

Welcome to our monthly business newsletter. We hope you enjoy reading this and find it useful – please get in touch if you have any questions.

Prepare to be signed up for MTD

What you need to know

Sole traders and landlords earning more than £50,000 have been required to keep digital records and send quarterly updates to HMRC via Making Tax Digital (MTD) since April 2026.

For those who haven't, HMRC is preparing to step in and sign you up.

HMRC will automatically sign up taxpayers who are required to use Making Tax Digital (MTD) for Income Tax from 2026-27 but have yet to register, and they have published guidance setting out the steps affected individuals should take if they are affected.

What happens when HMRC automatically signs up a taxpayer?

Once HMRC have signed someone up, they will contact them directly, either by post or digitally depending on their contact preferences, asking them to complete a ‘checking step’. This checking step can be carried out in the ‘Making Tax Digital for Income Tax’ section of the individual’s relevant HMRC online services account; this will be their Personal Tax Account or Business Tax Account. If they have never used an HMRC online services account, they will need to set up an account.

The ‘checking step’ will involve verifying HMRC’s information on active businesses and property income and notifying HMRC of any changes. It is important to remember that HMRC's information derives from historical data for 2024-25. This means it is possible that HMRC could include details for businesses that have ceased.

It will not be possible to update the business address, description or name. HMRC need to be contacted directly to change this information.

For those who are signed up, it is then a case of using compatible software to catch up and create digital records from the start of the tax year. Any overdue quarterly updates will need to be submitted as soon as possible (the first quarterly submission was due on 7 August 2026) with future quarterly reports submitted when necessary.

HMRC have confirmed there will be no penalty points for missing a quarterly update for 2026-27. A final quarterly update will be required before the 2026-27 tax return can be submitted, and penalties will be charged if the tax return is submitted late.

If someone has been signed up but does not need to use MTD, it is simply a case of contacting HMRC to rectify the situation.

If you are signed up and need any help dealing with HMRC or Making Tax Digital, please get in touch and we would be happy to help you.

Mandatory payrolling of Benefits in Kind

Actions to take now

The tax rules on Benefits In Kind (BIKs) are changing. From 6 April 2027 to 5 April 2028, Phase 1 of HMRC's 'Mandatory payrolling of Benefits In Kind and expenses' comes into force. Phase 1 will apply only to company cars, car fuel, vans, van fuel and medical benefits.

Mandatory payrolling for most other benefits will be introduced from April 2028.

Employers will need to begin preparing for the changes, which will include ensuring that payroll software and processes are correctly set up. However, to avoid employees being surprised, employers should also consider communicating the changes to their staff.

Early communication is key to making sure staff will understand how this change may affect their tax code and take-home pay.

What to explain

It would be good to help staff understand that if they currently pay tax in arrears on BIKs they will not do so from April 2027 onwards for any BIKs that are included in Phase 1.

Many employees may not realise this is how they are paying tax on BIKs, and that next year they will pay tax on their BIKs for cars, vans, fuel (for both cars and vans) and medical benefits in the year they receive them.

They may currently have a deduction in their tax code so they pay tax on an estimated benefit. This will no longer be the case from April 2027. Tax on Phase 1 BIKs must be paid in real time in the year they are received.

What this means in practice is that some employees could end up paying tax in real time on some benefits they are receiving in 2027-28, while at the same time also be catching up with payments for any BIKs from the previous tax year. It might seem to them that they are paying tax twice. This is not the case but could be confusing if it is not explained.

Employees can be advised to contact HMRC to discuss options based on their circumstances if this overlapping taxation causes them hardship.

Should you have queries or need advice on payroll or BIKs, please get in touch. We'd be glad to help.

Mileage allowances changed for tax year 2026/27

Rates have increased

HMRC have reminded businesses that the Approved Mileage Allowance Payments (MAPs) have been updated for the 2026-27 tax year. Rates have:

- Increased to 55p per mile for the first 10,000 miles.
- Remained at 25p per mile after 10,000 miles.

These changes are backdated to 6 April 2026. If you reimburse your employees at or below the approved MAP rate, you may want to increase the amount you reimburse your employees for business mileage, in line with the new approved MAP rates.

Reimbursement?

If you paid your employees mileage payments or RME above the old rates, Income Tax and/or Class 1 National Insurance contributions may have been deducted, which may no longer be due.
You may need to correct payroll for previous months in 2026-27, so that overpaid tax and both employers' and employees' Class 1 National Insurance contributions can be refunded.
If you need any help in doing this, please feel free to get in touch. We'd be happy to help you.

