



NEWS ROUND-UP

D E C E M B E R 2 0 2 5



HMRC REVIEWS DIRECTORS' LOAN ACCOUNT TAX RELIEF

HMRC has started contacting tax agents to check whether companies correctly claimed relief relating to directors' loan accounts.

The letters ask agents to review filings where relief from tax was claimed on the basis that a loan to a participator would be repaid within the permitted timeframe. If the anticipated repayment did not occur, agents are being asked to help clients correct returns and settle any resulting liabilities.

The focus is on company tax returns that reduced or reclaimed the temporary charge on loans to participators, often applied where balances were expected to be cleared after the year end. HMRC's outreach follows earlier compliance activity on directors' loans, including one-to-many letters and updates in recent Agent Updates, signalling sustained attention on this area.

Companies and their advisers should confirm whether repayments were actually made, verify dates against the statutory window and ensure disclosures align with the final position. Where errors are identified, voluntary amendments can limit interest and potential penalties. Keeping clear audit trails for repayments, write-offs or novations, and reconciling year-end positions to subsequent events, will help support any HMRC review.

Clients with outstanding directors' loan balances, or historic claims based on expected repayments, should speak to their adviser promptly to assess exposure and agree the next steps.



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FIXING BRITAIN'S WORK AND HEALTH GAP

Employers are being asked to spend £6bn a year on staff health support to tackle Britain's growing worklessness.

In a government-commissioned review ahead of the Budget, Charlie Mayfield, former chair of John Lewis and leader of the Keep Britain Working review, said businesses must play a central role in halting the rise in ill health, which is pushing millions out of work.

Mayfield called for a step change in occupational health to reduce the number of people who fall out of employment each year. Ministers are increasingly concerned by the sharp rise in working-age adults leaving the labour market due to health conditions, with young adults driving much of the increase.

About one in five working-age people – more than nine million – are now “economically inactive”, meaning they

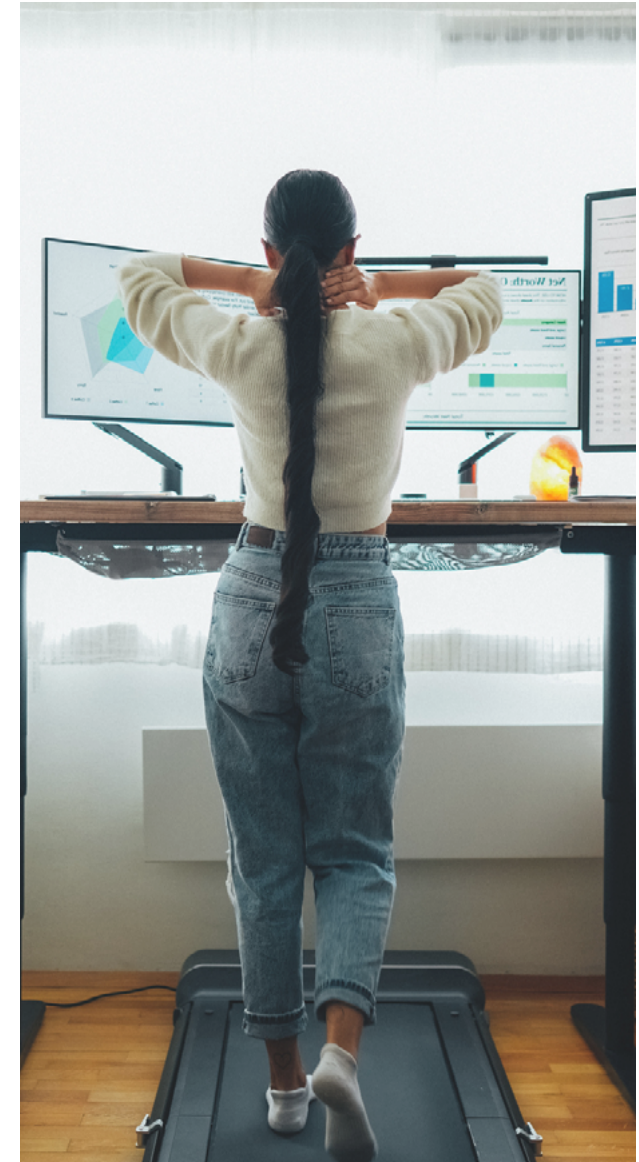
are neither in a job nor looking for one. For almost three million, long-term sickness is the main reason, the highest level on record.

