ACE Accounts | Tax | Advisor
Chartered Certified Accountants

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

Jane 2026

Consultation launched on details for High Value Council Tax Surcharge

How the new tax could work in practice

The government has opened a consultation on the details for the High Value Council Tax Surcharge (HVCTS) that is expected to come into force in England from 1 April 2028.

HVCTS will apply to owners of residential properties in England worth £2 million or more and is payable in addition to the existing Council Tax. It is estimated that the charge will affect less than 1% of properties.

The consultation reveals the proposed details on how HVCTS will work in practice, showing how properties will be identified, valued and placed in a band for the surcharge.

Here we highlight some of the proposals.

<u>How will properties be valued?</u>

The Valuation Office will be carrying out a targeted valuation exercise to identify which properties will fall into the scope of HVCTS. Properties will be placed in one of four bands based on the value of the property.

To determine the value of a property and its band for HVCTS purposes, the Valuation Office will look at the sales prices of similar properties as well as other attributes of the property.

Revaluations will be carried out every five years, with the next valuation taking place in 2033.

Properties built after April 2028 will be valued either on completion or from the day the property is occupied. In most cases, where a property has been significantly improved or changed, it will be revalued when disposed of or when the next general revaluation takes place, whichever is sooner.

<u>What type of properties will HVCTS apply to?</u>

HVCTS will apply to dwellings, which are defined as a self-contained unit of residential property used as living accommodation.

Properties with a mixed use where the residential element is distinct and self-contained will be included.

Gardens, garages and private storage buildings that form part of the dwelling will be included.

<u>Who will be liable for HVCTS?</u>

The legal owner of the property, rather than the occupier, will be liable to the surcharge. Where a property is jointly owned, the owners will be jointly and severally liable.

The beneficial owner of a property could be different to the legal owner. For instance, trustees may legally own a property until a minor, the beneficial owner, comes of age. In such situations, it is the legal owner who will be liable to the surcharge.

The government has confirmed that trustees will be liable to pay the charge, even in bare trust arrangements.

The government is proposing to charge HVCTS to the leaseholder, rather than the freeholder, if the lease they hold is defined as a long lease. This means that the lease was initially granted for more than 21 years or the law treats it as such. Where the lease is not a long lease the surcharge will be assessed on the freeholder.

Are there any exceptions?

For eligible individuals, a deferral scheme will be made available which allows HVCTS payments to be delayed until the property is disposed of.

Proposals show that the deferral will be available to those with income and capital savings below thresholds used in the welfare system, and where the property is the main home of someone who is disables or severely mentally impaired.

Some property types will also be exempted or receive a discount.

How will HVCTS be billed?

The first HVCTS bills will be sent out in March 2028, and payment will be collected by local authorities in the same way as Council Tax. The default will be to make 12 monthly payments, but it will be possible to request 10 payments.

Will there be a premium charged to non-UK resident owners?

As part of the consultation, the government is also collecting information that it will use to explore whether to charge an additional HVCTS premium to non-UK resident owners of homes that are liable for the tax.

Is there a way to challenge or appeal HVCTS?

Owners who believe that their property band is incorrect or that their property is not within the scope of HVCTS will be able to challenge and appeal the Valuation Office's decision.

The same is true if they receive a bill but do not believe they are the liable person or the bill has been calculated incorrectly.

If unhappy with the outcome of the challenge, it will be possible to appeal to the Valuation Tribunal for England.

Consultation timeframe

The consultation will run until 14 July 2026.

For full details on the consultation and to respond, see the consultation webpage.

AI providing misleading advice on VAT return filing

No extension to statutory due dates when they fall on weekends or bank holidays

Incorrect advice provided by Artificial Intelligence (AI) and other websites is contributing to a growing trend of late VAT return filing and payment.

HM Revenue & Customs (HMRC) are reminding VAT-registered businesses that there is no extension to the statutory due dates when they fall on weekends or bank holidays.

HMRC's systems do allow for VAT returns to be submitted at weekends or on bank holidays. However, if a business cannot do that, then the return must be submitted by the last working day before the due date. HMRC will not accept weekends or bank holidays as a reason for filing a VAT return late.

The rules for VAT return payments are similar. When the due date falls on a weekend or bank holiday, payment must clear into HMRC's bank account by the working day before the due date, unless a taxpayer's bank allows faster payments on weekends and bank holidays.

Missing the due dates for submitting VAT returns and making payments can result in interest and penalties, so it is important to have a good reminder system to ensure the deadline is met.

If you need any help with filing your VAT returns or any other aspect of VAT advice, please do get in touch. We would be happy to help you!

HMRC introduces targeted advance assurance service for R&D claims

Originally proposed in last autumn's Budget, HM Revenue & Customs (HMRC) have introduced a targeted advance assurance service for Research and Development (R&D) tax relief claims. The service, which is a pilot, aims to provide businesses with clarity on complex or high-risk areas before they make a claim.

