

TAX



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Beware scams in self-assessment season

HMRC routinely sends reminders and other information to self-assessment taxpayers in the run-up to the tax return filing deadline. But this is also high season for scam messages masquerading as instructions from HMRC.

These scam emails, voicemails and texts want you to click on links or persuade you to give out personal information, with the aim of defrauding you of your money. HMRC has issued guidance on what you can expect to see – and not see – in genuine communications from the department.

A common ploy by scammers is to tell you about a tax refund you are supposedly due or to demand an urgent tax payment. What they want is to steal your bank details. HMRC will never ask you for passwords, usernames or access codes – these are private and should never be shared with anyone. HMRC will never threaten legal action or arrest, or try to rush you into taking any action – a common tactic of scammers to prevent people from stopping and thinking first.

HMRC will also never ask you to claim a tax rebate via a link. If you are owed anything, you can find out how much and reclaim it securely via your online personal tax account or the free HMRC app. The only links, or occasionally QR codes, that might appear in HMRC messages will lead to guidance on the HMRC website.

Emails that say you have a new message from HMRC should, however, not be ignored. Genuine emails will not include a link but will ask you to sign in to your online account. If you have agreed to receive messages from HMRC electronically, you will not get notices by post but only in your online account. Failing to read these messages will not excuse you from a penalty for missing a tax deadline.



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Voluntary VAT registration

Businesses with taxable turnover below the £90,000 VAT registration threshold can register for VAT voluntarily.

The usual reason for doing so is to claim repayment of VAT paid on purchases of goods or services where the amount is more than the VAT the business is able to charge customers. This may occur if the business activities are largely zero-rated, or in early days of trading before reaching the turnover threshold.

Backdating registration

A voluntary registration may be backdated by up to four years. It's important to consider carefully whether, and by how much, to do so because recent updated guidance from HMRC makes it clear that you cannot change the date.

Backdating registration will allow you to reclaim input tax on goods and services supplied to you from then, and even pre-registration VAT for up to four years before the specified date. You will also have to account for VAT on any standard-rate or zero-rate supplies you have made since your registration date.

Choose the right date

Getting the date wrong may result in a business unintentionally becoming liable to VAT on past sales or being unable to reclaim input tax on earlier supplies to it. HMRC will very rarely allow a request to change the registration date under its collection and management powers where it would be unreasonable not to do so, but there is no right of appeal against an HMRC refusal.



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Offices in:

Business rates reform on the cards

Major business rates reform could feature in the Budget following an interim government report into how the rates system could support economic growth and entrepreneurship while continuing to provide a stable source of revenue for local services.

The report was the result of consultation with stakeholders that started with a discussion paper published after the 2024 Budget.

The consultation revealed that business rates is one of the most influential factors in investment decision-making. The report set out several aspects of the business rates system as priority areas for further exploration to improve their operation.

- Moving from a structure where a single multiplier is paid on a property's full rateable value (RV) – a 'slab' system – to one where successive bands of value are taxed at increasing rates – a 'slice' system. At the 2024 Autumn Budget the government said it would introduce two new lower multipliers



for retail, hospitality and leisure business properties with an RV below £500,000, funded by a new, high-value multiplier for properties with an RV of £500,000 or above. These rates are to be announced in the coming Budget.

- Enhancing Small Business Rates Relief (SBRR) to support business growth and investment.
- Researching how Improvement Relief is being used with a view to enhancing it.
- Exploring concerns over valuation

methodology, which can result in uncertainty, and considering options to address these ahead of the 2029 revaluation.

- Exploring the possible benefits of a future shortening of the two-year Antecedent Valuation Date (AVD). This means that by the end of a rating list, five years have passed since the time at which the properties were last valued and so valuations do not reflect the current economic conditions.
- Using the merger of the Valuation Office Agency with HMRC to make administrative changes that help ratepayers.

The government says that "final decisions will be taken in the context of the government's objectives for the business rates system". The impact on local government funding will also have to be considered.

BUSINESS

Identity verification kicks off

The start date for identity verification is set for 18 November 2025, although the actual deadline for individual directors will vary.

All existing directors will have to verify their identity, although those holding multiple directorships only need to register once. Once verified, directors will receive an 11-character code from Companies House, and this code will be required when filing their company's first confirmation statement on or after 18 November 2025.

The date that a director is required to verify will therefore depend on when the confirmation statement is due. If it's due in early November, then verification will not be necessary until November 2026. It might be worthwhile filing your company's confirmation statement early if the deadline is just after 18 November 2025.

Persons with significant control will likewise need to provide their verification code. If you're also a director, you will use a new service within 14 days of the company's confirmation statement date.



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HMRC enhances lifestyle scrutiny

Be warned that HMRC is deploying artificial intelligence (AI) to scan social media accounts for signs that taxpayers' lifestyles do not match their declared income. HMRC's covert surveillance team has doubled in size over the past two years as part of its mission to recover lost funds.

Lifestyle inconsistencies

Tax authorities around the world have jumped on the AI bandwagon as they attempt to keep a lid on tax fraud, with HMRC no exception. HMRC is using AI to search across major social media platforms for lifestyle inconsistencies. A typical example would be where a person posts about a luxury holiday which obviously costs way more than they could afford based on the level of income reported on their tax returns.

HMRC is at pains to point out that the use of AI is currently restricted to suspected tax fraud, rather than aimed at taxpayers generally, and is only used as a first filter before the information is subject to human review.

It's unrealistic to believe, however, that HMRC will not increase its reliance on AI in the future as it attempts to collect the more than

£46 billion in taxes which go uncollected each year.



Covert surveillance

More than 330 HMRC staff are now trained in covert surveillance, with these officers having a wide range of powers including:

Physical monitoring of premises:

An HMRC officer will covertly visit business premises to check on, for example, the number of staff, the number of customers and how cash is handled.

Test purchases: An HMRC officer will undertake test purchases of goods or services to establish if a business is declaring all of its income.

Drive-bys: Venturing even further into secret agent territory, HMRC officers will drive-by, walk past, or stake out business premises to conduct surveillance, such as who enters and leaves the property.