JULY 2025

wellway INSIGHTS

Stay well-informed with Wellway Accountants

SUBSIDISE SUMMER CHILDCARE COSTS

Make the Most of Tax-Free Childcare Accounts:

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Sail Through Summer With Smart Tax and Business Strategies

Companies House

BUSINESS

Use Free Companies House Data to Help Your Business

Companies House data is a valuable tool you can use directly to support growth, reduce risk, and manage your business more effectively. Here's how:
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What's the most tax-efficient way to take funds out of my company?"

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KEY TAX DATES FOR JULY & AUGUST

Don't miss a deadline!

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Ready to boost your summer success?

Reach out today!

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Growing businesses

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TAX

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BUSINESS

KEY TAX DATES FOR YOUR DIARY

19/07	PAYE & NIC deductions, and CIS return and tax, for month to 05/07/2025 (due 22/07 if you pay electronically)
31/07	50% payment on account of 2024/25 tax liability due
1/08	Corporation Tax for year to 31/10/2024, unless quarterly instalments apply
19/08	PAYE & NIC deductions, and CIS return and tax, for month to 05/08/2025 (due 22/08 if you pay electronically)

Thank you to Raymond, our gardener, for his wonderful floral displays once again!

Childcare Accounts Can Subsidise Summer Childcare Costs

With summer in full swing and school holidays approaching, many families are busy planning childcare and activities for their little ones.

If you're a parent, grandparent, or carer helping to cover childcare expenses, you'll want to know about a generous government scheme that can significantly boost your budget. There's real money to be saved - and it's surprisingly easy to get started.

If you have children under 12 who attend a nursery, after school club, playscheme or childminder, or you are considering sending them to a summer camp, you should think about setting up a tax-free childcare account.

With a childcare account, the government adds 25% to the amounts that you save in the account - up to £2,000 for each child - so £8,000 is topped up to £10,000 (a higher amount applies for disabled children).

The account is then used to pay Ofsted registered childcare providers. *Note* that it doesn't need to be the child's parents paying into the account; uncles, aunts, grandparents and others can also make payments.

The government have noticed that many families who are eligible for this scheme are yet to set up their accounts, so if you are an employer you could bring this to the attention of your staff to increase the take up.

Note that parents are *not* eligible if either of them has adjusted net income in excess of £100,000 for the current tax year.

Don't miss out!

An extra 25% goes far!
For more information or support with setting up a tax-free childcare account, please get in touch today.

MTD For Income Tax: Income from Jointly Held Property

Are you ready for Making Tax Digital?

If you are a sole trader or landlord with combined turnover from trade and property exceeding £50,000 in 2024/25, you're likely to be mandated into Making Tax Digital (MTD) from 6 April 2026. Individuals with lower income will be mandated at later dates.

We have covered the general MTD requirements in previous newsletters, but it's time to focus on how MTD will apply to those with income from property that is jointly owned by more than one person.

The MTD legislation prescribes the various categories that should be used to record each individual item of income and expenditure. Any MTD-compatible software package or spreadsheet should enable you to categorise income and expenditure according to the prescribed categories for jointly held property income. Each quarter, year-to-date totals for each category will be totalled and submitted to HMRC in a Quarterly Update.

There are two easements that individuals with jointly held property income can take advantage of:

- Easement for individuals with turnover below £90,000 per annum - instead of using the various categories, it will be sufficient to categorise each item as either 'income' or 'expense'.
- Easement for jointly held property income - this involves recording just one quarterly figure for each of the prescribed income categories and one annual figure for each of the prescribed expense categories.

