eNews
APR/MAY 2025

Forrester Boyd
CHARTERED ACCOUNTANTS

PROPERTY

Property costs – back to the future on duty

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The cost of stamp duty on a residential property in England and Northern Ireland has gone up from 1 April 2025. All property purchases are affected, although landlords and first-time buyers might be able to reduce the charge.

The increased stamp duty cost is a result of the temporary nil-rate threshold of £250,000 reverting back to the pre-23 September 2022 level of £125,000. The first-time buyer discounts have also fallen back to where they previously were.

Landlords

The reduction of the stamp duty threshold from £250,000 to £125,000 means an additional cost of £2,500 for anyone purchasing a property costing £250,000 or more, with the extra £125,000 of the purchase price now brought into charge taxed at 2%.

> *More adventurous landlords can buy mixed-use property or commercial property to convert for residential use as duty will only be charged at the lower non-residential rates.*

Landlords in England and Northern Ireland experience this rise on top of the 2% surcharge increase that came in for purchases from 31 October 2024 onwards. Two ways in which more adventurous landlords can drastically reduce the amount of stamp duty payable are by buying mixed-use property (such as a shop with a flat above it), or commercial property and then obtaining planning permission to convert the property into residential use. In both cases, duty will only be charged at the lower non-residential rates.

First-time buyers

Following the threshold reductions, first-time buyers in England and Northern Ireland now only benefit from complete stamp duty exemption on property purchases costing £300,000 or less (previously £425,000). For purchases costing between £300,000 and £500,000, duty at the rate of 5% is paid only on the excess over £300,000. No relief is available if the purchase price exceeds £500,000 (previously £625,000).

Those purchasing at prices just over £500,000 should try and negotiate a discount. For example, a £1,000 reduction on a purchase originally priced at £501,000 will save £5,050 in stamp duty.

TAX

Changes to income tax reporting requirements

Reporting requirements for income tax are set to change over the next couple of years.

The biggest change is the rollout of Making Tax Digital for income tax self-assessment (MTD for ITSA) starting on dates from 6 April 2026 to 6 April 2028, depending on level of income.

Some Budget announcements came too late to be incorporated into the 2024/25 tax return. The increase to capital gains tax (CGT) rates – from 10% to 18% basic rate and from 20% to 24% higher rate – applies to disposals from Budget Day, 30 October 2024. Taxpayers who have disposals taxable at the new rates and complete their return online will have to use a separate HMRC calculator to arrive at an 'adjustment figure'.

Further calculations for trustees

For trustees and personal representatives, a new adjustment box will be added to the return pages and a similar calculator will be provided. Until then, HMRC has asked trusts and estates that have non-residential CGT disposals after 30 October 2024 to wait until the new 2024/25 return form is published in April.

More detail on dividends

For the 2025/26 tax return directors who receive dividends from close companies will have to identify the dividends received from each company, giving its name and registered number and the highest percentage of share capital held in the year. And unincorporated businesses will have to give the date of commencement or cessation, if in that tax year.

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Making Tax Digital expands

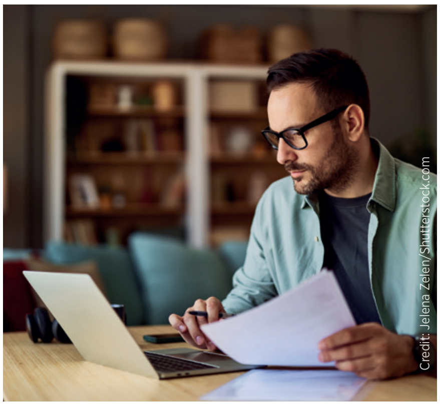
HMRC has been writing to taxpayers likely to be affected by the latest amendment to the Making Tax Digital (MTD) roll out.

Self-employed individuals and landlords with qualifying income – total income from self-employment and property letting – over £50,000 will have to keep their financial records and file quarterly returns to HMRC using MTD from 6 April 2026.

Qualifying income

Qualifying income for 2026/27 will be the amount shown in your 2024/25 tax return, which you have to submit by 31 January 2026. You should keep a check on your income to give you plenty of time to choose the right MTD-compatible software.

