Headlines

- MTD for Income Tax: Who’s exempt and what’s changed?
- VAT Disputes and Personal Liability: What Directors Need to Know
- Diverted Profits Tax: Refinitiv fails to block HMRC’s £167m charge

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📌 MTD for Income Tax: Who’s exempt and what’s changed?

From**April 2026**, sole traders andlandlords withincome over**£50,000**must join **MakingTaxDigitalfor Income Tax (MTD IT).** More businesses will follow as the threshold drops in later years. But what if you believe you should be exempt?

Here’s what’s changed and what you need to know.

Automatic exemptions still apply to:

- Trustees and personal representatives
- Foster carers
- Individuals without a National Insurance number by 31 January 2026
- Taxpayers with power of attorney

Non-UKresidents, ministersofreligion,Lloyd’sunderwriters, and those claiming **blindperson’s allowance ormarriedcouple’sallowance** (born before 1936) are also not required to comply until at least**April 2027 or later.**

Buthere’s the catch : even if you’re exempt from **MTDforVAT,youmuststillapply** separately to be exempt from MTD IT. This is a significant shift from HMRC’s previous position.

If you need to apply for exemption, you must prove it’s not reasonably practicable for you to use MTD software. Common reasons include:

- Age
- Disability
- Location without reliable internet
- Religious grounds

📅 HMRC will open the application window in autumn 2025.

📎 Important: Businesses in insolvency are not automatically exempt from MTD IT.

If you believe you qualify for an exemption, or you’re unsure whether your business is ready, now is the time to review your setup and seek advice.
Let us know if you’d like help reviewing your eligibility or preparing for MTD IT.

⚠️ VAT Disputes and Personal Liability: What Directors Need to Know

Arecent tribunal involvingadrycleaning businessin Camdenhighlightstheserious consequences of poor record-keeping and underdeclared VAT. It also shows how company directors can be made **personally liable** for unpaid tax penalties.

Here's what happened, how HMRC calculated the VAT owed, and what steps you can take to avoid the same outcome.

The case

Paradise Dry Cleaners received a VAT assessment in 2017 for over £102,000, covering output tax between 2009 and 2016. This was later reduced to around £46,000, along with a penalty of £24,291 for what HMRC classified as deliberate underdeclaration.

When the company entered liquidation without settling the penalty, HMRC issued **Personal Liability Notices (PLNs)** to both directors. Each was held personally responsible for part of the unpaid amount. The directors appealed the PLNs, arguing that HMRC had used an inflated average ticket price, but the tribunal dismissed the appeal due to lack of supporting evidence.

How HMRC estimated VAT?
Because records were incomplete, HMRC used a sample of 375 sales tickets worth £7,370.95. From this, they calculated an average transaction value of £19.65.

They then estimated the number of transactions over the seven-year period and applied 20% VAT. Since the business was unable to provide reliable historical pricing or full records, HMRC's estimate stood.

What are PLNs?
A **Personal Liability Notice** allows HMRC to recover unpaid penalties directly from a company director if the underpayment was deliberate and the company is unable to pay, such as after liquidation.

In most cases, limited liability protects directors from company debts. However, when HMRC proves deliberate wrongdoing or neglect, that protection no longer applies.

Key lessons for directors

✅ Keep full and consistent records, including pricing history, sales logs and bank statements

✅ Support average price claims with documentation, not assumptions

✅ Understand VAT obligations, especially if your business handles cash

✅ Do not assume that personal liability is off the table just because your company is a limited entity

📌 If you operate a VAT-registered business and rely on average pricing or manual systems, now is a good time to review your compliance processes.
Need help reviewing your VAT exposure or understanding your director responsibilities? We're here to support you.

💼 Diverted Profits Tax: Refinitiv fails to block HMRC's £167m charge

A global financial data group has lost a legal challenge against HMRC's £167 million diverted profits tax (DPT) charge, reinforcing the message that **Advance Pricing Agreements (APAs) do not provide long-term immunity** beyond the years they cover.

Refinitiv argued that a prior APA should shield it from HMRC's charging notices. But the Upper Tribunal sided with HMRC, confirming that once an APA expires, HMRC is not bound by its terms for later tax periods.

What happened?
Refinitiv had agreed an APA with HMRC that applied from **2008 to 2014**, setting the transfer pricing method for services within its group. However, in 2018, following an internal restructuring and IP sale, HMRC issued DPT charging notices for £167 million. HMRC believed that the UK entities contributed significantly to the IP's value but were not appropriately compensated..

Refinitiv tried to challenge the notices through **judicial review**, arguing HMRC's actions were unfair and inconsistent with the previous APA. It also attempted to force HMRC to disclose internal reasoning behind the charging notices. The court rejected both arguments.

What is an APA?
An **Advance Pricing Agreement (APA)** is a formal agreement between a business and HMRC that sets out how transfer pricing will apply to specific transactions over a defined time period.

It provides certainty, reduces the risk of disputes, and is especially useful for complex group arrangements.

But it is:

- Time-limited: usually covering 3 to 5 years

- Non-retrospective: it cannot be used to shield later or past periods not explicitly covered

- Specific: it applies only to the transactions and methods described in the agreement

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Our e-mail address is:

clearhouse@chacc.co.uk