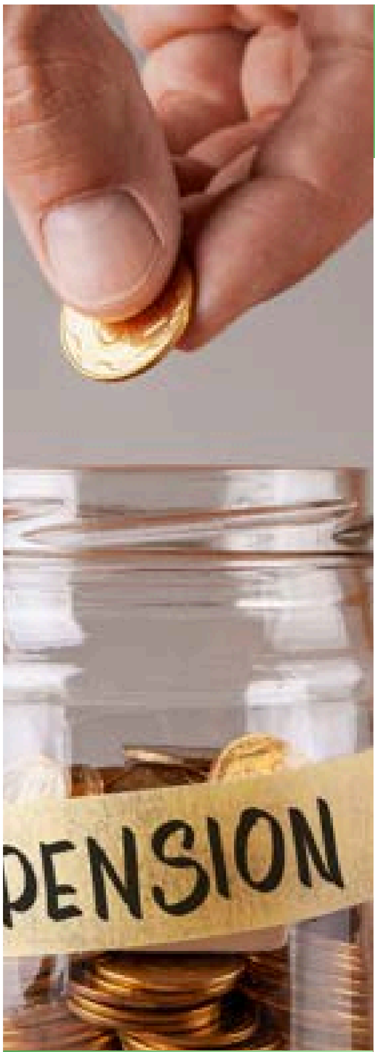
If an individual qualifies, it is possible to combine the two easements, which would mean that reporting income from jointly held property would entail entering one total income figure each quarter and one annual total expense figure in quarter 4.

Will MTD Affect You?

FREE MTD RESOURCES

How to find out

1. **Visit our website**
   www.wellway.uk.com
2. **Check out our helpful Resources and Publications**
   Menu > Resources > Publications
3. **Download 'MTD for Income Tax - Your Roadmap to April 2026 (infographic)**
   This handy PDF guide shows you whether this is a journey you need to take, how you will be impacted, and how to work out your start date.
4. **Seek expert support**
   We're here to help! Get in touch and we'll talk you through it.



TAX NEWS

Salary Sacrifice for Pension Contributions

Employees who join their employer's pensions salary sacrifice scheme stop paying pension contributions and instead sacrifice part of their gross salary in return for higher employer pension contributions. Both employers' and employees' National Insurance Contributions (NICs) are saved whilst maintaining the same amount of pensions savings. This is because employers' pension contributions are exempt benefits and they are not caught by the salary sacrifice rules.

The employers' NICs saving is the main benefit of such schemes. The employer can choose to use all or none of the saving to invest in the employees' pensions.

However, before implementing a scheme, employers should consider potential drawbacks, such as increased admin and the risk of breaching National Minimum Wage rules. They should also assess the impact on Auto Enrolment obligations.

Clear communication with employees is vital, as a reduced gross salary may affect eligibility for earnings-based payements such as bonuses, or statutory payments like sick pay.

For a salary sacrifice to be considered 'successful' by HMRC it must meet certain requirements, including amending the employees' contracts.

Interested in this scheme?

Get in touch to see how we can help you with everything you need to know to get started.

Small Side Hustle? You Might Need to File a Tax Return

If you earn over £1,000 a year from side income - whether it's freelancing, selling online, renting property, tutoring, or even crypto trading - you may need to register for Self Assessment and file a tax return.

You won't need to pay until 31 January 2026 (for the 2024–25 tax year), but getting it done early gives you more control. This is because filing early helps you avoid the January rush, gives you more time to budget or set up a payment plan, and offers peace of mind knowing your tax affairs are in order.

Many don't realise they need to file until it's too late. Not sure if you're affected? Contact us and we'll help you stay compliant.

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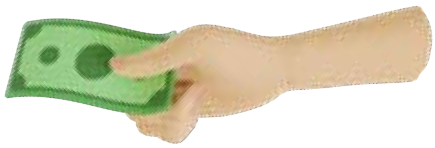
How to Extract Funds From an Owner-Managed Company



“What’s the most tax-efficient way to take funds out of my company?”

This one of the most common questions put to accountants by their owner-managed company clients.

The answer *used* to be simple: *“Take a salary up to the level of the personal allowance and take the rest as a dividend”.* Unfortunately, we are no longer able to give such a one-size-fits-all answer. The most honest answer we can give without performing individualised calculations is **“It depends”!**

If the director(s) need to take a market rate salary for commercial reasons (inc. obtaining finance in their own name or for making personal pension contributions), this should be a priority.

For all but the most straightforward businesses, individual calculations are needed to arrive at the optimal profit extraction strategy.

