



TAX and Accounting Newsletter June 2025

→ <https://chacc.co.uk/>



Headlines

- MTD for Income Tax – What You Need to Know
- How Employee Ownership Trusts (EOTs) Work – A Quick Guide
- Why Business Owners Should Consider Selling Before April 2026



Clear House Accountants
Business Accountants and Advisors

SUBSCRIBE

View our comprehensive Library of Informative You-tube videos.

MTD for Income Tax – What You Need to Know

Making Tax Digital (MTD) for Income Tax is the biggest change to self-assessment since it was introduced. It comes into force from 6 April 2026 for many taxpayers and will mean extra reporting requirements, admin, and costs. Here's a snapshot of what's coming and how to prepare.

Who needs to comply and when?

MTD for Income Tax will apply in phases:

- From 6 April 2026 if your gross income exceeds £50,000
- From 6 April 2027 if your gross income exceeds £30,000
- From 6 April 2028 if your gross income exceeds £20,000

Gross income includes all self-employed and property income combined, including overseas property. For example, if you have £30,000 from self-employment and £21,000 from rental income, you will need to comply from 6 April 2026.

Who's excluded?

- Those under the thresholds
- Partners in partnerships, including LLPs
- Limited companies

Taxpayers who are digitally excluded due to reasons such as age, disability, or location can apply for an exemption. Religious exemptions may also apply.

What's involved?

- **Digital Records:** You must keep digital records of all income and expenses in compatible software.
- **Quarterly Updates:** Reports must be submitted every three months, with deadlines on 7 August, 7 November, 7 February, and 7 May.
- **Final Return:** At the end of the tax year, you submit a digital tax return that includes any adjustments, reliefs, and additional income.

HMRC will contact you

HMRC will identify affected taxpayers based on 2024-25 tax returns and will write to confirm if you need to comply. The same process will apply for later phases.

Penalties

Late submissions will result in points. A £200 penalty will apply when points reach a threshold. Further £200 penalties will follow for continued non-compliance. Points reset after a period of compliance.

Get Ready Now

MTD is a major shift. If you are a sole trader or landlord, now is the time to make sure your software, processes, and understanding are ready.

How Employee Ownership Trusts (EOTs) Work – A Quick Guide

Employee Ownership Trusts (EOTs) enable a business to transition ownership to its employees. This

structure offers capital gains tax relief for selling shareholders and income tax free bonuses for employees (up to certain limits).

How EOTs are funded:

1. The EOT purchases shares from the selling shareholders.
2. The initial payment is typically funded from the company's available cash reserves.
3. The balance is paid over time, usually five years, from future company profits (deferred payments).
4. A lender may also provide funding, secured by a company guarantee and a debenture over the company's assets.

Valuation is key:

Shares must be sold at fair market value, backed by independent advice. Overvaluing shares could lead to tax penalties.

Payment terms:

Initial and deferred payments must be carefully structured to ensure the company's ongoing financial stability.

Security for sellers:

Deferred payments are often secured via a debenture and a corporate guarantee from the company.

In practice:

The company transfers funds to the EOT to buy shares. The EOT repays the loan (if any) and distributes tax-free bonuses to employees.

Key benefits:

Capital Gains Tax relief for sellers

Tax-free bonuses for employees

A smooth transition of ownership

If you're considering an EOT for your business, it's important to seek professional advice to structure the deal correctly, ensure compliance, and protect the company's long-term success.

Why Business Owners Should Consider Selling Before April 2026

This year brings major tax changes that will fundamentally reshape the way businesses, private equity firms, and sales specialists approach company exits. Capital gains tax (CGT) is set to place greater financial pressure on owners looking to sell.

From 6 April 2026, changes to the CGT rate for shareholders who qualify for Business Asset Disposal Relief (BADR) will significantly reduce potential sale proceeds. For example, a business sold for £1m could attract an additional £40,000 in CGT if sold after April 2026, compared to selling under current rules.

Owners should seriously consider exiting before April 2026 to maximise tax savings, benefit from favourable market conditions, and ensure a smooth succession.

Why Selling Before April 2026 Makes Sense

The most urgent reason to act now is to lock in today's lower CGT rates. BADR currently offers a 14% CGT rate on the first £1m of lifetime gains, up from 10% last October. This is set to increase again to 18% in April 2026, almost doubling the tax rate in just two years.

To put that into perspective:

A £1m sale completed on 6 April 2025 would attract £140,000 in CGT.

The same sale on 6 April 2026 would result in £180,000 in CGT.

Selling before 30 October 2024 would have attracted £100,000 in CGT.

That's an additional £40,000 to £80,000 in tax per £1m sale, simply by waiting. Many business owners who had planned for a secure exit and retirement under the 10% rate are now rethinking their timelines.

Research suggests that a significant number of owners have considered selling in the past year, as the upcoming changes add urgency to exit plans.

Rising Market Demand

Higher tax rates can discourage sellers, but they often trigger a short-term surge in transactions. Historically, mergers and acquisitions (M&A) activity increases ahead of major financial changes, as investors look to close deals while tax conditions remain favourable.

The final quarter of 2024 saw a sharp rise in company sales and mergers, and deal activity in 2025 is expected to remain strong as stabilising interest rates encourage further transactions.



Copyright © 2025 Clear House Accountants, All rights reserved.

Our e-mail address is:

clearhouse@chacc.co.uk

Want to change how you receive these emails?

You can unsubscribe from this list.