If your income is above £30,000 and up to £50,000 you will have to join MTD from 6 April 2027. For people with income above £20,000 and up to £30,000 the joining date will be 6 April 2028. This will leave only a few



individuals outside digitisation, at least for now, including:

- people who receive the married couple's allowance or blind person's allowance;
- Lloyds underwriters;
- ministers of religion;
- non-UK resident foreign entertainers and sportspeople who have no other MTD qualifying income;
- people exercising a power of attorney;
- anyone who finds it impractical to use electronic communications or keep electronic records – they will have to apply to HMRC for exemption.

Most individuals with annual turnover from either self-employment or property below the £90,000 VAT registration threshold will be able to categorise items simply as income or expense.

Additional announcements

Users of MTD for income tax will have to report any other income in their MTD End of Period Statement (EOPS) instead of using HMRC's separate online filing system. Joint property owners will only have to report quarterly a single figure for their share of joint rental income. Total expenses can be left to the EOPS.

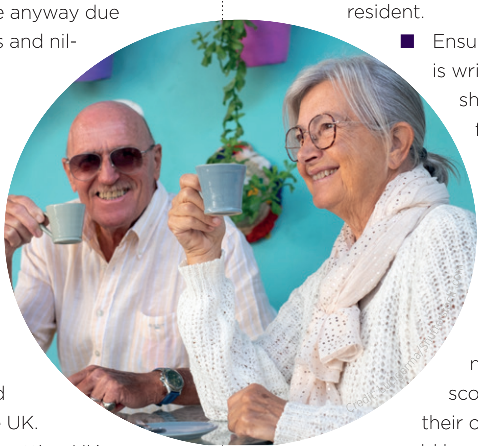
If your business accounts run to 31 March, you will be able to start your MTD obligations on 1 April (instead of 6 April) in the first year of operating MTD.

TAX

Residency and estate planning – all change

Liability for inheritance tax (IHT) now depends on a person's long-term residence status. Although the new rules from 6 April 2025 aren't favourable for wealthy individuals moving to the UK, they provide certainty for anyone who is leaving the UK, having lived here all of their life.

It is important to remember that assets situated in the UK will generally be subject to IHT regardless of a person's long-term residence status. There is little point in undertaking IHT planning if no, or only a minimal amount of, IHT is going to be payable anyway due to the availability of reliefs and nil-rate bands.



Before 6 April 2025, the only way to remove overseas assets from the charge to IHT was to acquire a new domicile. Merely living overseas for a long time was not sufficient because it was necessary to show that a person had severed their ties with the UK. This would have included cutting UK social connections and making an overseas will.

- From 6 April 2025, it is simply a matter of being non-resident for the required number of years; known as the IHT tail.
- Between three and ten years of non-residence are required, depending on how long a person has been resident in the UK. However, ten years are necessary for the typical retiree who has always been UK resident.
- Ensuring life assurance is written into trust will shield beneficiaries from the exposure to the potential IHT liability during the IHT tail.

Many retirees who have never acquired a new domicile may now be outside the scope of UK IHT on their overseas assets. If IHT would be payable on UK assets, moving wealth offshore could eliminate this potential liability.

Retirees who need to return to the UK, perhaps for family or medical reasons, will also benefit under the new rules.

BUSINESS

Small employers' relief

The level of compensation paid by HMRC to smaller employers for administering statutory payments has just been nearly tripled from 3% to 8.5%.

Employers can usually reclaim 92% of statutory payments for maternity, paternity, adoption, shared parental, parental bereavement and the latest neonatal care pay (introduced from 6 April 2025). Statutory sick pay is no longer recoverable. However, smaller employers can recover 100% of the cost along with the compensation. The total rate of recovery is therefore now 108.5%.

Smaller employers are those whose total employee and employer class 1 NIC liabilities are £45,000 or less for the tax year prior to the employee's qualifying week. The employment allowance reduction is ignored for this purpose. The main rate of employee class 1 NIC is lower for 2024/25 than it was for 2023/24, so an employer who was previously just outside of the £45,000 threshold might now qualify.