Optimal extraction method will depend on a range of factors, including but not limited to:

The company’s profit level, which determines corporation tax rate;

- Number of director/shareholders;
- The available distributable reserves in the company;
- The director/shareholder’s other income, which determines their marginal rate of income tax and the amount of Personal Allowance available to them.
- Age - those aged 66 or over do not pay employees National Insurance Contributions;
- The availability of the £10,500 Employment Allowance (EA) - the company might not qualify or it might already be utilised by other employees’ salaries;
- Possible applicability of National Minimum/Living Wage legislation.

Consideration then needs to be given to the cash requirements of the director/shareholders. Extracting all available funds from the company is likely to incur a higher tax cost than extracting a set figure that is sufficient to cover living costs. Funds retained in the company will not be subject to income tax until they are taken out of the company by the director/ shareholders. Alternatively, funds may be retained in the company with a view to realising a capital gain on the eventual sale or liquidation/striking off of the company. The capital gain will be subject to Capital Gains Tax and could be eligible for Business Asset Disposal Relief.

For many director/shareholders, the ‘classic’ extraction model of taking a salary equal to the £12,570 personal allowance, followed by dividends sufficient to cover living requirements, is likely to be a tax efficient strategy, however, as seen, there are many variable factors.

We can help!

For individualised advice – we’d be happy to help work out what’s best for you.

VAT ON PRIVATE TUITION

A recent First Tier Tribunal case gave us a useful reminder of the rules governing the VAT treatment of private tuition. In Rushby Dance & Fitness Centre v HMRC (TC09534), the lead appellant and three other dance tutors unsuccessfully argued that their dance classes qualified as VAT-exempt private tuition.

The exemption for private tuition is contained in the Value Added Tax Act 1994 (Schedule 9, Group 6, Item 2): "The supply of private tuition, in a subject ordinarily taught in a school or university, by an individual teacher acting independently of an employer."

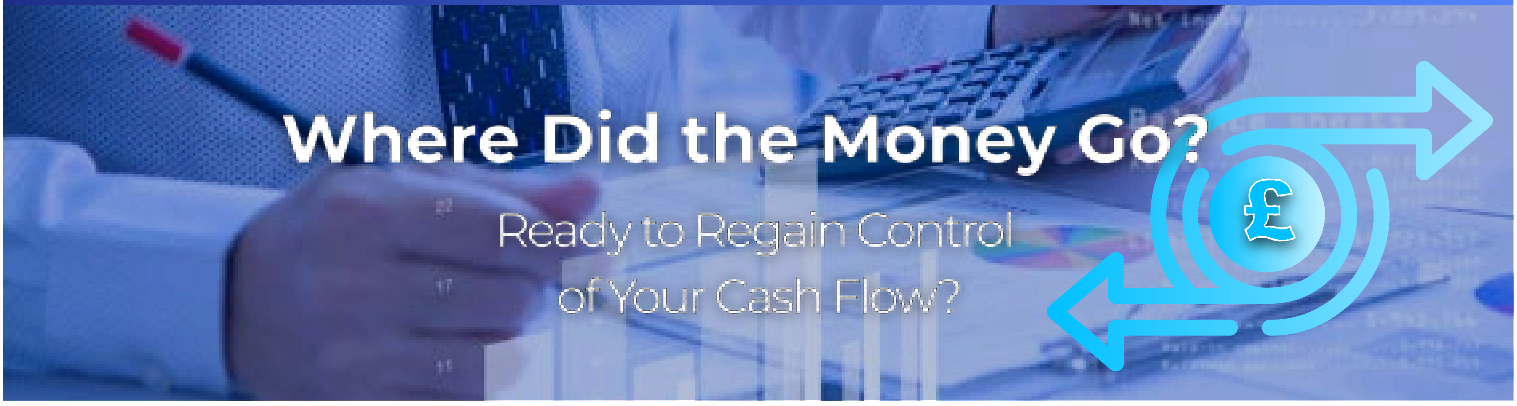
In order to qualify for the exemption, two main tests must be met:

1. The teacher must be acting independently of an employer - this would generally apply to a sole trader or partner providing tuition in their own name. Any tuition carried out by an employee of a sole trader or partnership would not qualify, nor would any private tuition provided by a limited company.

