



NEWS ROUND-UP

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IR35 REFORMS RAISE £4.2BN EXTRA TAX

HMRC's clampdown on IR35 off-payroll working rules has raised £4.2bn in additional tax, National Insurance, and apprenticeship levy payments between October 2019 and March 2023.

Around 120,000 contractors were affected, with the average individual paying £10,000 more in tax.

The reforms first hit the public sector in April 2017, followed by the private sector in April 2021. As a result, many contractors moved from using personal service companies (PSCs) to PAYE employment. HMRC estimates that 280,000 individuals transitioned from PSCs between 2019 and 2022, with 40% doing so directly due to the reforms. The IT, professional, and scientific sectors, including legal, accounting, engineering, and advertising, were the most affected.

The number of new PSCs dropped significantly, with 45,000 fewer than expected between April 2021 and March 2022. Of those who moved away from PSCs, 96% became employees, with 69% working directly for organisations, 18% joining umbrella companies, and 13% using agencies. A small fraction, 0.5%, turned to disguised remuneration schemes, an ongoing concern for HMRC.

The highest tax yield was in 2019/20, generating £1.9bn as contractors switched to PAYE. While IR35 reforms have increased tax revenue, they have also reduced contractor take-home pay by limiting allowable deductions.



**Talk to us
about IR35.**

WEAK CONSUMER SPENDING HURTS PRIVATE SECTOR

Business activity across the UK private sector has fallen again, with weak consumer spending weighing on companies.

The latest growth indicator from the Confederation of British Industry (CBI) shows that private sector activity declined faster in the three months to February than in the previous quarter.

All sectors reported falling business volumes, pushing the CBI's growth index down to -27% in February from -23% in January. Looking ahead, firms expect further declines as economic struggles persist. The overall outlook remains tough, particularly for consumer-facing sectors.

The CBI is urging the Government to boost business confidence through policy changes, such as reforming the apprenticeship levy, improving business rates, and offering incentives for occupational health.

Meanwhile, a survey by accountancy network BDO highlights concerns among mid-sized firms, with nearly half seeking better Government support for exports. Suggested measures include expanding access to UK Export Finance, new trade agreements, and simpler customs rules.

Rising workforce costs, including national insurance and the living wage, are also a major concern. A quarter of business leaders cited these as significant pressures, with the Government resisting calls to reverse the planned NICs increase set for April.



**Talk to us about
your business.**





LANDLORDS TO RECEIVE MTD LETTERS

Landlords and sole traders to receive letters from April. HMRC is set to inform taxpayers affected by Making Tax Digital (MTD) for Income Tax.

Initially, these will go to landlords, sole traders, and self-employed individuals earning over £50,000.

From 6 April 2026, those earning above this threshold must report income quarterly. While this is the first time HMRC has directly notified individuals, accountants are also urged to prepare their clients.

Letters will be sent from April 2025 to taxpayers whose 2023/24 self assessment returns indicate income at or above £50,000. Early sign-up is available with two options:

- 1. Join for the 2025/26 tax year:** This allows firms and clients to familiarise themselves with the system before the deadline. Early adopters will receive support from a dedicated HMRC team.
- 2. Join for the 2026/27 tax year:** Mandatory participation begins.

Some taxpayers, however, including those on HMRC payment plans, receiving income from trusts, or using profit averaging, are ineligible for early enrolment. Exemptions exist for age, disability, location, or religious beliefs.

Those already exempt from MTD for VAT do not need to reapply. As these changes approach, accountants must ensure they understand their clients' impacts.



**Talk to us
about MTD.**

83% OF EV OWNERS UNAWARE OF NEW ROAD TAX BILL

Tax changes could cost drivers up to £600. Many electric vehicle (EV) owners are unaware that road tax charges will rise from April 2025.

A survey of 2,000 UK car owners by used car retailer Motorpoint found that 83% of EV drivers did not know they would soon need to pay vehicle excise duty (VED).

Currently, EVs are exempt from road tax, but starting in April 2025, all electric cars will be taxed. New EVs will be charged £10 for the first year, while those priced under £40,000 will pay £195 annually from the second year.

More expensive models – originally costing over £40,000 and registered after 1 April 2025 – will face a £600 annual charge, including a £410 ‘expensive car supplement’. Taxing an EV before April 2025 could save drivers nearly £200 over the next year.

Despite Government plans to phase out new petrol and diesel car sales by 2030 and transition fully to zero-emission vehicles by 2035, many industry experts believe these targets are unrealistic. The Motorpoint survey found that 80% of respondents think the Government should do more to support EV adoption.

The Department for Transport reviews feedback on measures to encourage zero-emission vehicle uptake as part of its ongoing consultation on the transition.



**Talk to us about
your EV concerns.**



WANT TO TALK TO AN EXPERT?

If you've found the topics covered in this report to be of interest or you would like to delve deeper into any of them, we welcome the opportunity to engage in a more detailed discussion with you. Our team of experts is always keen to share insights, and we're confident that a conversation with us can provide valuable perspective.

We are also well-positioned to update you on the latest trends, opportunities and challenges in the business world. As we all know, staying ahead of the curve is vital in today's fast-paced business landscape, and we're here to help you navigate it successfully.

If you're considering getting extra support, we invite you to explore the comprehensive solutions we offer.



To schedule a meeting or to get more information, please don't hesitate to contact us.



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