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SUMMER NEWS

Cheeld Wheeler & Co

CHARTERED CERTIFIED ACCOUNTANTS
& BUSINESS ADVISERS

Cheeld Wheeler & Co
Tel: 01737 224891
Email: info@cheeldwheelerandco.co.uk

Redhill Chambers
2D High Street
Redhill
Surrey
RH1 1RJ

Director: David Wheeler FCCA

Tax breaks but more reporting!

We could probably have begun each newsletter in the last ten years with the phrase "We live in uncertain political and economic times", but it is certainly true at the moment. At the time of writing, it looks increasingly likely that there will be a challenge to Keir Starmer's leadership by the end of the summer, so we may be looking at yet another Prime Minister taking office. Should this happen, we may well have a new Chancellor before the Autumn Budget, so it is difficult to predict too far ahead when looking at tax issues. We can, however, think about the implications of things that have already happened or are due to take effect shortly.

Since the Spring Newsletter, there have been some important tax announcements made, primarily aimed at helping people with the cost of living. On page 2, we outline the Great British Summer Savings scheme, announced last month. This gives a VAT reduction on a large range of family outings, including attractions and meals, to help families enjoy the summer holidays and, hopefully, generate extra income for businesses whose customers might otherwise feel that they should be saving their money rather than spending it. However, businesses will need to deal with two VAT changes in a matter of weeks (the initial reduction and then its reversal in early September), so there will be a lot of potential for VAT errors, unfortunately.

Everyone will have noticed the increasing costs of running a car (not just fuel prices, but things like insurance too). There has therefore been an increase in the tax-free mileage allowance that can be reimbursed or claimed for business journeys in a car that you privately own (as opposed to a company car). This is the first such change for fifteen years and is discussed on page 3.

We emphasised in the last newsletter how important it is for landlords and self-employed traders to sign up for Making Tax Digital for Income Tax (MTD IT) when they are mandated to do so. In this issue, we report on the additional disclosures on the 2025/26 tax return that will be needed for a lot of company directors. Those running businesses might legitimately ask whether all this extra reporting achieves a great deal for either their businesses or HMRC, but the law has to be complied with!

With cryptoassets making the news again, we outline the tax issues associated with them, as well as new cross-border reporting rules. We also consider an important development for those whose companies are involved in research and development (R&D). HMRC has introduced a pilot scheme for obtaining advance clearance that the expenditure your business is incurring will qualify for the generous R&D tax benefits available. Hopefully this will reduce disputes with HMRC in this area.

We also revisit an important tax case on capital allowances available on pre-development expenditure such as surveys. Unfortunately, the Supreme Court has now ruled against the taxpayer, so that tax relief is not available. This will be particularly important for businesses in the green technology sector.

All in all, there is much to keep up with on the tax front and there will no doubt be more developments over the summer. We hope you find plenty to interest you in this newsletter and, if you need any help in understanding how they affect you or your business, please get in touch with us.

VAT changes - Great British Summer Savings scheme

The Government has been under a lot of pressure to try to help households deal with the "cost of living crisis". On 21 May 2026, it announced the Great British Summer Savings scheme, whereby VAT on family outings, including attractions and meals, will be chargeable at the reduced rate of 5%, rather than the standard 20% rate.

From **25 June 2026 to 1 September 2026** inclusive, the 5% rate will apply to:

- certain supplies of children's meals;
- children's admission to theatres, cinemas, concerts, exhibitions and shows; and
- all admission tickets to attractions suitable for families with children.

Do you have a qualifying business?

The scheme will apply to businesses making consumer facing supplies to families with children. It includes the following types of organisations:

- restaurants, cafés and similar catering establishments;
- cinemas, theatres, exhibition and performance venues;
- operators of circuses, fairs, amusement parks, theme parks, adventure parks and water parks, zoos and other animal attractions, soft play centres and certain other family-focused attractions;
- museums and similar cultural attractions.

Children's meals

You may remember that, during the re-opening of businesses following one of the COVID-19 lockdowns, there was a debate about whether a scotch egg counted as a 'main meal'. Hopefully what constitutes a child's meal under the new scheme will not be so difficult to interpret!

The reduced rate applies to the supply of children's meals (including non-alcoholic drinks) that:

- are marketed and priced as a meal for children; and
- supplied as part of catering services by a restaurant, café or similar establishment for consumption on the premises.

Note that takeaways do not qualify and neither do meals marketed as smaller portion, lower calorie options.

