Journal

AUTUMN 2026

Cumulative change and the case for proactive advice

The second half of 2026 finds UK businesses and their owners navigating an environment shaped by overlapping reforms rather than isolated measures. Mandatory payrolling of benefits, tighter rules for close companies, shorter unfair dismissal protection periods and renewed filing requirements are combining to increase the practical burden on directors, employers and the self-employed.

HMRC's phased introduction of mandatory payrolling begins in April 2027 with the most common benefits - company cars and fuel, vans and private medical insurance. Remaining benefits follow a year later. The change simplifies some reporting but risks employees facing tax deductions for two years at once. Early communication and careful cash-flow modelling will be essential.

Close companies and their directors face particular pressure. Employer National Insurance has risen, dividend tax rates increased from April 2026, and the tax charge on loans to participators has moved higher. New reporting obligations require directors to disclose far more detail on dividends, shareholdings and company information in their personal returns. Limited company status still offers advantages, yet the cost and complexity of remaining incorporated continue to rise.

Employment law is also shifting. From January 2027 the qualifying period for ordinary unfair dismissal claims falls from two years to six months. Probationary periods will effectively be capped and longer fixed-term contracts will attract greater scrutiny. Employers who have not yet reviewed contracts and performance processes should do so now.
Self-employed individuals face a different challenge: three-quarters are not contributing to a private pension, a gap that becomes harder to close the longer it is left. Graduates with Plan 2 student loans are discovering that repayments can leave them financially worse off than non-graduate colleagues, a disparity that will widen while the repayment threshold remains frozen.

Further changes compound the picture. Micro-entities and small companies will be required to file profit-and-loss accounts from 2028, with an option to keep them off the public register. Companies House is moving exclusively to commercial software filing, advisory fuel rates have risen sharply, and voluntary National Insurance rules for periods abroad have tightened.

Taken together, these developments make one point clear: passive compliance is no longer sufficient. Structures, payroll processes, employment documentation and personal tax planning all require active review.

> *In a landscape of cumulative reform, the greatest risk is waiting for certainty that may never arrive.*

We can help

Goodman Jones continues to work alongside clients to interpret each change in context, convert regulatory pressure into clearer decision-making, and protect long-term value. If any of the issues in this briefing affect your business or personal position, we would be pleased to discuss the practical next steps.

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Looking ahead to payrolling benefits

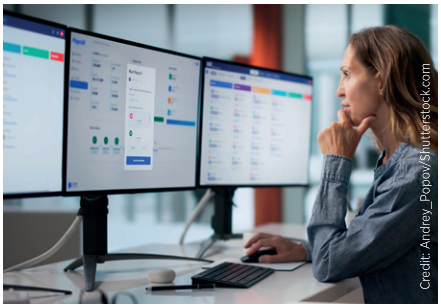
HMRC is now taking a phased approach when it comes to the introduction of mandatory payrolling of taxable benefits.

Simplified first phase

Mandatory payrolling from 6 April 2027 will apply to only the most popular benefits provided by employers; these are also generally the least complicated. The first phase will cover the following benefits:

- company cars and fuel;
- company vans and fuel; and
- private medical insurance and other employer-provided medical benefits.

The reporting requirements have also been significantly simplified following concerns around the opportunity for errors, with the number of required data fields reduced by 75%. The original number of over 100 fields could have easily led to an entire submission being rejected. With payrolling, the taxable value of benefits provided to employees has to be reported via your normal payroll full payment submission (FPS).



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Other benefits

All other taxable benefits, with two exceptions, will have to be payrolled from 6 April 2028. The exceptions are employer-provided accommodation and cheap/interest-free loans, although the intention is that these benefits will also have to be payrolled at some point in the future.

For 2027/28, the P11D process will remain in place for any benefits that are not payrolled either on a mandatory basis or voluntarily. The same applies from 2028/29 onwards, if an employer provides, but does not payroll, accommodation and/or loans.

Voluntary payrolling

Employers have the option of voluntarily payrolling those employee benefits that have not been mandated for 2027/28 – including accommodation and loans.

- Registration for voluntary payrolling must take place before 6 April 2027 prior to the start of the tax year (as is currently required). HMRC will open registration from November 2026.
- For 2028/29 onwards, it will be possible to voluntarily payroll accommodation and loans.

Double bill

The move to mandatory payrolling could mean that employees face having tax deducted for two tax years at the same time, so early communication is key.

Any employee facing financial difficulty as a result will be able to ask HMRC to spread the underpayment over more than one tax year.

PENSION

Self-employed pensions gap

Three-quarters of self-employed people are not saving into a private pension according to a report by the Institute for Fiscal Studies (IFS).

Pension saving is especially low among young workers and people in their first year after moving from employment to self-employment. This compares with four in five employees making regular contributions.

