Headlines

- HMRC Late Payment Interest Rate Increased to 8.5%
- HMRC Cracks Down on LLP-Based Tax Avoidance Schemes
- IR35 & Off-Payroll Working Update: Threshold Changes on the Horizon

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📢 HMRC Late Payment Interest Rate Increased to 8.5%

HMRC has updated its guidance to reflect a significant rise in late payment interest—now set at **8.5%**, effective immediately.

🔍 What this means:

Late payment interest is charged from the first day tax becomes overdue until it's fully paid. Since 6 April, this interest has been calculated as the **Bank of England base rate + 4%.**

📈 Why the increase?

Announced in the Autumn 2024 Budget, the premium over the base rate was raised from 1.5% to 4%, bringing the total late payment rate to 8.5%.

⚖️ A one-sided deal?

While taxpayers face 8.5% charges for late payments, HMRC only pays **3.5%** interest when refunding overpaid tax.

🛑 Can you challenge it?

Late payment interest charges **cannot be appealed**, but you can object in certain circumstances—such as HMRC errors, delays, or disputes over payment dates or legislation.

📉 What's next?

With the Bank of England reviewing interest rates this Thursday, a cut could lower HMRC's rate in the coming weeks—so stay tuned.

Need help managing your tax deadlines or resolving late payment interest? We're here to assist.

🚨 HMRC Cracks Down on LLP-Based Tax Avoidance Schemes

HMRC has issued a strong warning to UK landlords regarding a tax avoidance scheme involving **Limited Liability Partnerships (LLPs)**. Promoted as a way to reduce liabilities for **Capital Gains Tax (CGT)**, **Stamp Duty Land Tax (SDLT)**, and **Inheritance Tax (IHT)**, HMRC has made it clear: **thisscheme does not work** and could result in substantial financial consequences.

🏠 How the Scheme Works

The scheme typically involves:

1. Running a property rental business personally or in a traditional partnership.
2. Forming an LLP and transferring rental properties into it at market value.
3. Placing the LLP into a **Members' Voluntary Liquidation (MVL)** shortly after.
4. Transferring the properties to a limited company owned by the landlord or connected parties.

Scheme promoters claim it helps landlords:

- Transfer property into a company without triggering CGT or needing incorporation relief.
- Avoid CGT through an uplift in base cost on disposal by the LLP.

- Avoid SDLT using partnership rules under Schedule 15 of the Finance Act 2003.
- Gain potential IHT relief through Business Property Relief (BPR).

⚠ HMRC's Response

> "This scheme does not work. People who use it may have to pay more than just the tax they tried to avoid – including interest, penalties, and fees."

From **30 October 2024**, new legislation under **Section 59AA of the Taxation of Chargeable Gains Act 1992** takes effect. It treats landlords as having made a disposal **immediately before** contributing the asset to the LLP, making them liable for CGT at that point.

Additionally, the **General Anti-Abuse Rule (GAAR)** may apply, leading to potential **penalties of up to 60%** of the avoided tax.

💼 What Should You Do?

- **Be cautious:** Always seek qualified tax or legal advice before engaging in any structure marketed as a tax-saving scheme.
- **Already used the scheme?** Carry out a risk assessment to review your current position, ensure compliance, and identify necessary corrective steps.

📢 IR35 & Off-Payroll Working Update: Threshold Changes on the Horizon

HMRC's recent update to company size thresholds will have a direct impact on which businesses fall under the off-payroll working rules (IR35)—but the effects won't be immediate.

📊 What's Changing from 6 April 2025?

The thresholds used to determine whether a business qualifies as **medium or large** (and therefore subject to IR35 responsibilities) are increasing:
Old thresholds (until 5 April 2025):

- Turnover over £10.2m
- Total assets over £5.1m
- More than 50 employees

New thresholds (from 6 April 2025):

- Turnover over £15m
- Total assets over £7.5m
- Employee threshold remains at 50

To fall **out of IR35obligations** , a company must not meet at least **two of the three conditions** for **two consecutive financialyears** . As a result, the **earliestmostbusinesses will feel the impact is the 2027/28 tax year**.

🧾 Why This Matters

Businesses falling below the updated thresholds will **no longer be responsible** for determining IR35 status or operating PAYE for contractors. Instead, responsibility will shift back to the **contractor or intermediary**, under the original intermediaries legislation.

⚠️ Current IR35 Compliance Requirements for Medium & Large Companies

If your business is still within scope, you must:

- **Understand the full contractual chain** to determine if IR35 applies.
- **Assess the IR35 status** of each contractor ('inside' or 'outside').
- **Issue a Status Determination Statement (SDS)** and share it with all relevant parties.
- **Manage a formal dispute process** and respond within 45 days.
- **Demonstrate reasonable care** in your decisions to avoid liability for underpaid PAYE/NICs.

🔎 What Should Businesses Do Now?

- **Track your size annually** to anticipate changes in IR35 obligations.
- **Review internal policies** to stay compliant under current or future thresholds.
- **Seek professional advice** if you're unsure how the rules apply to you.

👩‍💼 What It Means for Contractors

In the **short term**, very little changes. But as more clients fall outside the rules, **contractorswillneed to assess their ownIR35status** using tools like **HMRC's CEST** and maintain robust documentation.
📘 HMRC has also updated the **Employment Status Manual (ESM10006A)** to reflect these changes.

For help navigating these updates—whether you're a business or a contractor—our expert advisors are here to guide you.

Interesting Reads

- **How to Start Selling Services to the USA From the UK**

  Over half of UK SMEs wish to sell their services in the US. Around 27% of UK businesses were planning to target the huge American market in 2024 alone.

- **How to Claim R&D Tax Relief: A Start-Up's Guide**

  Did you know that every year, UK businesses leave billions in unclaimed research and development tax relief on the table?

- **Your Guide to Making Tax Digital Income Tax and Self-Assessment**

  Most campaign creators concentrate on their pitch and marketing plan but generally forget the very important aspects.

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