If a restaurant offers a fixed price children's meal (including a non-alcoholic drink and dessert) on a dedicated children's menu, then the whole supply will be subject to the reduced rate. However, things can be a lot more complicated than that! If a children's menu lists a main meal, with a drink or dessert available for an additional charge, the treatment will depend on whether these items are on the children's menu. If they are, they may also benefit from the reduced rate, but if the additional items are selected from the standard menu, 20% VAT will apply.

Children's admission tickets

The reduced rate will apply to tickets marketed and priced as children's tickets only, for cinemas, theatres, shows, concerts and exhibitions. However, where tickets are bought for children but are not marketed as such, they will be liable to the standard 20% rate of VAT.

Family tickets (that include one or more children) will be eligible to have the 5% rate applied to the whole family ticket.

Attractions and soft play

The reduced rate applies to charges made for a right of admission for any customers, **regardless of age,** to qualifying attractions that are suitable for families with children, including:

- amusement parks and fairs (excluding pay-per-ride attractions);
- circuses;
- adventure parks, including outdoor adventure centres;
- museums and similar cultural facilities, including planetariums, heritage sites, nature reserves and botanical gardens;
- zoos, aquaria, wildlife parks and farm visitor attractions;
- soft play centres and indoor play facilities;
- observation attractions, including viewing platforms, towers and observation wheels.

Multiple-entry tickets

Where a single ticket gives admission to more than one attraction and this ticket is solely for admission within the relief period, then the 5% rate may apply. However, if a ticket permits repeat entries outside the dates 25 June 2026 to 1 September 2026, this will not qualify for the relief, unless the ticket is the same price as a single-day entry.

Sporting activities

The reduced rate does not apply to sport, including charges for spectating and for participating in sport or physical recreation. This includes:

- admission to sports events;
- use of sports facilities;
- participation in recreational sport.

Note that some supplies of sport or physical recreation may instead be exempt VAT, under existing provisions.

Time of supply

The reduced rate applies to supplies of a **right of admission for a date falling between 25 June 2026 and 1 September 2026.** Thus:

- Supplies bought before 25 June 2026 may have the reduced rate applied (even if the supplies were bought prior to the scheme's announcement, in which case the VAT can be amended and the customer refunded the excess VAT paid).
- Tickets bought between 25 June and 1 September for admission on or after 2 September 2026 remain subject to the standard rate.

What is the impact for customers?

As an example, if a relevant VAT-inclusive supply currently costs £60 a nd the supplier passes on the VAT cut fully to the customer, the cost will reduce to £52.50 (i.e. a £7.50 saving). Clearly, a family with several children wishing to undertake plenty of activities over the summer holidays (perhaps instead of holidaying abroad, given airport disruption and rising air fares) will find that the scheme helps their money go a lot further.

What is the impact for businesses?

It is hoped that the VAT reduction will help businesses to survive and thrive during these difficult economic times. However, whenever there is a change in the VAT rate, there is plenty of scope for businesses to make errors as to which supplies are affected and from when (e.g. when programming their tills). Errors potentially lead to penalties and interest and, when it is a temporary change (as here), it doubles the chance of such problems.

We can make sure you get appropriate help if you have problems in dealing with these changes or want to know how they might affect your business. Please get in touch if you need to.

Increase in tax-free mileage reimbursements

As part of a government package of measures intended to address rising fuel prices, the main rate for approved mileage allowance payments (AMAPs) has increased to 55p per business mile from 6 April 2026, an increase of 10p and the first such change for 15 years.

These rates may provide relief from income tax where an employee or a self-employed individual makes business journeys in their own vehicle. Similar rules apply for the purposes of NICs.

The main rate applies for cars and vans for the first 10,000 business miles in the tax year for income tax purposes. Above 10,000 business miles, the rate is unchanged at 25p. For NICs purposes, the rate is 55p, irrespective of the level of business mileage.

Separate rates apply for motorcycles and bicycles, and there is also a rate for taking a business passenger with you on a qualifying journey. No changes have been announced to these rates, which are 24p, 20p and 5p respectively.

When can AMAPs be used?

The rules are different for employees and the self-employed. Here is a brief summary of the main principles, but the rules are much more detailed than it is possible to show fully in a few short paragraphs.

Employees

The employer may make a payment to the employee to compensate them for the costs of using their own vehicle for business journeys. Payments cannot be made for ordinary commuting, which includes journeys from home to a normal place of work.