2. The subject being taught must be one ordinarily taught in a school/university - this is the tribunal issue. The subjects under consideration were ballroom dancing, Latin dancing, sequence dancing and 'dancercise' - a hybrid of dance and aerobics. The First Tier Tribunal found that none of the subjects were 'ordinarily' taught in schools or universities.

Previous tribunals have found that horse riding and golf are ordinarily taught in schools or universities and therefore qualify for the exemption. The list of tribunal-tested subjects that do not qualify is much longer and includes belly dancing, yoga and transcendental meditation! This shows how difficult it can be to ascertain the correct VAT rating for private tuition.

Professional advice can help you to navigate this area more confidently - and we are here to help you!



Reached the end of a busy month wondering where your profits have gone? You're not alone! For many small business owners, cash seems to disappear faster than it arrives.

While sales are important, its cash flow – money coming in and out – that keeps your business alive. So, asking "Where did the money go?" can be your key to regaining control.

Where to Start - If You Can't Track it, You Can't Manage it.

Effective cash management starts with visibility. Without a clear understanding of where your money is going, it's difficult to:

- Spot wasteful/unnecessary costs
- Plan for tax payments/seasonal dips
- Invest with confidence in equipment/opportunities to grow
- Avoid last-minute scrambles to cover payroll or bills

Common Money Drains

Business owners are often surprised by how much they spend on the "small stuff" - subscriptions, software licenses, office supplies, travel costs, or energy bills. These often fly under the radar but add up quickly. Similarly, inconsistent pricing, uncollected invoices, or excess stock can quietly eat away at your margins.

What You Can Do

1. Review Your Spending Monthly:
Make time each month to review your bank statements and P&L reports. Look for patterns, unexpected charges, and trends in your expenses. This will make it easier to see where adjustments can be made to reduce spending.

2. Use Cash Flow Tools:
Accounting software or spreadsheets can make a huge difference. A simple Excel cash flow template can allow you to forecast, monitor, and adjust in real time.

3. Separate Personal and Business Finances:
Mixing the two creates confusion and risk. Keeping them separate makes your cash situation easier to monitor.

4. Set Spending Limits:
Give yourself boundaries, capping monthly spend in certain areas. Being disciplined will help you to avoid overspending.

5. Revisit your pricing
If your costs have increased but your prices haven't, your margins may be suffering. Reviewing your pricing structure will help you to make sure your income is keeping pace with your expenses.

The Takeaway

Asking "Where did the money go?" isn't a sign of failure - it's a sign that you're ready to take control. By building better awareness of how money flows through your business, you'll be better placed to plan, save, and grow.
Fancy taking this a step further? Why not get in touch and we would be happy to help you!

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How to use Free Companies House Data to Help Your Business

It’s been ten years since Companies House made all digital company data freely available via its online GOV.UK servic e. Since launching on 22 June 2015, the Find and Update company information tool has become one of the UK’s most-used public data services, with over 16.5 billion searches in 2023–24 alone. The data covers every UK-registered company — including directors, financial filings, addresses, filing history, and company status. It's relied on daily by lenders, investors, regulators, law enforcement, and businesses to support informed decision-making.

How This Data Can Support Your Business

As your accountant, we regularly use Companies House data behind the scenes - but it’s also a valuable tool you can use directly to support growth, reduce risk, and manage your business more effectively. Here’s how:

	**Check who you’re dealing with:**	Before working with a new supplier, customer, or partner, confirm their legal status, directors, and trading history. It’s a simple step to reduce risk and avoid fraud.
	**Monitor competitors or industry trends:**	Track filings, directorship changes, and new company formations in your sector to stay informed and spot opportunities.
	**Improve credit control and chase debts:**	Knowing who controls a company and where it's registered helps when chasing unpaid invoices or preparing for legal action.
	**Support funding and investment conversations:**	When applying for finance or pitching to investors, it helps to understand how your business compares to others in your industry. Competitor filings offer useful benchmarks on growth/structure/cash flow trends.
	**Stay Compliant:**	Reviewing how others meet their filing duties can help you avoid late fees and maintain a good reputation.
	**Spot Growth Opportunities:**	Newly registered companies may signal new customers, partners, or market gaps worth exploring.

