 2027, you will need to sign up by visiting the Gov.uk website at www.gov.uk/guidance/sign-up-for-making-tax-digital-for-income-tax. Alternatively, your agent can sign you up.

If you are filing the returns yourself, you will need to source compatible software. HMRC produce a list of suitable software which can be found on the Gov.uk website at www.gov.uk/guidance/find-software-that-works-with-making-tax-digital-for-income-tax. Alternatively, your agent can file the returns on your behalf.



TAX DIARY

NOVEMBER

- 7 November 2026 – Deadline for the second quarterly update under Making Tax Digital for Income Tax for the 2026-27 tax year. This applies to individuals who are within MTD for Income Tax from April 2026 and covers the second quarterly update period.
- 7 November 2026 – VAT returns and payments are normally due for VAT accounting periods ended 30 September 2026, unless an alternative deadline applies, for example under the Annual Accounting Scheme.
- 19 November 2026 – PAYE and National Insurance deductions for the month ended 5 November 2026 must reach HMRC by this date where payment is made by post. Where payment is made electronically, the normal deadline is 22 November 2026.
- 19 November 2026 – Filing deadline for the CIS300 monthly return for the month ended 5 November 2026.
- 19 November 2026 – CIS tax deducted for the month ended 5 November 2026 must reach HMRC by this date if payment is made by post. Where payment is made electronically, the normal deadline is 22 November 2026.
- 30 November 2026 – Companies with an accounting period ended 30 November 2025 must normally submit their Corporation Tax return to HMRC by this date.
- 30 November 2026 – Private companies with an accounting period ended 28 February 2026 will normally need to file their accounts at Companies House by this date. Different deadlines can apply to a company's first accounts or where the accounting reference date has been changed.

DECEMBER

- 1 December 2026 – Due date for Corporation Tax payable for the year ended 28 February 2026.
- 19 December 2026 – PAYE and NIC deductions due for month ended 5 December 2026. (If you pay your tax electronically, the due date is 22 December 2026).
- 19 December 2026 – Filing deadline for the CIS300 monthly return for the month ended 5 December 2026.
- 19 December 2026 – CIS tax deducted for the month ended 5 December 2026 is payable by today.
- 30 December 2026 – Deadline for filing 2025-26 self-assessment tax returns online to include a claim for underpayments to be collected via tax code in 2027-28.

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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