

# Tax E-News

Welcome to the October 2025 edition of Tax E-News. We hope that you find this informative. Please contact us if you wish to discuss any matters in more detail.

## BUDGET 2025 DATE - 26 NOVEMBER

The Chancellor will deliver **Autumn Budget 2025** on 26 November 2025. The content of the Autumn Budget is anticipated to address significant fiscal challenges, including potential tax rises to address the public finance deficit.

Before turning to Autumn Budget 2025, we must note that some of the ramifications of Autumn Budget 2024 are still to come. These include:

- **Capital Gains Tax (CGT)** - in addition to the tax hikes that have already taken effect on 30 October 2024 and 6 April 2025, the rate of CGT where Business Asset Disposal Relief (BADR) applies is set to further increase from 14% to 18% from 6 April 2026.
- **Inheritance Tax (IHT)** - as initially announced in the last budget, IHT increases are already on the cards due to:
  - **Restrictions on 100% relief for business and agricultural property** from 6 April 2026.
  - **The inclusion of unused pension funds and death benefits in IHT estates** from 6 April 2027.

Now let's consider some of the potential announcements in Autumn Budget 2025.

### What's unlikely to change?

Labour's 2024 manifesto pledged that there would be **no increases to National Insurance, the basic, higher or additional rates of Income Tax, or VAT**.

The Corporate Tax Roadmap of October 2024 also included commitments not to increase the 25% main rate of Corporation Tax and to retain the small profits rate and marginal relief. The £1 million annual investment allowance for plant and machinery capital allowances is also due to be preserved, as is the system of permanent full expensing.

Despite the government saying that extending frozen Income Tax thresholds any longer would hurt working people, it now seems inevitable that the thresholds will remain at their current levels until 5 April 2030, mirroring the time period for which IHT thresholds are frozen.

### What could change?

- The scope of National Insurance Contributions (NICs) could be widened to include landlords, levelling the playing field with those running their own trading business.
- Pension savings are currently afforded tax relief at the saver's marginal Income Tax rate (20%, 40% or 45%). The rate could be capped at, say, 30%.
- Salary sacrifice for additional employer pension contributions is currently exempt from the Benefit In Kind rules. Removing the exemption would make the contributions subject to NICs and Income Tax.
- The rates of CGT (currently 18% for basic rate taxpayers and 24% for higher/additional rate taxpayers) could be aligned with those for Income Tax, making the rate as high as 45%.
- There may be further restrictions to available IHT reliefs, possibly by introducing limits on exempt lifetime gifting.
- The VAT registration threshold, currently £90,000, may be lowered or abolished.
- The rate of VAT on domestic fuel is currently 5%. There are rumours that, in order to help with the cost of living crisis, such supplies will become zero-rated.

It isn't possible to predict what the Chancellor will announce on 26 November, but it's worth considering what may happen so you can be prepared.

## SPOTLIGHT ON UMBRELLA COMPANIES

While there is no legal definition, 'Umbrella Companies' is a term used to describe Employment Intermediaries that employ temporary workers who go on to work for different agencies and/or end clients (ultimate recipient of the services). Umbrella companies will often contract with recruitment agencies, who then source the work opportunities.

'Employment intermediaries' rules apply to staff and employment agencies:

- Agency workers are generally subject to PAYE and NICs on their earnings.
- The rules for determining employment status changed in 2014: workers who are supplied through an agency and are subject to (or to a right of) supervision, direction or control by any person will automatically be treated as employees.
- Special reporting instructions for employment intermediaries (agencies) who supply self-employed workers apply from April 2015. These make it difficult for agencies and other employment intermediaries to pay workers gross i.e. treating workers as being self-employed in their own right. Returns are to be completed from 6 April 2015 for each quarter ending 6 July, 6 October, 6 January and 6 April and late filing penalties apply.

In June 2025, HMRC released Spotlight 71: 'Warning for agency workers and contractors who are moved between umbrella companies'. This Spotlight highlights signs that agency workers and contractors should be aware of and that may indicate that the umbrella company they are engaged with is operating a tax avoidance scheme.

HMRC highlight the areas where taxpayers should be extra vigilant if they are engaged with an umbrella company. Spotlight 71 can be viewed [here](#).

## VAT ERROR CORRECTION

Form VAT652 (Error Correction) was withdrawn on 8 September 2025. The form was used to notify HMRC of VAT return errors that could not be corrected on the next VAT return. The procedure for correcting VAT return errors is now as follows:

If you have discovered an error in a VAT return, the first step is to check whether the error can be amended in the VAT return for the period in which the error was discovered. Errors can be amended in the next VAT return if:

- The net errors, i.e. output VAT less input VAT errors, are less than £10,000; or
- The net errors are between £10,000 and £50,000 **and** less than 1% of the Box 6 figure for the VAT return in which the correction is being made.