What’s next?

New reforms under the Economic Crime and Corporate Transparency Act will bring mandatory ID checks for directors and tighter controls to improve data accuracy. Need help making the most of this information — from onboarding to competitor tracking? Let’s talk.

FSB Updates Guidance on Employers' Liability Insurance

The Federation of Small Businesses (FSB) has updated its guidance on Employers' Liability insurance - a useful reminder of the rules and risks around a business insurance that is legally required in the UK. If you employ anyone - including part-time, temporary, or volunteer staff - you're likely required by law to have it. The insurance protects businesses if an employee becomes ill or injured due to their work and the employer is found legally responsible.

Key Points from the FSB:

The guidance includes practical examples of when the cover applies e.g:

- A worker injured using machinery
- An office employee developing repetitive strain injury
- A fall on a construction site causing time off work

Claims can be costly — legal fees and compensation may run into tens of thousands of pounds, potentially putting small businesses under pressure.

The FSB also clarifies:

- The legal minimum cover is £5 million (most policies provide £10 million)
- Fines of £2,500 per day apply if cover is missing
- Certificates must be displayed or accessible to staff — or face a £1,000 fine.

Exemptions and Grey Areas

Some small family businesses or sole traders without staff may be exempt, but these cases are limited. Most businesses with paid staff will require cover.

Time for a Review?

The FSB's update is a good prompt to review your insurance — especially if your staffing or business structure has changed recently.

Pension Reforms: What can You Do to Prepare?

The Government's new Pension Schemes Bill, currently before Parliament, introduces wide-reaching reforms aimed at improving outcomes for pension savers. These changes will not only affect how pensions are administered but also impact scheme selection, cost management, and employee engagement over the long term.

Figures released last week suggest that the average worker on an average salary saving into a pension pot over their working life could benefit by up to £29,000 when they retire.

Here are two of the measures that could particularly affect small employers.

1. Automatic Consolidation of Small Pension Pots

Small pension pots under £1,000, often created when employees change jobs, will now be automatically consolidated into large, authorised schemes that have been certified as delivering good value.

This change will reduce the administrative work involved in holding and reporting on multiple inactive pots. This could have an indirect benefit to employers too.

2. Schemes Will Need to Prove They Are Value for Money

Pension schemes will need to meet new regulatory standards to prove they offer long-term value, not just low charges. This helps protect savers from being stuck in underperforming schemes, and helps to secure the best possible retirement outcomes.

As an employer, you will need to make sure the default pension scheme you use is meeting these standards. Failing to do so will run the risk of being required to switch schemes.

In addition, a poorly performing scheme could affect the value of the benefits package you offer and might lead to losing existing or potential employees.

What Can You Do to Prepare?

- Speak to your pension adviser for specific advice on your pension scheme and its value.
- As the value-for-money requirements become clear, review your pension provider to ensure they're on course.
- Communicate with employees early, answering questions on changes and providing support where needed.
- Changes may create an opportunity to re-evaluate how your workplace pension supports retention and financial security for your workforce.

We can help you!

By staying ahead of these changes now, you can ensure your business continues to provide high-quality, compliant pension arrangements that support your employees' long-term financial wellbeing. Get in touch to see how we can guide you through this.

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Chancellor Releases 2025 Spending Review

Takeaway Points for Your Business

The Chancellor unveiled her Spending Review in June setting out how government departments will allocate money over the coming years. While much of the focus was on large-scale public services like the NHS and schools, there are some important signals here for businesses to take note of - both in terms of opportunity and outlook.

Zero-based Review

A theme of the review was scrutiny. The Chancellor described the exercise as a "zero-based" review - meaning department budgets were built from scratch, rather than from making changes to what was already in place. The aim, according to the government, was to focus spending only where it delivers value for money.

This may strike a chord with you as a business owner. As you plan for upcoming months, there's something to be said for taking a zero-based approach yourself. You could do this by questioning whether each cost is still serving the business. This may help you see areas where reallocating funds could help the business grow or be more efficient.

