



## Headlines

- Tax Changes You Need to Know to Plan Better
- Can Combining Directors' Loan Accounts Save Tax?
- Could a Family Loan Help Your Children Buy Their First Home?



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# Tax Changes You Need to Know to Plan Better

The tax landscape has shifted considerably over the past year, with a number of important measures already in force and more changes due before the end of 2026. Whether you're a business owner, company director, landlord or investor, understanding these developments can help you plan ahead and avoid unnecessary tax costs.

Here's a roundup of some of the key changes.

## Dividend tax has increased

If you take dividends from your company, you'll now pay more tax.

From 6 April 2026, the dividend tax rates increased to:

- **10.75%** for basic-rate taxpayers
- **35.75%** for higher-rate taxpayers
- **39.35%** for additional-rate taxpayers

The dividend allowance remains frozen at **£500**, meaning many owner-managed businesses will see a higher personal tax bill when extracting profits. [GOV.UK](#)

## Tax-free mileage rates finally increased

After remaining unchanged for more than 15 years, HMRC has increased the approved mileage allowance for employees and directors using their own cars or vans for business travel.

The tax-free rate for the first **10,000 business miles** has risen from **45p to 55p per mile**, with the change backdated to **6 April 2026**. The rate above 10,000 miles remains at **25p**.

Businesses should review their expense policies, while employees and directors should ensure they are claiming the correct amount for business journeys. Self-employed individuals using the simplified mileage method also benefit from the higher rate. [GOV.UK](#)

## Making Tax Digital is now underway

Making Tax Digital (MTD) for Income Tax officially began on **6 April 2026**.

Sole traders and landlords with qualifying business and property income above **£50,000** must now keep digital records and submit quarterly updates using compatible software.

The regime will expand to those earning more than **£30,000** from April 2027 and **£20,000** from April 2028, so many smaller businesses should start preparing now. [GOV.UK](#)

## Selling a business has become more expensive

Entrepreneurs considering an exit should be aware that **Business Asset Disposal Relief (BADR)** is no longer as generous.

From 6 April, the qualifying Capital Gains Tax rate increased from **14% to 18%**, reducing the after-tax proceeds from many business sales.

If you're planning to sell in the next few years, it may be worth reviewing your exit strategy sooner rather than later.

## Capital allowances have changed

Businesses investing in equipment and machinery should also revisit their capital expenditure plans.

The main writing-down allowance has reduced from **18% to 14%**, although a new permanent **40% first-year allowance** is available for qualifying expenditure where full expensing or the Annual Investment Allowance cannot be claimed.

Choosing the correct relief can make a significant difference to the timing of tax deductions.

## More companies can now use EMI share schemes

Growing businesses received some welcome news with the expansion of the **Enterprise Management Incentive (EMI)** scheme.

Larger companies can now qualify, allowing more businesses to offer tax-efficient share options as part of employee reward packages. The government has also expanded the **Enterprise Investment Scheme (EIS)** and **Venture Capital Trust (VCT)** rules to improve access to growth capital.

## Inheritance tax planning has become more important

Changes to **Business Property Relief (BPR)** and **Agricultural Property Relief (APR)** mean inheritance tax planning has become even more important for business owners and farming families.

Although valuable reliefs remain available, the rules are now more restrictive, making early succession planning increasingly important for those looking to pass on family businesses or agricultural assets.

## Looking ahead

Several further changes are due later this year, including:

- A 0% VAT rate on domestic electricity from 1 October 2026.
- The introduction of a new Vaping Products Duty.
- Higher tobacco duties.
- A reduced Cash ISA limit for many savers from April 2027.

## Final thoughts

Others present valuable planning opportunities for businesses and individuals who act early.

Reviewing your tax position regularly, rather than waiting until the year end, can help ensure you're making the most of the reliefs available while staying ahead of future changes.

The pace of tax change shows little sign of slowing. While some of the measures increase the tax burden,

# Can Combining Directors' Loan Accounts Save Tax?

It's common for business owners to lend money to their company or, conversely, borrow money from it. These transactions are recorded through a **director's loan account (DLA)** and, if not carefully managed, can result in unexpected tax charges.

For married couples or business partners who are both directors, there may be an opportunity to reduce or even avoid a tax charge by reviewing how their loan accounts are structured. However, this strategy can work both ways.

## When does a tax charge arise?

If a director owes the company more than **£10,000** at any point during the tax year and pays no interest, HMRC generally treats the loan as a **benefit in kind**.

The taxable benefit is calculated using HMRC's official rate of interest and can create an income tax liability for the director, as well as a Class 1A National Insurance charge for the company.

## When combining loan accounts can help

Where one director has lent money to the company while another has borrowed from it, a joint loan account may reduce or eliminate an overdrawn balance.

