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Tax E-News

Welcome to the September 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.

ADJUSTMENTS FOR PRIVATE USE

HMRC will be running a digital campaign aimed at encouraging accurate private use adjustments of business expenses that are reported via Self Assessment returns.

To be allowable for tax, expenses must be 'wholly and exclusively' incurred for the purposes of the business, with any appropriate adjustments being made for private use. Expense claims should therefore be restricted to those that relate to business use only, with partial claims for mixed private and business expenditure being apportioned based on the circumstances of the particular tax year.

Following a trial in 2024 involving 600,000 self-assessed individuals who were encouraged to make accurate private use adjustments, HMRC reported widespread inaccurate reporting of disallowable private use. HMRC now intend to open more enquiries into private use adjustments for business expense claims.

STATUTORY SICK PAY – CHANGES FOR EMPLOYERS FROM APRIL 2026

The Department for Business and Trade (DBT) has announced that major reforms to Statutory Sick Pay (SSP) will take effect from April 2026. The reforms will enhance employee rights but potentially raise costs for employers. The key changes are:

- SSP will be payable from the first day of sickness absence (currently SSP is payable after the third day).
- Employees will no longer be required to meet the £125 per week earnings threshold to qualify for SSP.
- For those earning less than £125 per week, their SSP entitlement will be the lower of:
  - 80% of their normal weekly earnings; and
  - The set rate of SSP (currently £118.75 per week).

The SSP reforms will present an additional cost to many employers already dealing with the recent increases to National Minimum Wage and Employers' National Insurance.

It should be remembered that, unlike statutory maternity and paternity pay, SSP cannot be recovered from HMRC. Forecasting for potential increases in payroll costs will be essential, particularly for businesses that experience high levels of staff absence.

Employers are responsible for ensuring employees are paid the right amount of SSP at the right time. It is important to ensure payroll systems are updated in time for April 2026.

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DILAPIDATED PROPERTY: WHEN CAN SDLT BE RECLAIMED?

HMRC have issued a warning to taxpayers to be vigilant of tax agents offering to secure Stamp Duty Land Tax (SDLT) repayments on certain property purchases.

The warning reminds property buyers to be aware of tax agents claiming that, for a fee, SDLT can be reclaimed on residential property purchases when they are in need of repair. Such properties in need of repair when purchased are generally chargeable to the residential rates of SDLT, regardless of their condition.

HMRC say that claims of this kind often leave the homeowner liable for the full amount of SDLT plus penalties and interest. They are taking action on spurious SDLT repayment claims and will use civil powers to deal with the minority who undermine the tax system.

The warning follows the recent Court of Appeal (CoA) decision in *Amarjeet and Tajinder Mudan v HMRC*. The case found that a property that was dilapidated and vandalised when it was purchased still constituted residential property, meaning higher residential rates of SDLT were payable on the purchase.

The couple who bought the property believed that it was not suitable for use as a residence at the point of purchase and, having paid SDLT at the residential rates, subsequently tried to reclaim 'overpaid' SDLT on the on the basis that the property was not fit for human habitation and was non-residential, so the non-residential rates should have applied.

The CoA found that property used as a dwelling is residential for SDLT purposes regardless of how dilapidated or unmodernised it is.

WINTER FUEL PAYMENT CLAWBACK

Individuals born before 22 September 1959 and living in England, Wales or Northern Ireland are likely to be entitled to a Winter Fuel Payment (WFP) of between £100 and £300 for this upcoming winter (2025-26). Payments will be made in November or December 2025. However, HMRC will claw back (or "recover") the WFP if the individual's income exceeds £35,000 in the year to 5 April 2026.

In most cases, the recovery of the 2025-26 WFP will be made automatically via PAYE in the 2026-27 tax year, with HMRC adjusting the recipient's tax code to collect around £17 per month between April 2026 and March 2027 (based on a typical WFP of £200).

However, for individuals in self-assessment, recovery of the WFP will instead take place as part of the tax return. For 2025-26 tax returns, HMRC will automatically include the 2025-26 WFP, and the WFP recovery will be collected as part of the balancing payment on 31 January 2027.

Individuals can check whether, and how, HMRC will recover their WFP using a new online tool.

If you or a family member expects to receive a WFP and have it clawed back, you can, for ease, instead opt out of receiving the WFP in the first place, but **please note that this needs to be done by 15 September 2025**.

For more on the WFP, its recovery, and opting out, please see https://www.gov.uk/winter-fuel-payment.

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VAT – RETAILERS AND THIRD-PARTY CONTRACTORS

We are aware that HMRC is challenging retailers that supply flooring, kitchens, and bathrooms where the retailer refers the customer to third party contractors for fitting services. Typically, HMRC will argue that a single supply of goods and fitting services is being made by the retailer. In many cases, the third-party fitters are not registered for VAT, meaning HMRC can increase the VAT due if the fitting were deemed to be a supply made by the VAT-registered retailer.

In a recent First Tier Tribunal case, *United Carpets (Franchisor) Limited v HMRC*, the Tribunal found that the retailer concerned did not supply fitting services. This was because in-store signage explicitly stated that the store did not provide fitting services. The retailer's only role in the fitting of the flooring was 'introductory' in that it merely put a customer in contact with a fitter. The contracts to fit the flooring were between the customer and the fitter, and the obligation to pay the fitter was with the customer.

To minimise the risk of a challenge from HMRC, both the contractual position as well as the commercial and economic reality of the arrangements need to demonstrate that the supply of goods, and the fitting services, are two distinct and separate supplies made by two different suppliers.

ARTIFICIAL INTELLIGENCE – FRIEND OR FOE?

In a recent Upper Tribunal case (*HMRC v Marc Gunnarsson)*, a taxpayer did not have any professional representation and used Artificial Intelligence (AI) software to draft his skeleton argument in the run-up to the hearing.

The Upper Tribunal found that Self-Employment Income Support Scheme (SEISS) claims made by the taxpayer - a director of a limited company - were incorrect and he was required to repay the amounts received.

His skeleton argument referred to three First Tier Tribunal decisions to support his case, but those cases did not exist – they had been 'hallucinated' by generative AI.

The use of AI is increasing, and it is important to verify that the information generated is accurate before relying on it. There is a real danger that inaccurate or fictitious information may be used as evidence in legal proceedings.

Whilst AI obviously has advantages in today's world, when it comes to tax, it's very important to verify tax advice with a trained, qualified professional.

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DIARY OF MAIN TAX EVENTS
SEPTEMBER / OCTOBER 2025

Date	What's Due
1 September	Corporation Tax for year to 30/11/2024, unless quarterly instalments apply
19 September	PAYE & NIC deductions, and CIS return and tax, for month to 05/09/2025 (due 22/09 if you pay electronically)
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)