



October 2026

Focus on Figures

Welcome to our latest monthly newsletter. We hope you enjoy reading this newsletter and find it useful. Please contact us if you wish to discuss any of the topics further.

Prepare to be signed up for Making Tax Digital

What you need to know

Sole traders and landlords earning more than £50,000 have been required to keep digital records and send quarterly updates to HMRC via Making Tax Digital (MTD) since April 2026. For those who haven't, HMRC is preparing to step in and sign you up.

HMRC will automatically sign up taxpayers who are required to use Making Tax Digital (MTD) for Income Tax from 2026-27 but have yet to register, and they have published guidance setting out the steps affected individuals should take if they are affected.

What happens when HMRC automatically signs up a taxpayer?

Once HMRC have signed someone up, they will contact them directly, either by post or digitally depending on their contact preferences, asking them to complete a 'checking step'. This checking step can be carried out in the 'Making Tax Digital for Income Tax' section of the individual's relevant HMRC online services account; this will be their Personal Tax Account or Business Tax Account. If they have never used an HMRC online services account, they will need to set up an account.

The 'checking step' will involve verifying HMRC's information on active businesses and property income and notifying HMRC of any changes. It is important to remember that HMRC's information derives from historical data for 2024-25. This means it is possible that HMRC could include details for businesses that have ceased. It will not be possible to update the business address, description or name. HMRC need to be contacted directly to change this information.

For those who are signed up, it is then a case of using compatible software to catch up and create digital records from the start of the tax year. Any overdue quarterly updates will need to be submitted as soon as possible (the first quarterly submission was due on 7 August 2026) with future quarterly reports submitted when necessary.

HMRC have confirmed there will be no penalty points for missing a quarterly update for 2026-27. A final quarterly update will be required before the 2026-27 tax return can be submitted, and penalties will be charged if the tax return is submitted late.

If someone has been signed up but does not need to use MTD, it is simply a case of contacting HMRC to rectify the situation. If you are signed up and need any help dealing with HMRC or Making Tax Digital, please get in touch and we would be happy to help you.

Mandatory payrolling of Benefits in Kind

Actions to take now

The tax rules on Benefits In Kind (BIKs) are changing. From 6 April 2027 to 5 April 2028, Phase 1 of HMRC's 'Mandatory payrolling of Benefits In Kind and expenses' comes into force. Phase 1 will apply only to company cars, car fuel, vans, van fuel and medical benefits.

Mandatory payrolling for most other benefits will be introduced from April 2028. Employers will need to begin preparing for the changes, which will include ensuring that payroll software and processes are correctly set up. However, to avoid employees being surprised, employers should also consider communicating the changes to their staff.

Early communication is key to making sure staff will understand how this change may affect their tax code and take-home pay.

What to explain

It would be good to help staff understand that if they currently pay tax in arrears on BIKs they will not do so from April 2027 onwards for any BIKs that are included in Phase 1. Many employees may not realise this is how they are paying tax on BIKs, and that next year they will pay tax on their BIKs for cars, vans, fuel (for both cars and vans) and medical benefits in the year they receive them.

They may currently have a deduction in their tax code so they pay tax on an estimated benefit. This will no longer be the case from April 2027.



Tax on Phase 1 BIKs must be paid in real time in the year they are received. What this means in practice is that some employees could end up paying tax in real time on some benefits they are receiving in 2027/28, while at the same time also be catching up with payments for any BIKs from the previous tax year. It might seem to them that they are paying tax twice. This is not the case but could be confusing if it is not explained.

Employees can be advised to contact HMRC to discuss options based on their circumstances if this overlapping taxation causes them hardship. Should you have queries or need advice on payroll or BIKs, please get in touch. We'd be glad to help.

Mileage allowances changed for tax year 2026/27



Rates have increased.

HMRC have reminded businesses that the Approved Mileage Allowance Payments (MAPs) have been updated for the 2026/27 tax year.

Rates have:

- Increased to **55p per mile** for the first **10,000 miles**.
- Remained at **25p per mile** after **10,000 miles**.

These changes are backdated to 6 April 2026.

If you reimburse your employees at or below the approved MAP rate, you may want to increase the amount you reimburse your employees for business mileage, in line with the new approved MAP rates.

Reimbursement?

If you paid your employees mileage payments or RME above the old rates, Income Tax and/or Class 1 National Insurance contributions may have been deducted, which may no longer be due.

You may need to correct payroll for previous months in 2026-27, so that overpaid tax and both employers' and employees' Class 1 National Insurance contributions can be refunded.

If you need any help in doing this, please feel free to get in touch. We'd be happy to help you.

Additional self assessment disclosures for Directors in 2025/26

Additional reporting requirements for directors of close companies came into force for Self Assessment returns from 2025/26 onwards.

A close company is generally a company that is controlled by five or fewer shareholders or by its directors. The new requirements mean directors of close companies must report the following on their tax return:

- › The name of the close company.
- › The registered number of the close company.
- › The amount of income they receive from dividends from that company in that tax year.
- › The highest percentage of their shareholding.

The Self Assessment return already included boxes to indicate whether a taxpayer was a director of a close company, but completing these boxes was optional. The new rules mean directors of close companies are now obligated to complete the boxes.

Only directors who currently need to complete a Self Assessment return need to report close company information.

If the company is only a close company for part of the tax year, the new boxes must still be completed.

HMRC have recently confirmed the following:

- › Where directors are unpaid and/or have zero shareholdings in the close company, they must still complete the new boxes on the tax return. Listing unpaid directorships in the additional information box is not an acceptable option.
- › Directors of dormant close companies must also complete the new boxes.
- › Directors of registered charities or Community Interest Companies do not need to complete the new boxes where they did not receive, or become entitled to receive, any employment income or dividend income.

A £60 penalty may apply for the incorrect completion of the close company boxes. It is therefore important that you advise us of any directorships that you held in a tax year.

MTD for Income Tax: the story continues in 2027

Certain landlords and self-employed individuals should start preparing now for the next phase of Making Tax Digital (MTD) for Income Tax. Taxpayers with qualifying income above £30,000 in the 2025/26 tax year will be required to join MTD from 6 April 2027. Qualifying income includes gross income from property lettings and self-employment before expenses are deducted.



MTD represents the biggest change to the Self Assessment system for many years. Instead of keeping paper records and submitting information annually, affected taxpayers will need to maintain digital records using compatible software and send quarterly updates of their income and expenses to HMRC. At the end of the tax year, a final digital submission will be required to confirm their tax position.

Landlords and traders with income above the threshold should review their bookkeeping processes now and speak to us about suitable software. Early preparation will make the transition much smoother and help avoid compliance issues when MTD becomes mandatory in April 2027.