Compulsory smart meter roll-out for small businesses

Introduction of smart-contingent contracts

The UK government has unveiled its comprehensive response to the consultation on the post-2025 rollout of smart meters for non-domestic sites.

The initiative targets approximately three million smaller businesses and public sector locations across Great Britain, aiming to accelerate the adoption of smart meters as a cornerstone of the Clean Power 2030 Mission.

Smart meters are seen as vital for enabling a flexible, efficient power system, offering organisations real-time insights into their energy consumption. This helps businesses manage costs, identify savings and make informed decisions about tariffs and operational efficiency.

A key feature of the new framework is the introduction of smart-contingent contracts for non-domestic consumers.

Smart-contingent contracts are fixed-term non-domestic energy contracts (which are significantly cheaper than alternatives) that require the installation of a smart meter. The consultation response, 'Non-domestic smart meter rollout post-2025', had noted a growing trend among energy suppliers to use such contracts to drive smart meter uptake, particularly among smaller organisations that have been slower to engage with the technology.

There were concerns about inconsistent implementation, including complex contract terms or unfair penalties if installations are delayed for reasons beyond the customer's control.
To address these issues, the government proposes to standardise the rollout of smart-contingent contracts.

From January 2027, suppliers must begin communicating upcoming changes. By September 2027, all new fixed-term contracts for designated premises must include a smart meter installation clause. Suppliers will also be required to adhere to a legally binding consumer protection code, ensuring transparency, fairness, and flexibility - especially for customers facing financial difficulties or those needing additional works before installation.

The government's policy package has been shaped by stakeholder engagement, with 46 responses received from energy suppliers, consumer groups, metering organisations and intermediaries.
Most stakeholders supported the government's direction, recognising the need for regulatory intervention to protect consumers and drive consistent implementation. Some concerns were raised about the timelines for compliance and the complexity of managing installations, particularly during peak contract renewal periods. In response, the government has adjusted the implementation schedule to allow suppliers a full year to prepare.

An assessment accompanying the policy estimates significant net benefits, with anticipated smart meter uptake reaching 88% of non-domestic sites by 2030 and annual bill savings of up to £29 million.

Big changes to the apprenticeship levy

Renamed growth and skills levy

The Apprenticeship Levy has undergone its biggest overhaul since its introduction, with major changes taking effect from 1 August 2026. For Small to Medium-sized Enterprises (SMEs), the most significant development is the expansion of what levy funds can be used for under the new Growth and Skills Levy. This expansion comes alongside tighter funding rules, making planning more important than ever.

The two headline changes are the removal of the government top-up and that levy-paying employers can now use their funds for a broader range of approved training, not just traditional apprenticeships. Alongside full apprenticeships, the Growth and Skills Levy can now support foundation apprenticeships and approved apprenticeship units. This gives businesses greater flexibility to address specific skills gaps, upskill employees more quickly and access shorter, targeted training programmes without committing staff to a full apprenticeship.

Funding changes

The funding changes also create new financial pressures. From 1 August 2026, the government has removed the 10% top-up that was previously added to levy funds entering employers' apprenticeship service accounts. Businesses will see less funding available.

There is also a reduction in the expiry period for new levy funds. Previously, employers had 24 months to spend funds before they expired. Any levy funds entering accounts from 1 August 2026 must now be used within 12 months. Funds already in accounts before that date continue to benefit from the old 24-month rule.

For businesses, this means unused funds are far more likely to be lost if training plans are delayed, pushing employers to regularly review their balances and plan training around the funding available. Changes have also been made to co-investment arrangements when levy-paying employers exhaust their available funds.

For apprentices aged 16 to 24, eligible training costs are fully funded by government once levy funds are depleted. For apprentices aged 25 and over, employers must contribute 25% of the training cost, with government funding the remaining 75%, up to the relevant funding band limit.

This represents a higher contribution requirement than many employers were previously accustomed to and could increase training costs for businesses with older apprentices.

The levy itself remains unchanged. Employers with annual pay bills exceeding £3 million must pay 0.5% of their payroll costs, less a £15,000 annual allowance. The levy is collected through PAYE and applies to private, public and voluntary sector organisations. Connected companies and charities must consider their combined pay bill when determining liability.