The payment is free of income tax and NICs to the extent that it is below or equal to the AMAP amount. Where the payment exceeds the AMAP amount, the excess is liable to income tax and NICs.

The employee may claim a deduction from earnings (except for the passenger payment) where:

- the payment made by the employer is less than the AMAP amount, in which case the deduction is equal to the difference between the payment received and the AMAP amount; or
- no payment is made, in which case the employee may claim a deduction from taxable earnings equal to the AMAP amount.

Self-employed

The self-employed can claim a deduction for the costs of making business journeys in calculating their taxable profits. The options for them are to either:

- claim for the actual vehicle costs incurred on business journeys (e.g. a proportion of fuel, servicing, insurance costs and capital allowances, to reflect the business use proportion of these costs); or
- claim an amount equal to the AMAP rate for their business miles, without claiming other vehicle costs.

Other changes

The government has also announced the following:

- an extension of the 5p per litre cut in fuel duty until the end of 2026;
- a cut in the rate of duty on red diesel from 10.18p to 6.48p per litre, from 15 June until the end of 2026; and
- the introduction of a 12-month holiday from vehicle excise duty for most heavy goods vehicles.

Be careful!

The definition of what constitutes qualifying business travel is different for employees (including directors) and the self-employed. It is a notoriously difficult area and mistakes can be very costly. For example, you might have thought that your employee was entitled to tax-free reimbursements of 55p/mile, when in fact they were not, as they had not made a qualifying journey. This may mean a lot of extra income tax and NICs being due, plus interest and penalties.

If you need help in understanding when you can reimburse or claim tax-free AMAP rates, please get in touch. We will guide you through this compliance minefield. In particular, please make sure you keep accurate and timely records of all business journeys undertaken. You will need these if HMRC enquire into the payments.

Be assured before making R&D tax claims

There are very valuable tax breaks available for companies undertaking qualifying research and development (R&D). Unfortunately, what counts as qualifying R&D for tax purposes is often subject to debate, with many cases ending up at the Tax tribunals after HMRC has disallowed claims.

R&D takes place when a project seeks to achieve an advance in science or technology. Qualifying activities are those that directly contribute to achieving this advance through the resolution of scientific or technological uncertainty. Certain qualifying indirect activities related to the project also qualify as R&D.

Small or medium-sized enterprises (SMEs) can now apply to HMRC for 'advance assurance' on specific areas before making a claim for R&D tax relief.

Since 18 May 2026, two types of advance assurance have been available:

1. The targeted advance assurance service.

This is a pilot service, running to May 2027, giving eligible companies clarity on how HMRC believes the rules apply on specific, complex or high-risk areas of a potential claim. The areas that can be addressed are whether:

- the project meets the definition of R&D for tax purposes;
- overseas expenditure qualifies for relief;
- the company can claim R&D relief where work is contracted by one company to another; and
- the company qualifies for exemption from the PAYE and NICs cap, which would otherwise limit the amount of tax credit that can be claimed.

Companies can make a maximum of two applications for advance assurance. Each application can only include one project and one area of R&D tax relief.

HMRC aims to process applications within 40 calendar days of the application being made. After reviewing applications, HMRC will either:

- confirm that advance assurance has been granted; or
- explain why it has not been granted.

A company can still make a claim for R&D tax relief where HMRC has declined its application for advance assurance, but this is probably not advisable, as an incorrect claim could lead to penalties.

2. Full claim advance assurance service.

This existing service is aimed at small companies making their first R&D claim. It covers the entire claim for R&D tax relief rather than specific areas and applies for the first three accounting periods.

To make an application, it must be the case that the company:

- is an SME (see above);
- has a turnover below £2m and fewer than 50 employees;
- has not claimed R&D tax relief previously; and
- is planning to carry out R&D or has already carried out R&D but has not yet claimed R&D tax relief.

For many years, HMRC ran a 'light touch' regime when checking R&D claims, but this is no longer the case, so it is very important to make sure that your claim is valid.

We can help you get your tax compliance right in this area, so please contact us if you are unsure whether your company's projects qualify for these valuable tax breaks, or if you want help in applying for advance assurance.

Cryptoassets – Tax and reporting

For the majority of people, cryptoassets such as Bitcoin are something they see mentioned regularly in the media but of which they have little or no understanding. There are, though, many individuals (not just the very wealthy) who get involved in buying and selling these assets. Very large profits (or losses!) can result from the often rapid and substantial price movements.

