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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.

August 2026

Andy Burnham's new government, a balancing act

VAT reduction, cap on public transport and business rates cut announced

Andy Burnham's first days as Prime Minister have been marked by a flurry of announcements designed to show that his government intends to move quickly. Presenting himself as a leader focused on easing pressure on households and rebuilding trust in politics, Burnham has begun reshaping government while signaling the priorities that will define his administration.

His first major moves were aimed directly at the cost-of-living crisis, announcing a reduction in VAT on household energy bills, followed by a single bus fare policy across England that will be capped at £2 for a year from January 2027.

Mr. Burnham described affordable public transport as an essential service and argued that no one should be excluded from opportunities because they cannot afford to travel.

The Prime Minister has also promised a 20% reduction in business rates for pubs, clubs and live music venues for 2027-28. This is in addition to the 15% relief for 2026-27 with bills being frozen in real terms for a further two years. The new 20% discount will not be available to the very largest live music venues. Further details will be set out at the Budget.

However, questions are already being raised about how these promises will be funded as the government plans to divert hundreds of millions of pounds from other budgets, including money previously earmarked for international climate finance projects.

The government has said that the business rates reduction will be paid by reviewing reliefs for businesses that are not considered to make a positive contribution to local communities, such as vape shops. Businesses that sell through online marketplaces but do not comply with their tax obligations will also be targeted. A consultation on how this may be achieved was published in June 2026.

Mr Burnham has also started to build his ministerial team, with the surprise announcement being the appointment of John Healey as Chancellor. The former defence secretary, who resigned from Sir Keir Starmer's cabinet over spending plans, will be seen as an advocate for boosting defence spending. Companies such as BAE Systems and Babcock saw their share prices rise after his appointment.

Mr Healey is regarded as experienced and fiscally responsible.

The government insists that fiscal discipline remains a priority, but speculation continues about whether future spending plans will require higher taxes or additional borrowing.

Taken together, the first week of Burnham's government paints a picture of an administration trying to balance competing priorities, wanting to reduce living costs while maintaining fiscal credibility.

Deadline for first Making Tax Digital quarterly update fast approaching

Are you ready to file?

Sole traders and landlords that are required to use Making Tax Digital (MTD) to report their earnings are due to send their first quarterly update by 7 August 2026.

The quarterly update involves sending income and expenses for the first three months of the tax year to HMRC.

After an update is made, it is possible to see an estimated tax bill based on the figures provided. How accurate the estimate is will depend on earnings for the rest of the tax year, but it may help with budgeting for payments.

Quarterly updates do not replace the need to complete a tax return at the end of the year, and there is no change to the dates when tax payments need to be made.

If you have any questions about MTD or need help filing your quarterly update, please get in touch. We're here to help!

Free, hands-on cyber consultancy available for SMEs

Can Cyber Essentials help make your business more secure from online threats?

Cyber Advisors are offering free 30-minute consultations to help small businesses get started with cybersecurity.

As smaller businesses become more frequently targeted, the National Cyber Security Centre (NCSC) is reiterating the need for them to be more robust in their approach to digital security. It's aware that investing in cyber security can seem more like a costly distraction than a priority for smaller companies as they concentrate on keeping customers happy, managing cash flow and day-to-day business.

The NCSC points to the statistics. In 2025, 65% of medium and 46% of small organisations reported a cyber breach or attack. The problem is that Small to Medium-sized Enterprises (SMEs) see cybersecurity as too complicated, too expensive and don't address the real-world risks that small businesses face.

Many Cyber Advisors are now offering a free 30-minute consultation for SMEs that are looking to get started with Cyber Essentials, the government's baseline for cybersecurity.

This no-strings-attached introductory consultation provides businesses with an opportunity to ask questions and get an explanation of how the five steps that make up Cyber Essentials can be applied to your organisation using practical, achievable implementations.

The National Cyber Security Centre (NCSC) introduced Cyber Advisors in 2023, a network of cybersecurity consultants who've been assured by the NCSC to work specifically with smaller organisations.

More information on the free consultation can be found here.

External examiners mark HMRC's performance as 'Poor'

Report sheds light on challenges facing HMRC and the impact on taxpayers

The latest annual report from the Charter Stakeholder Group remains highly critical of HMRC's service performance, with scores either stagnant or deteriorating across most standards. Alongside poor scores for responsiveness and ease of use, the report highlights overwhelmingly negative feedback on Making Tax Digital (MTD).

The Charter Stakeholder Group monitors HMRC's performance against the HMRC Charter, a set of service standards. The 2025-26 assessment was based on a survey of 719 taxpayers and agents who were asked to rate HMRC's performance against each standard on a scale of one to 10.

Of the seven charter standards assessed, only one recorded an improved score compared with 2025.

The poor score is a blow to the government that set out a plan to replace a paper-heavy agency with a 'world-class' digital-first organisation. Around £7 billion was committed to modernising HMRC's old computer systems and infrastructure. This would reduce the headcount in customer contact functions and increase compliance team numbers to bring in more revenue. The technology would be able to respond to customers faster and more accurately, reduce the tax gap of about £59 billion and deter fraud.

Unfortunately, the latest report shows HMRC failing on all levels. Here are the key findings.