In England, levy-paying employers access funds through an apprenticeship service account. The amount available is based on the levy paid and the proportion of employees who live in England. These funds can be used to pay for approved training and assessment costs, subject to funding band limits.

Non-levy paying businesses

For SMEs that do not pay the levy, government support remains. From August 2026, non-levy employers receive 100% funding for apprentices aged 16 to 24, up to the funding band maximum. For apprentices aged 25 or over, employers contribute just 5%, with the government paying the remaining 95%. Eligible non-levy employers may also qualify for a hiring incentive of up to £2,000 when recruiting a new apprentice aged 16 to 24 from October 2026.

Levy funds can pay for approved training, assessment, off-the-job learning, certain qualifications and English and maths provision linked to apprenticeship programmes. They cannot be used for wages, recruitment costs, travel expenses, general business overheads or equipment required for normal job duties. Any training costs above the funding band maximum must be paid directly by the employer. Another opportunity for SMEs is the levy transfer. Larger levy-paying employers can transfer up to 50% of their previous year's levy funds to other organisations, including smaller businesses within supply chains or local communities. This can provide valuable access to funded training where SMEs might otherwise face costs.

SMEs warned on all internet-exposed systems

Threat to industrial digital systems ramp up

Disruptive cyber attacks are going beyond computers and into manufacturing and processing systems, Small to Medium-Sized Enterprises (SMEs) have been warned.

The National Cyber Security Centre (NCSC) has seen a concerted and increased number of attacks on what’s known as Operational Technology (OT) in numerous sectors both globally and domestically. These attacks have had real-world effects.

Hackers cut off a small gas-fired 'peaker' power station earlier this year. These UK plants have small local capacities, are remote with no employees and use OT to balance local baseload and feed into the national grid.

OT is both the hardware and software systems that monitor, control and automate infrastructure and processes across a variety of sectors.

The NCSC is warning that organisations should not assume their equipment is not internet-exposed. It said, “Against the backdrop of technology-enabled uplifts in cyber capability and increased geopolitical instability, the NCSC assesses that the threat from state use of offensive cyber, including outside of conflict, has almost certainly increased.”

Without organisations testing legacy structures, older equipment or misconfiguration, systems can be easy to exploit for state and non-state actors.

Companies should examine all their Programmable Logic Controllers (PLCs), Industrial Control Systems (ICS) and Supervisory Control and Data Acquisition (SCADA) systems to ensure their security. The NCSC has outlined a series of steps that should be taken.

- Build a definitive view of your OT architecture, including all assets, communications pathways and external connections. This will help identify internet-exposed systems, unmanaged assets and legacy connectivity that may introduce risk.
- Ensure OT devices are not directly exposed to the public internet.
- Change any default credentials and prevent the use of shared passwords on web interfaces, management interfaces, and management protocols.
- Use unique accounts for administrators and enable multi-factor authentication (MFA) wherever supported. Any stronger authentication mechanisms, such as public/private key authentication, are recommended.
- This includes the control of access to OT networks. The NCSC recommends updating systems efficiently. This also includes ensuring that the management of these devices is only possible from a segregated management network that is not connected to the internet.

The NCSC proposes updating certain industrial protocols and security applications, which it lists on its website, including procedures.

If it wasn't important before, IT departments should ensure they log and monitor all connectivity to and within OT networks. As OT environments are typically static and predictable, baseline monitoring can be highly effective at identifying unauthorised activity, misconfigurations, or potential cyber compromise.

Monitoring is also important during normal operations. PLCs, in particular, should not be left in programming or maintenance modes and should be in write-protected mode where possible.
The NCSC also recommends the separation of networks; for example, the business and management system should be separated from OT and, come to that, security systems.

Don't just keep backups; it is important to test the backups and your recovery procedures. Many organisations, including those regarded as 'tech-savvy', have been diligent in backup procedures but then hit problems when it came to restoring their data.

Shakeup in AIM rules needed for survival

Regulations relaxed

The biggest overhaul of the AIM (Alternative Investment Market) in years has become effective, with the London Stock Exchange (LSE) introducing reforms designed to reduce regulatory burdens, support fundraising and make AIM a more attractive market for growing businesses.

The changes come as the stock market for small businesses and high-growth companies faces an existential risk. Tax changes, poor valuations, reduced risk appetite and greater competition for funding have reduced its attractiveness.