Much of the difference is the result of automatic enrolment of eligible employees by their employers, who also have to contribute to their employees' pensions. Self-employed people have to seek out a suitable scheme and decide how much to put into it – this at a time when they may be putting all their effort, time and financial resources into establishing and building their new business. Among workers aged 31–50, around 38% are paying into a pension scheme in the fifth year of self-employment, a very low figure.

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A report by the second Pensions Commission in 2026 points to the challenges people face, citing "longer retirements, slower growth, and falling home ownership. … Many more will live without the stability that home ownership once offered; and will face higher housing costs than any generation of pensioners before". The value of the State pension is currently protected by the 'triple lock' to which the present government has committed until the end of its term in 2029, but for how much longer?

Personal circumstances will vary but the later you start a pension plan the more you will have to put in to achieve a reasonably comfortable lifestyle in retirement.

Tax relief for pension savings

Pension saving has a great advantage over other forms of saving because of tax relief on contributions. But it is essential always to take good professional advice.

Employees should also review their pension arrangements. A £2,000 cap on salary sacrifice comes into force in April 2029, meaning that contributions over that amount will not save national insurance contributions. HMRC has estimated that 2.9 million employees are expected to reduce their pension savings.

VAT

VAT returns: look out for the calendar

HMRC is reminding taxpayers that there is no deadline extension if a VAT return submission date falls on a weekend or bank holiday.

The due date for submitting quarterly VAT returns is one calendar month plus seven days after the end of the quarter. So, 7 August for the quarter ended 30 June. It is the same deadline for paying HMRC, although you need to allow time for a payment to clear HMRC's account.

If customers use the annual accounting scheme, the VAT return is normally due two months after the end of the accounting period.

There is a growing trend of late VAT return submissions and payments based on incorrect information provided by artificial intelligence and third-party websites. VAT returns can be submitted over the weekend or on a bank holiday, and, if this is not possible, a return should be submitted on the last working day before the due date.

BUSINESS

Focus on close companies and their directors

Small companies and their directors have suffered a number of tax rises in recent months and now also face additional onerous reporting requirements both by the company and in individuals' tax returns.

Since April 2025 companies have had to pay national insurance contributions (NICs) at 15% on all remuneration – salary and bonuses – paid to their directors above £5,000 a year, and on most benefits in kind. Many directors who also own their companies have been able to avoid this charge, and the separate employee's NICs on remuneration above £12,570 a year, by paying themselves dividends instead.

From 6 April 2026 the basic and higher rates of income tax on dividends went up by two percentage points, to 10.75% basic rate and 35.75% higher rate. The personal allowance and the basic- and higher-rate thresholds have been frozen since 2021/22 and are now set to remain at their current levels until 5 April 2031, a classic example of a stealth tax.

Because of the NIC burden, paying dividends rather than increasing salary is still more efficient for most directors, but the calculation of the best mix of salary and dividends depends on individual circumstances. Pension contributions and whether the company can claim the Employment Allowance to reduce employer NICs – not available to single-director companies – need to be considered.

Also increased from 6 April 2026 is the rate of tax charged where a close company makes a loan to a director/shareholder – now 35.75% rather than 33.75% before. A close company is broadly a company controlled by directors who are also shareholders, or by five or fewer shareholders. When the loan is repaid (often by way of a dividend) the company can claim repayment of the tax charge.

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In addition, directors who receive income from their company in the form of dividends must now show this income in the employment section of their tax return (although dividends are not actually employment income) and give much more detail than previously. Close company directors must state each company's name and registration number, the amount of dividends received and the percentage of share capital owned. This is required even if no salary or dividends are received.

> *Directors who receive income from their company in the form of dividends must now show this income in the employment section of their tax return.*

Additional reporting on the horizon

It may not stop there. An HMRC consultation document published in March 2026 has proposed even more onerous reporting requirements, to enable HMRC fully to cross-reference company information with directors' personal tax returns. HMRC believes that some small businesses are not paying the right amount of tax and a significant reason is "error and evasion in transactions that occur between a company and its owners".

Under the proposed plans companies would have to provide detailed information about transactions between the company and its shareholders. Any new rules are likely to be revealed in the autumn Budget. As discussed opposite, the phasing in of compulsory payrolling of some benefits in kind from April 2027 will also affect directors themselves. Instead of reporting benefits to directors annually, the tax and employer's NICs will be paid monthly through the payroll.

All this adds to the complexity and expense of running a limited company rather than self-employment. Limited companies still offer many advantages, but the decision depends on your own circumstances and good professional advice is essential.

EMPLOYMENT

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Prepare for unfair dismissal reforms

The qualifying period to bring a claim for unfair dismissal will fall from two years to six months from January 2027.

Employees who have completed six months' service by that date will gain protection immediately. Employers need to start preparing now for this significant reform, and other changes to the unfair dismissal provisions, which will affect employment contracts and matters such as probationary periods.

