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In addition to statutory & standard services we offer help in many fields including business advice and tax planning and can assist in all aspects of your financial affairs.

Feltons
CHARTERED ACCOUNTANTS & BUSINESS ADVISERS

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YOUR DIVORCE AND YOUR PENSION

Pensions can be one of the most valuable assets you own, yet the Money and Pensions Service recently highlighted the fact that only four in ten UK adults realised a pension could form part of a divorce settlement.

When a marriage/civil partnership ends, pensions need consideration like other financial assets. It is particularly important with the gender pay gap, meaning women may have less generous pension provision.

Pension funds can be dealt with in various ways. A pension sharing order transfers part of one person's pension to the other. Offsetting allows one party to keep their pension fund, while the other takes a bigger share of other assets, like the home. With pension attachment or earmarking, each party gets an agreed share of income in due course. Couples who are not married or in a civil partnership, have fewer legal rights, and we can provide further advice here. Please note also that the law in Scotland can differ from the rest of the UK.

Specialist advice is recommended when it comes to assessing what a pension is worth. This involves looking at more than just the cash equivalent transfer value. It is important to appraise the income likely to be produced in retirement; and the position on tax-free lump sum benefits, for example.

We are always on hand to advise on pension-related issues.

Companies: changes to keep on top of

These include new identity verification requirements from Companies House under the Economic Crime and Corporate Transparency Act 2023 (ECCTA).

Identity verification: The ECCTA makes it a legal requirement for company directors, people with significant control (PSCs), and some others to verify their identity with Companies House. Requirements are being phased in over time, and at a later date, those filing for a company (such as company secretaries); limited partnerships; corporate directors of companies; and officers of corporate PSCs will also need to verify their identity. The rules will also impact limited liability partnerships (LLPs), both individual members and corporate members, and we can advise further here.

For directors and PSCs, the requirement to verify kicks in over the 12 months from 18 November 2025, and it will not be possible to file the confirmation statement unless all directors have verified their identity. Continuing to act as a director or PSC without verification will constitute an offence, and the company could also be in breach of the law.

Verification can be carried out online on GOV.UK One Login, or through an Authorised Corporate Service Provider. You should receive a Companies House personal code as a unique identifier when it is completed. The code is personal to you (rather than the company) and should be kept securely.

Filing accounts: latest position: Under the ECCTA, the requirement for all accounts to be filed with Companies House via commercial software was due to take effect from April 2027. So, too, were new filing requirements for micro entities and small companies, and the removal of the option to file abridged accounts.

However, change will not now take place on this timescale, and the reforms are being kept under review. A final decision is expected shortly, and companies will be given at least 21 months' notice to get ready.

Late filing: Penalties for late filing of Corporation Tax returns have increased sharply for returns with filing dates from 1 April 2026 onwards. The size of penalty depends on how late a return is, and whether there are repeated failures to file on time, but effectively, penalties have doubled across the board. Where a return was filed late previously, the penalty was £100: now it is £200. Where it was more than three months late previously, the penalty was £200: now it is £400.

With a consultation now underway on the introduction of prescribed formats for Corporation Tax returns, change to company admin is very much the order of the day. Do talk to us for further advice.

Inside this issue ■ New VAT treatment for business donations to charity ■ State Pension age: what employers should be doing now
■ Low value exports to the EU: new rules ■ Tax relief for employees ■ New era for Statutory Sick Pay
■ Tax codes, and why everyone should check them

New VAT treatment for business donations to charity

Businesses donating goods to charities may now benefit from new rules.

Latest position

With effect from 1 April 2026, businesses donating goods to registered charities for onward distribution to people in need; to another charity or organisation; or for use in the charity's non-business activities will no longer be required to account for VAT on those items.

Prior to this, such donations were usually subject to VAT at 20%, as deemed supplies. This was rather the odd man out, given the existence of VAT relief for business donations of goods to a charity for sale.

The idea, however, is to make it easier and more cost-effective for businesses to donate surplus goods to charities like foodbanks or shelters, allowing surplus items to be put to good use rather than being scrapped, or going to landfill.

Complexities

Is it good news? Yes – but not an unqualified yes, because there are still a number of complexities that donor businesses must keep in mind. HMRC has recently updated VAT Notice 701/1, where section 5.5 sets out the latest guidance. In outline, goods can be donated without incurring a VAT charge when:

- goods are eligible
- they are donated for an eligible use
- they are donated to a charity registered with the Charity Commission; or corresponding regulator (where required); or with HMRC for charity tax purposes
- the donor has evidence that eligible goods have been donated to an eligible charity.

Check the value of goods: There are per item value limits under the new rules. The cap is £200 per item for a limited range of specified items: household appliances (including cookers and fridges); furniture (including mattresses); flooring (including carpets and rugs); computers, tablets and mobile phones: and £100 in any other case. Some goods subject to excise duty (such as alcohol, tobacco and vaping products) are excluded from the scope of the relief.

