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Monthly Business News

Welcome to our latest monthly business news. We hope you enjoy reading this newsletter and find it useful. Please contact us if you wish to discuss any issues further.

January 2026

Looking ahead to 2026

Reflections for business owners

With 2025 coming to a close, you may already be starting to reflect on how the year unfolded in your business.

Your expectations may have been exceeded in some areas. Perhaps you found a new source of revenue that grew faster than you anticipated, or you had a new customer relationship that really took off. On the other hand, you might have found you were limited by rising costs, difficulties in finding staff, or changes in what your customers expect.

The economy itself has been far from predictable. While inflation does seem to have eased slightly in recent months, higher wage costs and shortages in skills have been significant factors for many businesses.

You may also be thinking about how the business has contributed toward your broader goals. For instance:

- Did it grow in the ways you planned?
- Did it give you the flexibility, resilience or capacity to pursue new opportunities?

These questions perhaps show where the business supported your ambitions, or where it might have held you back.

With these thoughts in mind, the festive break may provide a natural opportunity to consider some of your strategic priorities in 2026.

What can you do to build on this year?

For instance, did you notice any patterns emerging over the past twelve months in which of your products or services truly delivered growth for your business? Or which customer or client relationship were the most valuable? Where did your business feel most stretched by things like rising costs, difficulties in finding staff, or changes in customer expectations?

Your observations may well help you in thinking about what your priorities could be for the year ahead.

How can you maintain resilience in the business?

The wider economic environment and day-to-day pressures are likely to continue shaping the decisions you make in 2026.

Have you found areas where the business has shown resilience in dealing with rising costs, maintaining customer loyalty, or responding to opportunities quickly?

These are strengths you can really continue to build on.

What could be your goal for 2026?

You might be thinking about growing your business in 2026. For instance, reaching new customers in different areas, adding to your team, or investing in new technology to make your business run more efficiently.

Or maybe you see value in consolidating the gains you made in 2025, concentrating on what has delivered the strongest returns and taking a leaner, more focused approach in 2026.

However you are thinking at this time of year, we hope that you are able to thoroughly enjoy any time off you have coming. 2025 has been a year of hard work and any rest you get is well deserved.

We look forward to supporting you in 2026, helping you to build on the progress you have made, and seeing what the new year brings for your business.

Dividend Tax Rates Rising in April 2026

What Does It Mean for Profit Extraction?

The recent Budget confirmed that dividend tax rates will increase from April 2026. The ordinary and upper rates of dividend tax will both rise by 2%.

For many small and medium-sized companies, dividends are central to how owners pay themselves. With the tax rates rising, your pay and profit extraction strategies will likely need a fresh look for 2026/27.

What's Actually Changing

From April 2026:

- The dividend ordinary tax rate increases from 8.75% to 10.75%.
- The dividend upper tax rate rises from 33.75% to 35.75%.
- The dividend additional tax rate remains at 39.35%.
- The tax-free dividend allowance remains at £500

The rate you pay on your dividends will depend on the amount of your total income and your other sources of income. These rates apply only to dividends - salary, bonuses and savings are taxed differently.

What the Changes Mean for Profit Extraction

As dividends have usually offered a tax advantage over salary, many directors/shareholders adopt a mix of a low salary and higher dividend income.

However, with dividend tax rising, the balance is shifting slightly. The best extraction strategy for one director may look quite different for another, especially when factors like income levels, other earnings, pensions and company profits are taken into account.

It may therefore be worth reviewing:

- Whether a different mix of salary and dividends is now more efficient for you.
- Bringing forward dividends before April 2026, where appropriate.
- The impact on cash flow if you switch to taking a larger salary instead of dividends.

If you want to review how you take money from your company, or see how the upcoming dividend tax changes could affect your take-home pay, get in touch. We can guide you through the options and help you make sure your remuneration is as tax-efficient as possible.

Self Assessment Deadline Approaching

Are You Ready?

The deadline for filing your 2024/25 Self Assessment tax return is fast approaching. You must submit your return and pay any tax due by 31 January 2026 to avoid penalties and interest.

To meet the deadline, you will need to make sure you have:

- All income details, including any employment, pension, self-employment, dividends, rental and savings income you received.
- Records of allowable expenses and reliefs.
- Details of any pension contributions or charitable donations.