Existing 'day one' protections unchanged

The changes only apply to 'ordinary' unfair dismissal. The existing 'day one' protections against discrimination and automatically unfair dismissals remain. The qualifying period for employees' rights to request written reasons for dismissal will also fall to six months and the qualifying period for protection against unfair dismissal for reason of spent convictions will be removed. The cap on compensation awards for unfair dismissal will be removed.

Probation period limit

The change will mean that an employee's probationary period cannot be extended beyond six months. Therefore it will be essential for employers to have structured probation and performance management processes in place from the outset.

The non-renewal of a fixed-term contract on its expiry counts as a dismissal for unfair dismissal purposes but the change means that contracts of over six months can be subject to scrutiny over fair dismissal. Redundancy may be an option but there are strict rules.

These changes do not apply to Northern Ireland, where unfair dismissal legislation is devolved.

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EDUCATION

Graduates paying a high price

Many graduates are finding themselves worse off compared with employees without degrees once their 9% student debt repayment is taken into account, despite earning higher salaries.

Graduates pay back 9% of their income over specific thresholds ranging from £25,000 to £33,795 per year.

- For English and Welsh students who started an undergraduate course under Plan 2 (academic years 2012/13 to 2022/23) the repayment threshold increased to £29,385 in April 2026.
- A person without any student debt and earning, for example, £40,000 will take home £32,320 after taxes.
- A graduate earning £1,000 more, but with a student loan on Plan 2, will only take home £31,995. This is because they will also have to repay £1,045 of their loan.

The disparity is only going to get worse for English graduates, because the Plan 2 repayment threshold of £29,385 will remain frozen for the next three years.

Interest implications

Graduates repaying Plan 2 student loans can currently be charged interest of up to 6.2% depending on their level of earnings. This means that a typical graduate needs to be earning in excess of £66,000 before repayments make an impact on their student debt and the full amount of debt is eventually repaid. Many graduates will never repay their student loan, meaning – for those on Plan 2 – 30 years of repayments before the loan gets written off.

Self-funding

Wealthier parents will want to know whether they should be self-funding their child's university fees and living costs, rather than taking out a student loan. However, the decision is far from straightforward given that the normal debt rules do not apply here.

For example, parents might pay the full cost of university education thereby avoiding any student debt, but if their child never earns more than the repayment threshold then they will have paid off a debt that would never have been due.

BUSINESS

Profit & loss reporting returns

The government has confirmed that micro-entities and small companies will have to file profit and loss (P&L) accounts with Companies House from 2028, but can then choose whether these accounts are made public.

The original intention was that changes would come in from April 2027, but, following stakeholder concerns, reform has been put back to April 2028.

Both micro-entities and small companies will have to file a (P&L) account, but there will be the option to opt out of publishing this information on the public register. Details of the opt out have not yet been published. Even if a company opts out of publishing its P&L account, HMRC (as is currently the case) and law enforcement will still have access to help identify fraud and tax evasion.

Many company owners have been against the change because it will put commercially sensitive information into the public domain. The opt out is a welcome amendment, although it will still require some time and cost.

Commercial software requirement

All companies will have to file their annual accounts using commercial software, which is already the case for HMRC filings. The existing Companies House web and paper-based accounts filing routes are to be closed.

Firms should ensure that the filing software they use can support the Companies House requirements, as they must also continue to fulfil the existing HMRC filing requirement.

Other changes

Some other reforms will also be brought in from April 2028:

- Companies will no longer be able to prepare and file abridged accounts.
- The number of times a company can shorten its accounting reference period will be reduced; there are currently no restrictions on how often this can be done.

Companies House will contact all companies via their registered email address to tell them about the upcoming changes.

NEWS IN BRIEF

News round up

Prime Minister Burnham takes office

Following Kier Starmer's resignation in early July, Andy Burnham became Labour leader unopposed and took over as Prime Minister on 20 July. He has stated his primary concern is tackling cost of living concerns, announcing a VAT cut on electricity bills on his second day in power. John Healey has taken over from Rachel Reeves as Chancellor, so we await news on the timing of the next Budget.

Delays at Companies House

Filing deadlines might have been missed due to recent service issues at Companies House, but any penalty issued as a result of a late filing can be appealed. Companies House should now be processing same day transactions as normal.

Advisory fuel rates

With the Middle East conflict continuing to impact oil prices, HMRC's latest advisory fuel rates see large per mile increases for company car users with petrol or diesel vehicles. Liquified petroleum gas (LPG) rates are also up, but fully electric rates are unchanged.

Changes to voluntary NICs for periods abroad

People going abroad for a fixed time period can no longer pay voluntary class 2 NICs to preserve entitlement to the state pension. New applications to pay voluntary class 3 contributions require ten years of continuous UK residency or at least ten years of paid NICs.

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