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💡 Want to Attract Investors? Clean Up Your Balance Sheet Without Paying Extra Tax

You've found an investorinterestedinbacking your business. But they've made onethingclear — they won't invest until the company's balance sheet looks stronger. The main issue? A large director's loan sitting as a liability.

Here's how to fix it, what it means for tax, and what you need to watch out for.

🧾 What's the problem?

Many business owners fund their company with personal money when it's starting out. That creates a director's loan — money the company owes you.

But while it keeps the business running, it shows up on your balance sheet as a debt, which can look risky to investors.

✅ The solution: turn your loan into shares

You can improve your company's balance sheet by **converting your director's loan into share capital.**

This removes the debt from the balance sheet and strengthens the company's equity. It can make the business look more stable and investor-ready.

🧩 How do you do it?

1- **Hold a board or shareholder meeting** to approve issuing new shares
2- **Decide how much of the loan to convert** 3- **Update your company records and notify Companies House**

Update share structure – GOV.UK

This is a fairly simple process if your company uses standard articles of association.

💼 What about tax? For the company:

- Normally, when a debt is written off, it's counted as income and taxed
- But if **you** (as the director and shareholder) write off the loan or convert it into shares, **HMRC does not usually charge Corporation Tax**

For you:

- There's **no income tax or National Insurance** when you convert your loan to shares
- HMRC treats it as a **capital transaction**
- You will not pay tax now, but you may **pay Capital Gains Tax later** if you sell the shares for more than their value

⚠️ Be careful

Once the loan is converted into shares, **you cannot easily take that money back**. You'd need to sell the shares, cancel them, or reduce their value — all of which can be complicated, especially if there are other shareholders involved.
Only convert what you're comfortable locking away long term.

📈 What happens if you sell the shares later?

Let’s say you convert £50,000 of your loan into shares:

- That £50,000 becomes your **cost basis** for Capital Gains Tax
- If you later sell the shares for £80,000, your gain is £30,000
- You’ll pay Capital Gains Tax on that gain when you sell, not when you convert

📨 Get HMRC clearance first

To avoid future tax issues, especially if the company is restructuring, you can apply for confirmation from HMRC that the transaction is **not part of a tax-avoidance scheme.**

This is optional, but highly recommended.

Apply for clearance – GOV.UK

🔍 Summary

- A director’s loan on the balance sheet can scare off investors
- You can turn that loan into shares and improve your equity position
- Usually, there’s no immediate tax for you or the company
- You may pay Capital Gains Tax later if you sell the shares for a profit
- Make sure you’re not converting money you may need to access
- Apply for HMRC clearance to stay on the safe side

Need help making the change or applying for clearance? We can walk you through it.

🏥 Budget Freezes and Tax Pressure Could Undermine NHS GP Capacity

Although positioned as a Budget to support the NHS, recent announcements may do the opposite by discouraging GPs from taking on more work, putting pressure on practice owners, and creating new challenges around staffing and financial planning.

Income tax threshold freezes will hit GPs hardest

The decision to **freeze income tax thresholds** over the long term may appear subtle, but the impact is significant.

As wages rise naturally with inflation, more GPs will be **pushed into higher tax bands** despite no real change in their workload or role. For many, this will mean crossing into the **additional rate (45 percent)** band or entering the **personal allowance taper zone** between £100,000 and £125,140, where the effective tax rate can reach 60 percent.

This is likely to result in **more GPs reducing their hours**, choosing to earn less rather than face higher marginal tax rates. At a time when NHS capacity is stretched, the policy may have the unintended consequence of limiting the number of hours doctors are willing to work.

Knock-on effects for practices

When salaried GPs reduce hours to manage their tax exposure, practice partners are often left to fill the gaps. This can mean:

- Partners working additional clinical hours themselves
- Reductions in appointment availability
- Increased pressure on already stretched practice teams

The current salary range for salaried GPs — around **£76,000 to £115,000** — means many are already approaching the thresholds where these tax issues arise. As pay reviews continue and salaries increase, even more doctors will be caught.