HMRC have published a new service that allows taxpayers to check whether they need to notify HMRC of any errors on the VAT return – see [here](#).

If the errors cannot be amended on the VAT return, they must be disclosed using HMRC's online error correction service – the service can be accessed using the above link and it requires signing in using a Government Gateway user ID and password.

Those who cannot use the online service should notify the error to HMRC's Error Correction Team by post (BT VAT, HMRC, BX9 1WR) or by email ([inbox.btcnevatererrorcorrection@hmrc.gov.uk](mailto:inbox.btcnevatererrorcorrection@hmrc.gov.uk)).

If the error was a result of careless behaviour, HMRC is still entitled to charge penalties in the event that they discover it at a later date, even if it has already been adjusted on the VAT return. HMRC advise that including

the adjustment on the return does not constitute a disclosure. This means that without also notifying HMRC using the online error correction service, unprompted penalties could still be charged.

## SIDEWAYS LOSS RELIEF DISALLOWED

In a recent First Tier Tribunal case, *Charlotte MacDonald v HMRC*, a taxpayer was denied sideways loss relief for losses that she had incurred when organising an annual 'woodland shoot' on an estate because the activities were not carried on with a view to the realisation of profits.

A taxpayer can offset trading losses against their general income in the year of the loss, the previous year, or both. In order to do this, the loss must have arisen from a trade that was carried on:

- on a commercial basis, and
- with a view to the realisation of profits of the trade.

HMRC argued that the shoot was not commercial in nature and that there had been no view to a realisation of profits.

The First Tier Tribunal found that the shoot was carried on on a commercial basis, in that it was not merely a hobby for the taxpayer. However, since the shoot had started, it had made a loss in every year except one. Barely any profit had been made in 15 years, and there was no reasonable expectation that a profit would be made.

On this basis, the conditions for claiming sideways loss relief were not met and the appeal was dismissed.

## ADVISORY FUEL RATES FOR COMPANY CARS

The table below sets out the HMRC advisory fuel rates from 1 September 2025. These are the suggested reimbursement rates for employees' private mileage using their company car.

Where the employer does not pay for any fuel for the company car, these are the amounts that can be reimbursed in respect of business journeys without the amount being taxable on the employee.

Engine Size	Petrol	Diesel	LPG
1400cc or less	12p (12p)		11p (11p)
1600cc or less		12p (11p)	
1401cc to 2000cc	14p (14p)		13p (13p)
1601 to 2000cc		13p (13p)	
Over 2000cc	22p (22p)	18p (17p)	21p (21p)

Previous rates are shown in brackets.

You can also continue to use the previous rates for up to 1 month from the date the new rates apply.

Note that for hybrid cars, you must use the petrol or diesel rate.

For fully electric vehicles the rate is 8p (7p) per mile where the vehicle is charged at home. The rate applicable to vehicles charged using public facilities is 14p per mile. This is the first time there is a separate rate depending on where the car is charged.

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### Employees using their own cars

For employees using their own cars for business purposes, the Advisory Mileage Allowance Payment (AMAP) tax-free reimbursement rate continues to be 45p per mile (plus 5p per passenger) for the first 10,000 business miles, reducing to 25p per mile thereafter. Note that for NIC purposes the employer can continue to reimburse at the 45p rate as the 10,000 mile threshold does not apply.

### Input VAT

Within the 45p/25p AMAP payments, the amounts in the above table represent the fuel element. The employer is able to reclaim 20/120 of the fuel amount as input VAT provided the claim is supported by a VAT invoice from the filling station. For a 1300cc petrol-engine car, 2 pence per mile can be reclaimed as input VAT (12p x 1/6).

## DIARY OF MAIN TAX EVENTS OCTOBER / NOVEMBER 2025

Date	What's Due
1 October	Corporation Tax for year to 31/12/2024, unless quarterly instalments apply
5 October	Deadline for notifying HMRC of chargeability, if not already within Self-Assessment, for 2024/25
19 October	PAYE & NIC deductions, and CIS return and tax, for month to 05/10/2025 (due 22/10 if you pay electronically)
1 November	Corporation Tax for year to 31/01/2025, unless quarterly instalments apply
19 November	PAYE & NIC deductions, and CIS return and tax, for month to 05/11/2025 (due 22/11 if you pay electronically)