Check the recipient carefully: The new relief does not apply to donations to community interest companies (CICs), social enterprises, or small charities not required to be registered with HMRC.

Get the paperwork right: Donor businesses need an appropriate audit trail. This will include written evidence from the recipient setting out its status as an eligible charity; and a signed statement from one of its officials confirming how the donation will be used. Donor businesses will also need to carry out checks and maintain records to help guard against breach of the rules. Such records are likely to include a description of goods donated and their quantity; original purchase price or value at donation; date of donation; and proof that they were dispatched to, or collected by the eligible charity.

Here to help

We are on hand to help with all your VAT questions. Please don't hesitate to get in touch.

State Pension age: what employers should be doing now

State Pension age is going up from 66 to 67 years.

The change impacts both men and women, and is being phased in over two years, starting from 6 April 2026. This means that anyone born between 6 April 1960 and 5 March 1961 will reach their individual State Pension age at 66 years - and a specified number of months. A State Pension age calculator tool on GOV.UK can be used to find individual dates.

Employer actions needed

Update payroll: Employees are no longer liable to pay National Insurance when they get to State Pension age, though employers still need to make secondary Class 1 contributions. Employers therefore need to check for staff in this age bracket, and update payroll records accordingly when someone reaches State Pension age. This involves changing the National Insurance category letter to 'C' in payroll software to stop deductions. The change is needed for the first payment date after State Pension age is reached. Year-to-date information should still be reported under the old category letter until the end of the tax year.

Think paperwork: Employers need proof showing that someone has reached State Pension age. This should be the birth certificate, or passport. A certificate of age exception (CA4140) is also acceptable. These are no longer being issued, but some employees may already have one.

Communicate: Employees who start to claim their State Pension, rather than deferring it, are likely to receive a new tax code. That's because though State Pension is taxable, tax is not currently deducted at source, and the coding needs adjustment to reflect the new source of income. It may be worth providing employees with relevant explanations at the outset, to manage expectations and pre-empt queries.

Low value exports to the EU: new rules

New rules apply to low value consignments entering the EU from 1 July 2026.

The problem

At present, small parcels valued at less than EUR 150 enter the EU duty free, and it's a key measure for e-commerce. But there are concerns that this is creating unfair competition for EU sellers, and particularly that it is being exploited by online retailers from China. Health and safety risks for consumers, high levels of fraud, and environmental issues are also cited. Estimates suggest, for example, that up to 65% of small parcels entering the EU are undervalued to avoid customs duties on import. There is also concern that non-EU companies are incentivised to split shipments into individual parcels.

New policy

The EU therefore intends to remove the low value customs duty exemption altogether. Since, however, this is bound up with wider customs reforms, there is now an immediate temporary scheme in place.

From 1 July 2026 to 1 July 2028, goods entering the EU in small consignments and valued at less than EUR 150, will be subject to an interim flat rate customs duty of EUR 3. This rate will be applied to all goods entering the EU, for which non-EU sellers are registered in the EU's import one-stop shop (IOSS) for VAT purposes, per item category. If a parcel contains multiple types of item categories, the duty will stack. There will be regular reviews to see whether the rate should be extended to goods entering the EU sold by traders not registered in the IOSS.

Note that this arrangement may be extended as appropriate until the permanent arrangement comes into effect.

Example: A parcel contains one blouse made of silk and two blouses made of wool. These items have different tariff sub-headings, so the parcel is treated as containing two distinct items, and EUR 6 in customs duty should be paid.

In addition to this flat rate duty, a handling fee is currently under discussion, and if agreed, is expected to come into force from November 2026.

Longer term change

The EU is introducing a wider package of customs reforms, including a new customs data hub. This is due to become operational in 2028. At this point, it is planned that the interim customs duty introduced in 2026 will be replaced by normal customs tariffs.

Tax relief for employees

They say what you win on the swings, you lose on the roundabouts.

It certainly seems to be true of the latest changes to the rules on tax relief for employees.

The good news

There are some new tax exemptions for workplace benefits applying from 6 April 2026. The rules change so that there will be exemptions from tax where employers:

- reimburse expenses relating to accommodation, or supplies or services used in the performance of employment duties (such as homeworking equipment)
- reimburse or provide flu vaccinations directly
- reimburse employees for the cost of eye tests and corrective appliances.

Previously, exemptions only applied where employers provided benefits directly, or provided a non-cash voucher to the employee so that they could pay for them. If the employee met the cost and was then reimbursed, no Income Tax or National Insurance relief was available. The new rules look to level up the treatment for tax purposes.

And the not-so-good news

On the other hand, tax relief is being scrapped for home working expenses in cases where employees are not reimbursed by their employer. This also applies from 6 April 2026.

