



The Spring Statement 2025

26th March 2025



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Making Tax Digital (MTD) Expansion

- The Government has reaffirmed that **MTD for Income Tax will come into effect from April 2026** for property landlords and sole traders whose turnover exceeds £50,000 and from April 2027 where it exceeds £30,000.
- Property landlords and sole traders whose turnover **exceeds £20,000** will need to register and comply with MTD **from April 2028**.
- **The following groups will be exempt from MTD**, subject to notifying and satisfying HMRC that they are exempt:
 - A. Taxpayers who have a Power of Attorney.
 - B. Non-UK resident foreign entertainers and sportspeople who have no other income sources that count as qualifying income for MTD.
 - C. Taxpayers for whom HMRC cannot provide a digital service.
- Due to the complexities surrounding MTD the following groups will not be required to register for MTD over the course of this Parliament:
 - A. Ministers of religion.
 - B. Lloyds's underwriters.
 - C. Recipients of the Married Couples' Allowance.
 - D. Recipients of the Blind Persons' Allowance.
- Additionally, individuals will not be required to use MTD until April 2027 if they have information that they would need to submit using the HMRC SA109 return schedule which relates to non-residents and the remittance basis.
- HMRC will work to finalise the design of a one-year deferral for these group.
- The original intention under MTD was that an affected taxpayer could submit their quarterly statements relating to their sole trader/rental business using third party software but have the flexibility to submit their finalisation statement using HMRC's software.
- Rather than have that split option the Government now state that both the quarterly statements and the finalisation statement must be made using the same software.
- Taxpayers with an accounting date of 31 March will be able to start their MTD obligations on 1 April in the first year of operating MTD. This will avoid the need for burdensome manual adjustments at the end of the tax year.
- **HMRC will have the power to cancel or reset late submission penalty points and to cancel associated financial penalties.**

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- This will enable HMRC to cancel penalty points, for instance, in periods prior to insolvency, so that penalty reform reflects HMRC's general approach to insolvent taxpayers.
- **If your sole trader/rental turnover is to exceed £50,000 in this present 2024/25 tax year please do not hesitate to contact us so that we can prepare you to comply MTD from April 2026.**

New Government Tax Consultations

- The Government is launching a consultation to seek view on clearances regarding Research & Development tax reliefs.
- The aim is to widen the use of advance clearances to reduce error, fraud and to give taxpayers certainty.
- As part of the big push to close the tax gap there is a further consultation to explore the opportunities for improving the quality of data acquired from third parties for tax administration.
- Subject to the outcome from the consultation, the new and improved data will be used to help taxpayers get their tax right the first time, whilst closing the tax gap.
- Penalties serve multiple purposes: they encourage taxpayers to comply with their obligations, act as a sanction for those who do not, and support fairness by ensuring those who do break the rules run the risk of being worse off.
- There is to be a consultation exploring the options for simplifying and strengthening penalties for inaccuracies and failures to notify.
- The government is also seeking views on a range of new measures to close in on promoters of tax avoidance.
- These include proposals that would give HMRC additional powers and stronger sanctions, allowing HMRC to more efficiently and effectively disrupt the business model promoters rely on.

Spring Statement Financial Report

- **Growth forecast halved:** The Office for Budget Responsibility (OBR) revised down the UK's growth forecast for 2025 from 2% in the autumn to 1% today. Longer term, however, the OBR says there will be GDP growth year on year until 2029/30
- **Surplus forecast:** The Chancellor has said that the Government is abiding by its self-imposed fiscal rules and moving from a deficit of £36.1bn in 2025/26 to a surplus of

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£9.9bn by 2029/30 - adding that the Treasury will hit its target of bringing in more than it spends "two years ahead of schedule".

- **Headroom restored:** The OBR says the Government's headroom- which gives the Chancellor leeway to cut taxes or increase spending in the future has been restored - by setting out cuts and reforms in today's statement.
- **Defence spending:** The Government will spend 2.5% of GDP on defence by 2027, which will be achieved by reducing overseas aid spending to 0.3% of gross national income. The Chancellor confirmed a £2.2bn funding boost for the Ministry of Defence from next year.
- **Inflation to pick up before falling back:** The OBR predicted inflation would rise to an average of 3.2% next year, before the rate starts to fall. It is expected to reach the Bank of England's 2% target from 2027 onwards.

If you wish to discuss the Spring Statement or other issues

please do contact us on **0800 6520 025** or visit **www.thp.co.uk**