Have you dabbled in cryptoassets? If so, there are tax and reporting developments of which you should be aware.

Tax

HMRC do not consider that transactions involving cryptoassets amount to gambling, which is normally exempt from income tax and CGT. Additionally, if the person is not a regulated dealer or the activity is not part of a wider existing trade dealing in other types of financial assets, HMRC is likely to resist any argument that someone is trading. (Trading treatment would be beneficial where losses are made, as the losses could be set against other income.)

Assuming it is a capital transaction, the normal calculation rules follow (e.g. as regards deductible costs of disposal), with CGT payable on any gains above the annual exempt amount (£3,000).

HMRC treat cryptocurrency as being located where the holder is resident. Thus, someone resident in the UK when they make any profit will be subject to UK tax, even if they bought the asset outside the UK.

The biggest practical problem from a tax perspective is often getting the information needed about additions and disposals, particularly where someone has been involved in a lot of transactions and has their records spread around various digital wallets.

Cryptoasset Reporting Framework (CARF)

The CARF will require cryptoassets service providers (CASPs) to report transactional information on cryptoassets transactions to HMRC annually. It applies from 1 January 2026, but the first reports will not be due until 2027.

The reporting obligation will apply in relation to customers resident in:

- the UK; or
- one of the countries on a list to be provided by HMRC in due course.

HMRC will also receive information from other jurisdictions about UK resident individuals. This multi-national operation is aimed at reducing tax evasion and money laundering.

If you have been involved in buying and selling cryptoassets, make sure you understand the tax rules and what records you need to keep. We can help with this if you are unsure.

Directors - Even more tax reporting ahead!

With many self-employed traders just starting to get to grips with the extra reporting needed under Making Tax Digital for Income Tax (MTD IT), they (along with directors of close companies) will have to comply with new requirements to provide additional information in their self-assessment tax return (SATR) for 2025/26.

A company is a close company (broadly) where it is controlled by its directors or by five or fewer shareholders.

The following additional information will be required.

Traders

Where the taxpayer began or ceased to carry on a trade, profession or vocation during the tax year, they must include the date of the commencement or cessation.

Directors of close companies

The taxpayer must indicate whether they were a director of a company during the tax year and (if so) whether that company was a close company.

Such a director of a close company must also include the following information:

- the name and registered number of the close company;
- the amount of dividend income they received from the company during the year; and
- their percentage shareholding in the close company.

Additional boxes on the SATR

HMRC has updated the tax return for 2025/26 to reflect these new requirements by adding additional boxes to the employment and self-employment pages.

Note that the SATR already included boxes for the taxpayer to:

- indicate whether they were a director of a company and whether that company was close; and
- provide details of commencement and cessation dates for an unincorporated business.

However, prior to the tax return for 2025/26, providing this information was optional; it is now mandatory.

Please get in touch if you have any questions on these new tax reporting requirements. There may be unforeseen complications in some scenarios, for example determining the percentage shareholding owned when there is more than one class of share in issue.

Pre-development surveys – another update!

We have previously mentioned a tax case where numerous pre-installation studies were carried out (costing £48m) to assess the best positioning for offshore wind turbines. The company had included this expenditure, along with expenditure on the wind turbines themselves, as part of their qualifying expenditure for capital allowances. The Court of Appeal had determined that the expenditure on the surveys qualified for capital allowances. It decided that expenditure '… on the provision of plant or machinery' (which is the wording in the legislation) encompasses the costs of design as well as installation. This extended to costs of studies that informed such installation or design.

Examples of the studies in this case included those relating to landscape, seascape and visual assessment; ornithology and collision risk; noise; and telecoms and radar interference studies.

This decision appeared to have clarified that pre-installation surveys should normally be treated as part of the cost of the plant that is to be installed. Under current legislation, 'full expensing' would apply, meaning that the cost would be immediately deductible for corporation tax purposes.

However, the Supreme Court has now overturned that decision! It decided that the relevant legislation does not define the exact boundary between what qualifies and what does not, but that costs incurred in obtaining the studies and surveys did not fall close to the boundary beyond which they should be regarded as on the provision of plant.

If your business incurs similar pre-development costs before installing plant and machinery, they will therefore not qualify for tax relief.

We can help clarify the position for you before you incur such expenditure. Not getting tax relief increases the effective cost of the project, so this decision may mean that some projects are no longer financially viable.

This newsletter is written for the benefit of our clients. Further advice should be obtained before any action is taken.