Under Pressure with Costs

Public sector pay rises in education and healthcare are being part-funded through expectations of increased "productivity" in those sectors. Although cost pressures are widespread, efficiency will be a watchword in public contracts and procurement. So, if you supply to public sector organisation, you may need to be prepared for closer scrutiny of prices and performance.

Increases in Capital Investment

Elsewhere, the review confirms increased capital investment in areas like transport infrastructure and social housing. Over time, this may bring new opportunities for construction and related industries. However, spending will be spread over a long period.

Similarly, investment in AI, tech and scientific infrastructure (including a new supercomputer in Edinburgh) could create demand for highly specialised services, but the benefits may take time to filter through.

Speeding Up Infrastructure Projects

The Chancellor also flagged changes to the way the Treasury evaluates infrastructure projects, promising a more modern approach. This might affect which types of projects get greenlit and how quickly - something worth watching if you're bidding for public contracts or working in the built environment.

Final Thoughts

While headlines may focus on big numbers and high-level priorities, the underlying message of this Spending Review is relevant for businesses of all sizes: pressure on budgets, rising expectations of value, and a focus on getting more from what's already being spent.

Need help reviewing your own budgets or planning for the year ahead? We're here to support you.

New Small Business Commissioner Appointed to Tackle Late Payments

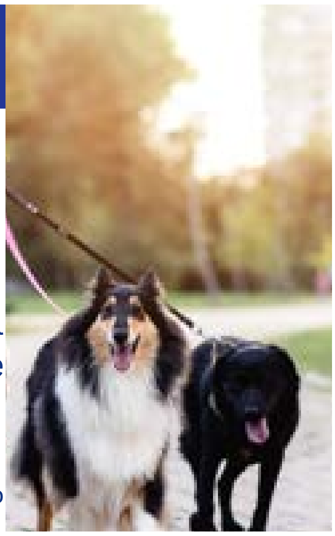
Emma Jones CBE, founder of Enterprise Nation, has been appointed the new Small Business Commissioner, taking over from Liz Barclay on 23 June 2025. She will lead efforts to tackle late payments and improve payment practices across the UK.

The Commissioner role supports the UK's 5.5 million small businesses, many of whom struggle with delayed payments. In 2024, SMEs were owed an average of £21,400 in late payments, according to Intuit QuickBooks.

Under Barclay, the Fair Payment Code was launched in December 2024, with over 300 businesses committing to faster, fairer payments. She also helped shape upcoming proposals for tougher payment regulations, with a major consultation due later this year.

Jones, who has firsthand experience starting a business, is expected to continue providing practical tools and guidance to help small firms resolve payment disputes and access support.

Inflation Still a Concern for Businesses



The Bank of England has kept its base rate at 4.25% following the MPC's latest review on 19 June 2025. The decision was expected, with inflation easing slightly from 3.5% in April to 3.4% in May - still above target and a concern for businesses.

Food prices continue to climb, now at 4.4%, partly due to firms passing on April's National Insurance hike. Cocoa shortages have also driven a 17.7% rise in chocolate prices. Some relief came from falling travel costs.

The MPC expects inflation to remain elevated through 2025 before easing towards 2% next year. It also flagged concerns over a softening labour market and global instability, citing the Middle East conflict.

What it means for your business:

- Borrowing costs stay put, though lenders may lower rates if cuts are expected later this year.
- Savings returns are unchanged—check that your reserves are earning interest.
- Costs remain high, so a cautious financial approach is wise.

The next rate review is set for 7 August 2025. If you'd like to review funding or cash flow plans in the meantime, we're here to help.

Government Targets £7.5 Billion in Unpaid Tax - Focus on Business Compliance

The government has announced plans to raise an additional £7.5 billion by stepping up efforts to close the tax gap - the tax HMRC expects to collect vs. what is actually paid.

Figures published on 19 June show that £46.8 billion in tax went unpaid in the 2023-24 tax year. That's 5.3% of the total tax due, slightly up from previous estimates.