Minimum wage increases add financial uncertainty

The Budget also confirmed further increases to the **NationalLivingWageandMinimum Wage** in April 2026. Many GP practices rely on non-clinical staff who are paid at or near these levels.

While practices are publicly funded, they often face:

- **Delaysinreceiving updatedfunding** to cover wage increases
- **Uncertainty about how uplifts are calculated**
- **Limited control over how or when support is provided**

This makes financial planning extremely difficult. In past years, some practices have made **pre-emptive staffing decisions**, including reducing headcount, simply to stay financially stable while awaiting funding confirmation.

Conflict between policy and operational reality

The same Budget that promises to fund **250 new health hubs** and **improve NHS technology** may be undermining frontline delivery. By combining tax threshold freezes with mandated pay rises and unclear funding processes, many practices face a **financial squeeze**.

- **GPs may reduce hours** due to higher tax burdens
- **Practices may struggle to plan** for wage increases without timely funding updates
- **Patients may face longer waits** as capacity tightens

This creates a gap between political ambition and on-the-ground feasibility.

In summary

- **Frozen tax thresholds** will increase tax pressure on GPs, especially those earning between £100,000 and £125,000
- **Higher minimum wages** will increase costs for practices that rely heavily on non-clinical staff
- **Funding uncertainty** makes it harder for practices to plan ahead or retain staff
- **Overall NHS capacity may be affected**, not through lack of funding headlines, but because of practical financial pressure at the practice level

Practices and GPs should review working patterns, tax exposure, and workforce planning now. Proactive steps may help protect long-term sustainability.

Let us know if you would like guidance on income protection strategies, staff cost planning, or restructuring options ahead of the new tax year.

HMRC to End Most Paper Letters from 2026:

What You Need to Know

Starting in **spring 2026**, HMRC will begin a major shift in how it communicates with taxpayers. Under its new **"digital by default"** policy, most tax letters will no longer be sent by post. Instead, notifications will go out by **email or SMS**, directing taxpayers to view new documents in their **HMRC online account or app**.

This change is part of a long-term plan to make **90 percent of HMRC interactions digital by 2029–30**, aiming to save **£50 million a year** in printing and postage costs.

Who will this affect?

Anyone who uses HMRC's digital services — such as the app or a personal tax account — will be affected first. These users will stop receiving posted letters and will instead get email alerts when new documents are available.

Taxpayers who do **not** use digital services will continue to receive paper letters, at least for now. There will also be an **opt-out** for those who prefer printed communication, including those who are **digitally excluded** due to age, disability, or limited internet access.

HMRC has confirmed it will require users to **provide a valid email address or mobile number** when using its online services. These contact details will be used only to **notify users** that a new message or document is available in their account.

What communications will go digital?

Notifications about a wide range of tax matters will be sent digitally, including:

- Tax assessments
- Penalty notices
- Compliance letters
- Personal closure notices
- General reminders and information updates

The exact list of services moving to digital will grow over time as HMRC updates its IT systems. The process will be gradual, starting from **spring 2026**, with the full digital rollout expected to be completed by **2029–30**.

Legislation and privacy

To support this change, new legislation will be introduced in the **Finance Bill 2025–26**. This will give HMRC the power to require digital contact details and to send communications electronically.

Data security will be a key focus, especially following previous data breaches. HMRC has stated that emails and texts will only be used to **notify** taxpayers that a message is waiting in their secure HMRC account — not to share sensitive information directly.

What are the concerns?

There are several practical challenges:

- Many pensioners and digitally excluded individuals may struggle to engage online
- Some key services, such as inheritance tax compliance, are still paper-based
- There are concerns about the **clarity of HMRC's digital letters**, based on recent user feedback

In addition, HMRC will need to collect contact details from millions of taxpayers. This could take years, and it

remains unclear how quickly or effectively this can be done.

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