The review estimates the overall cost of this “quiet but urgent crisis” at up to £85bn a year, through lost output, higher welfare spending and extra pressure on the NHS. Its focus, however, is on prevention and retention: keeping people in work through better workplace support. If adopted across the workforce, the recommendations could generate benefits of up to £18bn a year for the national economy and public finances.

The government says more than 60 employers, including British Airways, Nando's and Tesco, will lead a three-year vanguard programme, working with regional mayors and small firms to test and scale stronger workplace health approaches.



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MOST SEE NO GAINS FROM MTD FOR INCOME TAX

A new survey has indicated that most businesses and agents see little benefit in Making Tax Digital for income tax (MTD IT), despite rising awareness.

The Administrative Burdens Advisory Board's 2025 Tell ABAB report found awareness of MTD IT increased to 46.4% in 2025 from 33.3% in 2024, yet respondents largely expect higher costs and time pressures, with a majority anticipating no benefits. The survey received 3,146 responses, 77% from businesses and 23% from agents.

The report's findings arrive ahead of mandation from April 2026 for sole traders and landlords whose 2024/25 self assessment includes combined gross income from self-employment and property above £50,000.

HMRC has begun notifying affected taxpayers by letter, with the first batch sent to those who filed returns by the end of August 2025. Further mandation letters are scheduled for February and March 2026, and letters prompting unrepresented taxpayers were planned for late November 2025.

While the ABAB report notes growing familiarity with MTD, many respondents remain sceptical about net gains and flag wider concerns around administrative burdens. Businesses preparing for 2026 should review eligibility, ensure compatible record-keeping, and consider software and process changes well in advance of the start date.



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UK GROWTH SET TO STALL AGAIN IN 2026

The UK economy is expected to experience another subdued year in 2026, with growth forecasted to decline below 1%. The downgrade came a few weeks before the Chancellor delivered her Budget.

A further hit may come from the Office for Budget Responsibility (OBR). On Budget day, the OBR was expected to reduce its estimate of the UK's potential growth after reassessing productivity. Officials are likely to trim the assumed annual productivity gains by 0.3 percentage points, which would lower projected tax revenues by approximately £21bn over the remainder of the parliament.

This year's stronger outturn was flattered by a 3.7% surge in business investment. That rebound is not expected to last: investment growth is forecast to slow sharply to 0.8% in 2026, removing a key support for output.

Conditions in the labour market are also cooling. Unemployment is forecast to peak at around 5% next summer. As slack builds, pay growth is expected to moderate from recent highs, easing back to roughly 3.5% by the end of 2025 and to around 3% by mid-2026.

The Institute of Directors reports a steep fall in business confidence, with its optimism gauge dropping to a record low of -74 in September and only nudging to -73 in October. Many small and medium-sized firms report that cost pressures have risen faster than revenues over the past year, and while those strains are beginning to ease, they continue to be a drag on hiring and investment.

While some recent forecasts now point to a slightly brighter outlook, businesses should still plan on the basis that growth in 2026 is likely to remain subdued, with tight investment and a softer labour market keeping trading conditions challenging.



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WANT TO TALK TO AN EXPERT?

If you've found the topics covered in this report to be of interest or you would like to delve deeper into any of them, we welcome the opportunity to engage in a more detailed discussion with you. Our team of experts is always keen to share insights, and we're confident that a conversation with us can provide valuable perspective.

We are also well-positioned to update you on the latest trends, opportunities and challenges in the business world. As we all know, staying ahead of the curve is vital in today's fast-paced business landscape, and we're here to help you navigate it successfully.

If you're considering getting extra support, we invite you to explore the comprehensive solutions we offer.



To schedule a meeting or to get more information, please don't hesitate to contact us.



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