For example, imagine one spouse has a loan account showing the company owes them **£20,000**, while the other owes the company **£15,000**. If the transactions are genuinely recorded through a single joint loan account, the account remains in credit overall, meaning there is no overdrawn balance and no benefit in kind charge.

This can be a simple way to avoid unnecessary tax, provided the arrangement is in place as the transactions occur rather than being created retrospectively.

## But it can also increase your tax bill

A joint loan account is not always beneficial.

Suppose two directors share a loan account with an overall balance of **£11,000** owed to the company. Although one director may only have borrowed **£8,000** and the other **£3,000**, HMRC can treat both individuals as jointly responsible for the entire debt.

Because the joint balance exceeds the **£10,000** threshold, both directors could be caught by the benefit in kind rules, even though neither would have exceeded the limit had they maintained separate loan accounts.

## Good record keeping is essential

Directors' loan accounts should never be treated as an afterthought.

Businesses should regularly review loan balances throughout the year, particularly before the company year end, to identify potential tax issues before they arise.

It is also important to remember that separate loan accounts cannot simply be combined at the end of the year to avoid a tax charge. The accounting records should accurately reflect how the transactions have been recorded throughout the year.

## Final thoughts

Directors' loan accounts can provide flexibility, but they also carry tax risks if balances are not monitored carefully. For businesses with more than one director, reviewing whether loan accounts should be kept separate or combined could make a significant difference to the tax outcome.

A little planning before the year end may be enough to avoid an unexpected benefit in kind charge while ensuring your loan account arrangements remain fully compliant with HMRC's rules.

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## Could a Family Loan Help Your Children Buy Their First Home?

With high house prices and elevated mortgage rates, many parents are looking for ways to help their children onto the property ladder. While gifting money is one option, it isn't always the most practical, particularly if you're concerned about losing access to your savings or protecting family wealth.

A family loan can offer a flexible alternative, providing financial support while helping to address some inheritance tax concerns.

### Why choose a loan instead of a gift?

Giving money outright means you lose control of those funds. If circumstances change, you cannot simply ask for the money back.

A loan, however, allows parents to retain ownership of the money while helping a child purchase their first home. The child benefits from lower borrowing costs than a commercial mortgage, while the parents can receive regular repayments or keep the loan in place until a later date.

### There can be inheritance tax benefits

A loan does not immediately reduce the value of your estate for inheritance tax purposes because the outstanding balance remains an asset.

However, unlike property or investments that may continue to increase in value, the loan amount is effectively fixed. As repayments are made, the value of the loan reduces over time, which can gradually reduce the value of your estate if you spend the repayments rather than accumulating further assets.

If your priorities change in the future, you could decide to write off some or all of the outstanding loan. At that point, the amount forgiven would generally be treated as a gift for inheritance tax purposes, starting the seven-year clock.

### Don't forget the legal paperwork

A family loan should always be documented properly.

A formal loan agreement helps avoid misunderstandings and provides evidence that the arrangement is genuinely a loan rather than a gift. Parents may also wish to register a legal charge over the property, giving them additional protection should the property be sold or if family circumstances change.

Although these conversations can feel uncomfortable, putting everything in writing protects both parties.

## Are there any drawbacks?

A family loan is not suitable for everyone.

For example, if a first-time buyer intends to use a Lifetime ISA, they should check whether the purchase still qualifies under the scheme's rules. Parents should also consider whether charging interest is appropriate, as any interest received may be taxable.

It's also important to think about affordability. The loan should be structured so repayments are realistic and do not place unnecessary financial pressure on either party.

## Final thoughts

Helping children onto the property ladder does not have to mean giving away a large sum of money outright. A properly structured family loan can provide financial support while allowing parents to retain control of their capital and potentially improve their longer-term inheritance tax planning.

Before entering into any arrangement, it's worth taking both legal and tax advice to ensure the loan is structured correctly and reflects the intentions of everyone involved.

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## Interesting Reads

### [Bookkeeping for an Ecommerce Business – A Comprehensive Guide](#)

Online sellers must reconcile orders, marketplace settlements and payment-processor payouts while separately recording fees, refunds, chargebacks, inventory costs and VAT.

### [Sole Trader Advantages And Disadvantages](#)

Choosing a business structure impacts your taxes and legal liability as well as your potential for growth. One of the most common structures for starting a business in the UK is a sole trader.

### [Startup Funding in the UK: Different Sources Compared](#)

Impressive ideas aren't the only thing that is required to launch a successful startup. Funding is needed to develop products, hire staff, or reach growth benchmarks, but the ideal financing route is difficult to determine, as each option comes with unique costs, risks, and consequences in terms of control and ownership.



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