Filing early not only helps avoid last minute stress but also gives you time to check your figures and plan for any tax payments you need to make.

If you would like help preparing and submitting your tax return, please get in touch as soon as possible. We can help you ensure that your tax return is accurate, complete and filed on time.

Digital Assets Become Recognised Property

Legal certainty for businesses holding cryptocurrency

A legal landmark was reached during December as the Property (Digital Assets etc) Act received Royal Assent.

The new law confirms that certain digital assets - including cryptocurrency tokens and non-fungible tokens (NFTs) - can now be formally recognised as personal property in England, Wales and Northern Ireland. In Scotland, the Digital Assets (Scotland) Bill, which will recognise digital assets as property, is currently progressing through the parliamentary process.

This new legislation puts the UK among the first jurisdictions worldwide to give digital assets the same legal standing as traditional assets. For businesses and individuals making use of Bitcoin and other digital assets, the legislation provides much-needed certainty.

By recognising digital assets as personal property, the law strengthens the protections available to owners, including:

- Clearer legal rights if certain digital assets are stolen.
- Enabling cryptocurrency to be passed down through inheritance.
- Recognition of certain digital assets during insolvency, allowing them to be recovered by creditors.

The law should now give businesses greater legal certainty over the status of any cryptocurrency they hold.

Ensuring seasonal staff are paid correctly

Minimum wage rules apply

If your business makes use of seasonal workers over the festive period, it is important to be aware that all workers, including temporary, seasonal, and short-term staff, are legally entitled to at least the National Minimum Wage (NMW) or National Living Wage (NLW).

While seasonal work roles can be short-term, the same minimum pay rules apply as for permanent staff. This means ensuring that:

- All working time is counted – This would include starting early or staying late to open or close premises, cleaning, travelling time between work locations or completing mandatory training outside of working hours.

- Deductions do not reduce pay below the minimum wage – Costs for uniforms or equipment must not leave employees earning less than the legal minimum.

Current minimum wage rates

The current rates are:

- £12.21 – Age 21 and over (National Living Wage)
- £10.00 – Age 18–20
- £7.55 – Under 18
- £7.55 – Apprentice (under 19, or 19+ in first year)

By law, employees must be paid at least these rates for all hours worked.

Enforcement and consequences

In 2024/25, HM Revenue & Customs (HMRC) identified £5.8 million in arrears due to underpayment, affecting 25,200 workers. As a result, 750 penalties totalling £4.2 million have been issued to non-compliant employers.

Penalties can reach up to 200% of the underpayment, in addition to the arrears owed. Employers who fail to comply may also be publicly named and can face prosecution.

Seasonal hiring can increase the risk of inadvertently underpaying staff. If you need any help with your payroll or would like specific advice on paying staff please give us a call. We would be happy to help you!

High-Value Council Tax Surcharge

Targeted valuation exercise to be carried out in 2026

The government has announced plans to introduce a new levy, the High-Value Council Tax Surcharge (HVCTS), for owners of residential properties in England valued at £2 million or more.

The surcharge is expected to come into effect in April 2028. A public consultation on the details will be held in early 2026.

HVCTS currently only affects residential properties in England. Whether the devolved administrations in Scotland, Wales and Northern Ireland will follow suit remains to be seen.

Not Based on Council Tax Bands

In information published following the Budget, the government confirmed that the surcharge will not be calculated based on council tax bands. So, if your property is currently in say bands F, G, or H (which were set based on 1991 values), this does not necessarily mean your property will be subject to a surcharge.

Instead, there will be a fresh valuation process. The Valuation Office Agency (VOA) will carry out a targeted valuation exercise in 2026. Properties assessed at £2 million or more will be slotted into one of four new HVCTS bands.

As far as council tax is concerned, existing council tax bands will remain in place, and a change in council tax band will not affect HVCTS eligibility.

Especially if you own a property in London or other high-value areas in England, the new surcharge could potentially add a significant recurring cost from 2028.

In addition, as the surcharge uses up-to-date property valuations (not 1991 values), properties that escaped high "band" classification under the old system could now be subject to the surcharge if their current market value is high.

If you have concerns about how the new surcharge will affect your situation or are thinking about selling property and would like to understand your tax position, please do get in touch. We would be happy to provide you with personalised advice.