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delivering versatile solutions

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JUL - SEPT 2026
ISSUE 26

Welcome to our Summer 2026 newsletter. With the first Making Tax Digital for Income Tax Self Assessment returns due in August, we look at what implementation means in practice. We also ask whether the VAT Flat Rate Scheme is right for your business and, for landlords, explore selling a property under the new rental rules.

The Flat Rate VAT Scheme: is it right for small businesses?

Managing sales, expenses, and VAT returns can be a significant burden for small business owners. HMRC introduced the Flat Rate VAT Scheme to save time and reduce paperwork - but is it right for your SME?

The Flat Rate VAT Scheme simplifies tax for businesses with estimated annual turnover of £150,000 or less. Instead of calculating VAT on every receipt, you charge clients the standard rate (usually 20%) but pay HMRC a fixed, lower percentage of gross turnover based on your industry, keeping the difference. You also receive a 1% discount in your first year. Once enrolled, you can remain in the scheme until VAT-inclusive turnover exceeds £230,000, when you must return to standard VAT accounting.

The advantages are:

- Simpler bookkeeping: Reduces data entry and time spent on VAT returns by removing the need to log VAT on most minor purchases.
- Predictable cashflow: Easy to forecast tax bills since you pay a fixed percentage of your total sales.
- Extra profit potential: Can legitimately boost net profit if you have low day-to-day expenses and a lower sector flat rate.

However, there are disadvantages too:

- No VAT recovery on expenses: You cannot reclaim VAT on day-to-day costs, except for individual capital assets costing £2,000 or more.
- The ‘Limited Cost Trader’ trap: If your spending on physical goods is below 2% of turnover (or under £1,000 a year), you are hit with a high 16.5% rate that effectively wipes out any benefit.
- Tax on exempt sales: You must pay the flat rate on your entire gross turnover, including zero-rated or VAT-exempt income.

If you're unsure whether the Flat Rate VAT Scheme is right for your business, why not chat to our team?

Summer VAT scheme: Reversion reminder

With the temporary ‘Great British Summer Savings’ scheme now in full swing, businesses in the hospitality, leisure, and tourism sectors must keep an eye on the calendar.

The temporary 5% VAT reduced rate on qualifying family-friendly services and meals will automatically revert to the standard 20% level on 1 September 2026. To avoid costly compliance errors, ensure your EPOS systems, advanced bookings, and accounting software are scheduled to switch back.

Selling your rental property? Here's the lowdown on tax rules

The introduction of the Renters' Rights Act 2025 on 1 May 2026 has transformed the UK private rented sector. With the abolition of Section 21 ‘no-fault’ evictions and the introduction of rolling monthly tenancies, many landlords are deciding to exit the market. However, selling a rental property triggers complex tax and legal rules that require careful planning.

Capital Gains Tax (CGT)

Unlike a main residence, selling a buy-to-let property or second home attracts CGT on the profit made. For the 2026/27 tax year, the individual tax-free allowance is frozen at £3,000 (or £6,000 for joint spousal ownership). Remaining gains are taxed based on your income bracket: basic-rate taxpayers,18%; higher/additional-rate taxpayers, 24%.

Allowable Deductions

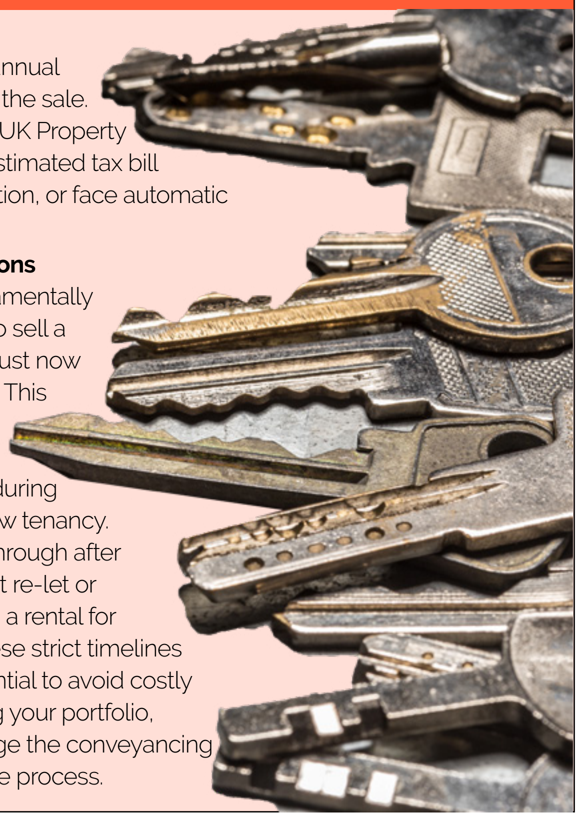
You can reduce your taxable gain by deducting eligible expenses. These include original purchase costs (such as Stamp Duty Land Tax and legal fees), selling costs (for example, estate agent and marketing fees), and capital improvements like extensions or new roofs. General maintenance and redecorating costs are excluded.