Being responsive

Being responsive was HMRC's lowest-scoring charter standard for the third year in a row, with an average score of 2.8 out of 10, down from 3.0 the previous year.

Tax agents were more critical than taxpayers generally, giving HMRC a score of 2.6. The respondents highlighted persistent postal delays, poor first-time resolution, limited helpline expertise, no effective case tracking or escalation and slow complaints handling.

There was a feeling that there was one rule for HMRC and another for taxpayers, with an imbalance between HMRC's response times and the deadlines it imposes on taxpayers.

Making things easy

This category scored 3.25, making it HMRC's second-worst performing standard. Nearly two-thirds of respondents rated HMRC at three or below and more than a quarter gave a score of one.

Tax agents were particularly critical of HMRC's continued push towards online tools while their agent-dedicated phone line was staffed with people with insufficient technical knowledge and a lack of understanding of how agents work.

Getting things right

Getting things right scored 3.97, down from 4.1 in 2025. Almost one-fifth of all respondents gave a score of one. Respondents said HMRC staff often lacked sufficient training and expertise and that helpline services provided inconsistent guidance.

A recurring observation was that correcting HMRC errors often requires multiple contacts and lengthy delays.

Accountability

Nearly 82% of respondents felt HMRC were not sufficiently accountable for meeting the Charter requirements, noting that they would be more likely to address declining customer service if they were properly accountable under the Charter. HMRC face no penalties for failing to meet standards.

Digitalisation and transformation plans

Nearly 89% of respondents felt HMRC had not done enough to keep Charter standards central to its Transformation Roadmap and that digitalisation was being prioritised over fairness, accuracy and support.

Making Tax Digital

Probably unsurprising to anyone in business, the feedback on Making Tax Digital (MTD) was overwhelmingly negative. Respondents described it as, at best, poorly designed and generally not fit for purpose.

In complete contrast to HMRC's ongoing trope, the common concerns included its extra cost and administration, software dependence, quarterly reporting burdens and a lack of confidence in HMRC's ability to cope with the demands of MTD.

The general feeling was that MTD was uncommercial, offered little practical value and failed to reflect or support the realities of small businesses and agents.

The other charter standards

Other charter standards scored slightly higher, although most ratings still fell slightly compared with the previous year. The scores were:

- Keeping your data secure: 6.86 (7.03 in 2025).
- Recognising that someone can represent you: 6.31 (6.01 in 2025).
- Mutual respect: 5.89 (5.98 in 2025).
- Treating you fairly: 5.25 (5.34 in 2025).

If you have any tax concerns, problems implementing MTD or dealing with HMRC, please get in contact. We'd be happy to help.

HMRC targets Electronic Sales Suppression

Proposed new software standards likely to make tax audits easier

The government is consulting on potential measures that target Electronic Sales Suppression (ESS). Proposals include the introduction of new software standards for Point of Sale systems.

In recent years, ESS has been the subject of government reports, consultations and new legislation, yet it remains a cause of concern for HMRC. ESS involves manipulating digital sales records to reduce income tax and evade tax.

HMRC have identified that certain individuals and businesses in Electronic Point of Sale (EPOS) and Mobile Point of Sale (MPOS) supply chains are developing or modifying POS systems to suppress sales to facilitate tax evasion.

EPOS and MPOS systems are particularly used by retail businesses to record sales and deal with other business transactions. HMRC believes that ESS is more prevalent in small retail, takeaway and hospitality businesses.

The government is proposing to introduce software standards that will consist of a set of uniform rules, protocols and compliance requirements that ensure every system records sales and financial data accurately, securely and in a way that cannot be easily manipulated or tampered with. No timeline for when this will be implemented has been provided yet.

According to the proposals, businesses in the small retail, takeaway and hospitality sectors will be mandated to use compliant EPOS/MPOS systems to record all sales. The intention is that specific information, such as QR codes, will be included on receipts that will make auditing easier. This could allow and HMRC officer to make an unannounced visit to check the integrity of the system and verify summary values on the report.

Businesses that use EPOS/MPOS systems will want to stay up to date with how these proposals develop over coming months. The consultation closes on 18 August 2026. Further details on the consultation and how to respond can be found here.

Mandatory Direct Debit proposed for VAT and PAYE payments

Businesses may face changes to how they pay tax

The government has published a consultation on proposals that will require most VAT-registered businesses and employers to pay VAT and PAYE liabilities by Direct Debit. The aim is to reduce late payment and simplify the payment process.

HMRC consider that automating the payment process by requiring Direct Debit could help businesses to reduce administrative work, minimise errors and avoid missing a payment deadline.

Paying by Direct Debit is already an option available for paying both VAT and PAYE, although most businesses currently pay using other electronic methods.

The government is therefore seeking views on:

- Why businesses that could use Direct Debit choose to pay by other electronic methods.
- The impacts of requiring payment by Direct Debit, including practical barriers such as cash flow management and process changes.
- The exceptions or alternative arrangements that may be needed.

HMRC are also considering what measures will be used to encourage uptake of Direct Debit and the sanctions for businesses that don't comply. Proposals revolve around charging penalties where Direct Debit is not used, or by changing the current extended payment deadlines so that they will only apply to Direct Debit payments.

The consultation closes on 16 August 2026. Further details on the consultation and how to respond can be found here.