According to financial markets platform Dealogic, nearly 1,700 companies were listed on AIM in 2007. This fell to 605 this year, while the market valuations have fallen by over a third.

The AIM also faces competition from the newly launched Private Intermittent Securities and Capital Exchange System (Pisces), a secondary trading market for private company shares.

In an effort to make the AIM more attractive, the LSE announced new rules on 5 August 2026 that are intended to strike a balance between investor protection and the needs of ambitious growth companies. For businesses considering an AIM listing, acquisition strategy or future fundraising, the changes could have significant implications.

Working capital statement removed

One of the most significant reforms is the removal of the traditional working capital statement from AIM admission documents.

Previously, directors were required to confirm that a company had sufficient working capital for at least 12 months following admission. Under the new rules, this requirement is replaced with enhanced disclosures covering:

- Material capital resources
- Financial obligations
- Use of fundraising proceeds
- Directors' assessment of future funding requirements over the next 12 months

The change should give investors a fuller picture of a company's financial position rather than relying on a single formal statement. Underlying financial due diligence remains essential, particularly for businesses that may need future fundraising to support growth.

New capital access window

AIM companies can now request a temporary suspension of trading while undertaking an equity fundraising.

The new voluntary ‘capital access window’ is designed to provide companies with greater control over fundraising negotiations and reduce market volatility during the process. This could prove particularly useful for smaller businesses seeking to raise capital without exposing sensitive discussions to immediate market reaction.

Reverse takeover rules relaxed

The definition of a reverse takeover has been significantly narrowed. Previously, shareholder approval was generally required when a transaction exceeded 100% under AIM's class tests. Under the revised rules, transactions will only be classified as reverse takeovers if they result in a fundamental change of the company's business, board or voting control.

As a result, some large acquisitions that would previously have required shareholder approval may now proceed more quickly, provided they do not fundamentally transform the company.

Higher threshold for substantial transactions

The threshold for a substantial transaction has increased from 10% to 25%. This aligns AIM more closely with the Main Market and will reduce the number of transactions that fall within the substantial transaction regime. For acquisitive businesses, this should lower compliance costs and simplify execution of smaller acquisitions and disposals.

Faster route to market

The former Designated Market Route has been replaced by a new Express Market Route.
The revised framework widens eligibility to companies from more jurisdictions and shortens the required Schedule One announcement period to three business days. In addition, a new dual-admission route allows companies seeking simultaneous admission to both AIM and an approved overseas market to rely on their existing admission documentation, provided they raise at least £6 million.

Governance and founder-friendly reforms

Measures have been introduced to make AIM more attractive to founder-led businesses. Companies can now introduce special voting shares at admission, enabling founders to retain enhanced control after listing. Unlike some international markets, AIM has not imposed a mandatory sunset clause, leaving investors to assess the structure as part of their investment decision.

Another notable reform is the removal of the requirement for AIM companies to adopt a recognised corporate governance code on a ‘comply or explain’ basis. Instead, businesses must disclose information across five prescribed governance areas, allowing greater flexibility for companies at different stages of development.

Greater focus on investor responsibility

The revised rules introduce a prominent ‘buyer beware’ statement that must appear at the front of AIM admission documents.

This reinforces the principle that investors should undertake their own due diligence when evaluating AIM-listed companies. AIM companies are also now expressly permitted to respond to market rumours and third-party commentary when they believe information circulating in the market may be inaccurate or misleading.

Content accurate at 14/10/2026. This material is published for the information of clients. It provides only an overview of the regulations in force at the date of publication, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore, no responsibility for loss occasioned by any person acting or refraining from action as a result of the material can be accepted by the authors or the firm.

Parsons Accountants Limited. Registered office: No. 2 Silkwood Office Park, Fryers Way, Wakefield WF5 9TJ.
Director: Ian Parsons FCA. Registered in England and Wales.
Company number: 07533129.
Parsons is a trading style of Parsons Accountants Limited. Registered to carry on audit work in the UK and regulated for a range of inventment business activites by the Institute of Chartered Accountants in England and Wales. Registration number: C001836286.

2 Silkwood Office Park . Fryers Way
Wakefield . WF5 9TJ
01924 669 500 . info@parsons.co.uk

Gateway 1 . Holgate Park Drive
York . YO26 4GG
01904 925 300 . info@parsons.co.uk

www.parsons.co.uk

ICAEW