HMRC are now offering two types of advance assurance for R&D claims. The new service will run alongside the existing full claim advance assurance service.

Full claim advance assurance has not been popular and only applies to companies that are claiming R&D tax relief for the first time. However, targeted advance assurance is open to any eligible small or medium-sized enterprise (SME).

The pilot for this service will run until May 2027 and will help HMRC to test demand and decide which parts of the service are most useful to businesses.

Companies will now need to choose which advance assurance service they want to use. It is not possible to apply under both targeted and full claim advance assurance for the same period or project.

Under targeted advance assurance, companies can seek assurance on:

- Whether a project meets the definition of R&D for tax purposes.
- Whether overseas expenditure qualifies for relief.
- Whether R&D relief can be claimed where work is contracted by one company to another.
- Whether the exemption from the PAYE and National Insurance contributions cap applies.

Targeted advance assurance is however limited to providing assurance on a maximum of two areas of the R&D work or project for the same period.

An application can only include one project and one area of R&D relief. For companies seeking assurance on a second project or area, a second application will have to be submitted.

Requesting advance assurance is not the same as making a claim. A company will still need to make a claim in the usual way.

If you think the targeted advance assurance could be useful to you, or you would like help on any aspect of your R&D tax relief claim, please do get in touch. We would be happy to help you!

Data law change relaxes consent rules for charities

ICO publishes final guidance

The Information Commissioner's Office (ICO) has published final guidance on the new 'charitable purposes soft opt-in' provision introduced by the Data (Use and Access) Act 2025.

The provision means that charities can send direct marketing by electronic mail, including emails, texts and direct messages on social media, to people who have expressed an interest in or offered to support to an organisation's charitable purpose, without needing to obtain consent first, providing strict requirements have been met.

The new guidance sets out how charities can use the provision and the safeguards they need to put in place.

As a result of the change, new opportunities may open up for the sector, unlocking new fundraising and supporter engagement opportunities.

Emily Keaney, Deputy Commissioner, Regulatory Policy at the ICO, said: "Our guidance is designed to help organisations use the charitable purposes soft opt-in with confidence, while making sure people's rights remain protected. Used correctly, this provision can benefit both charities and the individuals who choose to support them.

To review the guidance, see here.

Relief on fuel duty and hauliers get road tax holiday

Farmers and other red diesel users to also benefit

The government have announced some fuel duty and road tax changes which are designed to assist with the increased costs caused by the Middle East conflict.

A 5p fuel duty cut has been in place since March 2022. The relief was due to end between September this year and March 2027. It has now been confirmed that the cut will be extended until the end of the year.

Hauliers are being given a 12-month road tax holiday. The normal annual charge of £600 for a typical heavy lorry and £912 for the biggest vehicles will be reduced to £1 at the vehicle's next road tax renewal.

Fuel duty on red diesel will be cut by over a third until the end of the year. This will benefit farmers, rail freight and other red diesel users.

NCSC begins recommending use of passkeys

Passkeys may provide stronger protection than traditional 2SV

The National Cyber Security Centre (NCSC) announced at CYBERUK 2026 in Glasgow that it will begin recommending the use of passkeys wherever a service supports them, and two-step verification (2SV) where it does not.

A passkey is a way to sign in that does not use a password. Instead, your account is linked to a device you own, such as a phone or computer. When you log in, the service asks your device to confirm it is you, and you approve this by unlocking the device with a fingerprint, face scan or PIN.

Based on analysis carried out by the NCSC, it has been concluded that passkeys provide stronger protection for users than traditional 2SV, which can be vulnerable to phishing. According to the NCSC, phishing is one of the most persistent causes of cyber compromise.

The NCSC point out that, as with any security control, passkeys need to be implemented and used sensibly to be most effective. Users will still depend on the security of their devices and credential managers.

Export to the EU: Low-value parcel rules change on 1 July

€3 fixed customs duty will apply

Starting 1 July 2026, a fixed customs duty of €3 will be applied to small parcels valued at less than €150 exported to the EU.

The rate will be applied to all goods exported to the EU by non-EU businesses that are registered in the EU's Import One-Stop Shop (IOSS) for VAT purposes.

Whether the rate will also be applied to goods sold by traders that are not registered in the IOSS remains under review.

The new fixed customs duty is a temporary measure that will stay in place until a permanent solution to eliminate the customs duty relief threshold comes into force. At that time, all goods under €150 will have customs duty applied at the normal EU tariffs for individual products.

A so-called 'handling fee' is also under discussion by the EU Council, however, this is separate to these measures.

Government guidance is available on how to register for the VAT IOSS scheme to report and pay VAT due on imports of low-value goods to consumers in the EU, Northern Ireland, or both.