Small Businesses Under the Spotlight

The data reveals that small business non-compliance accounts for 60% of the total tax gap, with Corporation Tax accounting for 40%. The most common causes are:

- Failure to take reasonable care (31%)
- Error (15%)
- Tax evasion (14%)

As a result, HMRC is intensifying compliance work - particularly within the small business sector - aiming to improve accuracy, reduce mistakes, and clamp down on evasion.

What's Changing?

The government has committed £1.7 billion over four years to fund more HMRC staff, including 5,500 compliance officers and 2,400 debt management roles. Meanwhile, HMRC's Making Tax Digital (MTD) programme continues to expand. It's expected to generate £4 billion in additional VAT over the next four years by reducing errors. MTD for Income Tax comes into force from April 2026, and this is forecast to raise £1.95 billion in additional tax revenue by 2030.

What This Means for Your Business

With HMRC stepping up compliance efforts, now is the time to make sure your business accounts and tax affairs are in order.

One of the biggest changes on the horizon is Making Tax Digital MTD) for Income Tax, due to start in April 2026. Initially, it will affect anyone who earns over £50,000 from self-employment or property income. However, in future years this limit will drop to £30,000 and then £20,000 by April 2028.

Under MTD, you'll need to:

- Keep digital records of your income and expenses
- Submit quarterly updates to HMRC using MTD-compatible software
- File an annual final declaration

This is a major shift in how tax is reported - and planning ahead is essential to avoid disruption. While HMRC says the majority of taxpayers pay what they owe, the pressure is clearly growing to close gaps and improve standards - particularly among smaller businesses.

We can help you!

If you're unsure whether your current systems and processes meet HMRC's expectations or want to get ahead of the MTD changes coming in 2026, please give us a call. We would be happy to help you!

BUSINESS

Should You Own a Property Through a Company - or Personally?

If you're considering buying a property, especially as an investment, one of the key decisions you'll face is whether to hold it personally or through a limited company. This choice can have long-term tax, financial, and administrative implications, and there's no one-size-fits-all answer. Here's a look at some of the main considerations.

Tax on Profits

One of the most common reasons people use a limited company is the difference in how profits are taxed. If you own a property personally, rental profits are taxed as income. If you are a higher-rate taxpayer that could mean a tax rate of up to 45%. Mortgage interest relief is also restricted under current rules, meaning higher-rate taxpayers can no longer deduct all their finance costs.

With a limited company, rental profits are subject to corporation tax, and all mortgage interest can be treated as a business expense. However, taking money out of the company, usually through dividends or salaries, then further tax is likely. So, the benefits depend on what you plan to do with the income.

Tax on Selling the Property

If the property is sold at a profit, there are differences in how Capital Gains Tax (CGT) applies. Individuals have a CGT tax-free allowance with the rate of tax paid depending on their income and the property type. Companies on the other hand simply pay corporation tax on the gain. However, companies have no tax-free allowance and there can be different rules that apply to how the gain is calculated. Again, the right route depends on your plans - whether you're building long-term wealth inside a company or want easier access to the proceeds personally.

Mortgage Availability and Costs

Getting a mortgage through a limited company can be more complicated and is often more expensive, with fewer lenders and potentially higher interest rates. Lenders will also usually require a personal guarantee from the directors.

Administrative and Legal Responsibilities

A company comes with extra administrative and legal responsibilities. There's filing annual accounts, confirmation statements, corporation tax returns, and keeping proper records that all need to be considered. If you already run a company, this might not be an issue, but if not, it's important you factor in the time and cost.

Inheritance and Succession Planning

Owning property through a company can offer more flexibility in passing wealth on to family members. Shares in a company can be gifted or passed on more easily than physical property - though care is still needed because of tax implications.

So What's Best?

The best option depends on your goals: whether you need the income now, plan to reinvest profits, want to keep things simple, or are thinking long-term about passing assets to others. There's no single answer - and the rules can change over time.

We have a 'Property – in or Out?' tool that we can use to help you determine whether it is better for you to own property inside or outside of a company. If you're unsure which route suits you best, this tool is a great place to start. Please get in touch and we would be happy to help you!