Previously, it has been possible for employees who were not reimbursed by their employers, to claim relief from HMRC for the actual expenses incurred; or a flat rate, of £6 per week. HMRC, however, has become increasingly concerned that claims for relief have been submitted which did not comply with the rules, and this route is being withdrawn.

It is still possible for employers to choose to reimburse employees, and do so without deduction of Income Tax and National Insurance. If they don't do so, however, it will no longer be possible for employees to claim tax relief themselves, directly from HMRC, as in the past.

Here to help

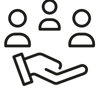
The rules on employee benefits are complex, and we are here to help. Please talk to us at any time to discuss the best way to create a tax efficient package that will help you attract the talent you need to run your business.

New era for Statutory Sick Pay

The Employment Rights Act 2025 is bringing major change to the workplace.

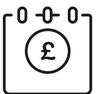
According to a poll for workplace expert, Acas, the new rights on Statutory Sick Pay (SSP), taking effect from 6 April 2026, are likely to have the biggest impact on employers and workers.

What do employers need to know?

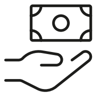


More workers in scope: The change applies throughout the UK, including Northern Ireland. It greatly increases the availability of SSP, and means up to 1.3 million low paid employees now qualify, who would not have been in line for payment before.

No Lower Earnings Limit: All eligible employees are now entitled to SSP, no matter what their earnings. Previously, SSP was restricted to those earning at or above the Lower Earnings Limit: this requirement has now gone.



From day one and no waiting involved: SSP is now due from the first full day of sickness absence. There is no longer a waiting period. Under the previous rules, SSP was only paid from day four.



What to pay: Under the new rules, SSP is paid at the lower of 80% of average weekly earnings (AWE); or the new, uprated, weekly flat rate of £123.25. This means, for example, that for someone with AWE of £100, entitlement to SSP would be £80 per week.

Many employers, of course, have their own arrangements, and it is still open to employers to continue such occupational schemes, and pay more than the statutory minimum.

Some things stay the same: There have always been eligibility conditions for SSP, and these remain. To qualify, there must be an employment contract, and work must have been done under the contract. Remember that eligibility extends to those with worker status, including agency workers. Part-time, temporary and casual employees can all be entitled to SSP, if they satisfy the qualifying conditions. Note, too, that SSP is paid for qualifying days, and the rules here remain.

What employers should check

Payroll systems should have been adjusted for the change; and sickness absence policies, contracts and handbooks, should have been updated, so that they no longer carry references to earnings thresholds or waiting periods. Absence notification takes on new importance, so that payroll is alerted to the need for SSP. Employee communications and staff training are other areas that will need attention.

And of course, cost is another issue for employers. Estimates suggest the change comes with a price tag of around £15 per employee, so that budgeting for higher SSP will also be necessary.

One last reason to get it right

A new government body, the Fair Work Agency (FWA), is now up and running. Its remit is the enforcement of key employment rights, such as agency worker protections and gangmaster licensing. It will also oversee Minimum Wage enforcement: HMRC's Minimum Wage team is operating under contract to the FWA until 2027, when it is expected to transfer to the FWA. In due course, additional areas such as holiday pay and SSP will be added to the FWA's remit.

The FWA will have powers to investigate breaches, issue civil penalties, and take action against labour exploitation. Employees will be able to make referrals to the FWA if they think their rights are being breached.

This is likely to mean increasing scrutiny of employer compliance, and employers are recommended to familiarise themselves with the FWA's enforcement policy statement. Reviewing compliance with employment rights, such as the newly-introduced requirement to keep adequate records on holiday pay and annual leave, is especially important.

TAX CODES, AND WHY EVERYONE SHOULD CHECK THEM

Some 5.6 million PAYE taxpayers overpaid HMRC last year.

Overall, this meant that HMRC was overpaid by £3.5 billion, according to the freedom of information request that prompted the disclosure.

How does it happen?

Overpayment often arises because the tax code is wrong. What's more, once tax has been overpaid, it's all too easy for it to stay in HMRC's coffers. Data from HMRC shows that over 730,000 tax refunds went unclaimed last year, with the average refund worth £855.

The solution is to make checking your tax code routine. It's not always appreciated that it is the taxpayer's responsibility – not the employer's, or HMRC's - to make sure the code is right. Note that as part of the 2026/27 annual coding notice process, HMRC is removing employment expenses of over £120; and Gift Aid higher rate relief from tax codes where it believes these may no longer be appropriate. A claim to HMRC to correct the position may be submitted if a taxpayer considers that they are still entitled to such relief.

Due a refund?

HMRC no longer issues end of year tax refunds automatically for most PAYE taxpayers. A text or letter, explaining that a refund is due, should be received instead. It is then necessary actually to claim the refund, and HMRC advises that the quickest way to do this is via the HMRC app. In the PAYE section of the app, a green 'Claim your refund' button will show if HMRC thinks you are due a refund. It will also show the amount due. Tap this to claim the refund, which will be paid directly into your bank account.

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