The 60-Day Deadline

You cannot wait for your annual self assessment to report the sale. Landlords must submit a UK Property CGT return and pay the estimated tax bill within 60 days of completion, or face automatic penalties and interest.

Tenancy rule complications

The new legislation fundamentally alters your exit strategy. To sell a tenanted property, you must now use Section 8, Ground 1A. This requires giving tenants at least 4 months' notice, which cannot be served during the first 12 months of a new tenancy. Crucially, if the sale falls through after serving notice, you cannot re-let or re-market the property as a rental for 12 months. Navigating these strict timelines and tax deadlines is essential to avoid costly errors. If you are reviewing your portfolio, our team is here to manage the conveyancing and guide you through the process.



Why AI can't replace professional advisers

Business headlines might suggest traditional professional services are about to be replaced by AI. After all, technology can draft contracts, reconcile spreadsheets, and answer complex tax questions in seconds.

At Optimum, we embrace advanced software to streamline processes and analyse data. However, as a company combining legal and accounting expertise, we see firsthand where technology ends and the need for human-led advice begins. Here is why human advisers remain critical:

Context versus pattern matching

AI models excel at spotting patterns based on historical data, but they do not understand context. In law and accounting, the right answer depends entirely on your specific circumstances and long-term goals. A chatbot might accurately summarise a tax regulation, but it can't understand how that regulation interacts with your five-year exit strategy. Real advisers don't just give answers - they ask the right questions.

The risk of plausible inaccuracies

AI models can 'hallucinate', confidently presenting incorrect information as absolute fact. In accountancy, a minor error in interpreting tax code can result in unexpected HMRC penalties. In law, a subtly flawed AI-generated contract template can leave you unprotected. Because AI outputs look polished, these errors are hard for non-experts to spot. Regulated professionals provide the accuracy, technical training, and experience needed to safeguard your business.

Holistic strategy beats siloed answers

Business decisions don't happen in a vacuum. A choice making perfect sense for tax might create legal vulnerabilities. Because Optimum's legal and accountancy teams work side-by-side, clients receive a joined-up strategy where financial and legal consequences are weighed together. AI cannot bridge different disciplines to create a cohesive strategy.

In summary, AI is a brilliant support tool for admin, but human judgement is what protects your business. Why not get in touch with us today for tailored, reliable and 'human' advice?

Making Tax Digital for ITSA rolls out

Making Tax Digital (MTD) for Income Tax Self Assessment (ITSA) officially launched on 6 April this year and for the first wave of sole traders and landlords drawn into the scheme, a major milestone is fast approaching: the deadline for the first quarterly digital return is 7 August.

This represents a profound shift in how personal tax is reported. The traditional annual Self Assessment return every January is being replaced by a regular, year-round digital process.

If your gross qualifying income - combining all self-employment income and property rental revenues before expenses - exceeded £50,000 for the 2024/25 tax year, you are already required to comply. Your upcoming August submission covers the initial period from 6 April to 5 July 2026.

If your income is lower, you have a little more time, but the rollout will expand rapidly. The threshold drops to £30,000 on 6 April 2027, and down to £20,000 on 6 April 2028.

The new system is built on three mandatory pillars:

- Digital Record-Keeping: You must maintain records of all business income and expenses using compatible accounting software rather than paper or basic spreadsheets.
- Quarterly Updates: Every three months, a summary of your financial data must be sent directly to HMRC through your software.
- A Final Declaration: Replacing the old Self Assessment return, this finalises your tax position by 31 January following the end of the tax year.

While HMRC is operating a 'soft landing' penalty policy for late quarterly updates during this first year, it pays to adapt quickly. Embracing cloud software ensures compliance but also provides real-time visibility over your cashflow and business performance.

If you're unsure whether the rules apply to you, need help choosing suitable software, or want to ensure your bookkeeping processes are ready, get in touch with the Optimum team.

Tracey joins the Optimum team

A very warm welcome to Tracey Warner, who has permanently joined our Swindon team as office administrator and receptionist after initially joining us as a temp.

Tracey brings a wealth of customer service and administrative experience to the role. She is now the first point of contact for visitors to our Swindon office, managing incoming calls and providing essential day-to-day administrative support to keep everything running smoothly.

We now have two Traceys skilfully looking after the reception, as of course our other receptionist is Tracey Cacchio!

**For more information about Optimum's services please email info@optps.co.uk or visit www.optps.co.uk.
To talk to the team, call our Swindon office on 01793 538 198 or our Cheltenham office on 01242 384 936. Our offices are at Vicarage Court, 160 Ermin Street, Stratton, Swindon, SN3 4NE and The Site, 24 Chosen View Road, Cheltenham, GL51 9LT.**