



Perception Accounting
Accountants with Vision

NEWSLETTER

October 2025 - Issue 20

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MAKING TAX DIGITAL



Making Tax Digital (MTD)for Income Tax

MTD for Income Tax is coming into effect from 6th April 2026.

If you are self-employed or a landlord that receives more than £50,000 of income a year then this applies to you.

If you have both self-employment and rental income, it is the combined income figure that counts, so you don't get £50,000 for each it is £50,000 altogether.

To be absolutely clear, the £50,000 threshold is the income figure not the profit figure.

Whether you fall within the income limits will be determined by your income levels for the year ended 5th April 2025, so you do not have to try to guess whether your income for the current tax year will be above or below the threshold, it will be a matter of fact based on your tax return for 24/25.

If you do meet the threshold then this means you will have to keep your records on software and you will have to file a return with HMRC every 3 months, as well as your final tax return as normal.

At Perception Accounting we are happy to help you with all of this, and we have cost-effective software that will mean it doesn't have to cost you a fortune or be a headache every quarter.

We will be using Xero accounting software to take the strain of MTD for Income Tax and will have a cost effective package on offer starting from as little as £50 per quarter, to cover the software and the quarterly filing with HMRC.



If you also want our help with your book-keeping (getting everything onto Xero to enable the filings to be made) we would quote each client individually based on their specific circumstances.

The time limits for submitting the quarterly returns are quite tight. The first quarterly filing will be for the quarter ended 5th July 2026 and the filing for this quarter has to be made by 7th August 2026, so that is a 33 day window.

The good news is that by using Xero software you can link your bank account which will then automatically pull in all of your bank transactions for you. All that you/we then need to do is allocate the receipts and payments to the correct categories on Xero. The key to success with this is making sure that you have a separate account for your self-employment/rental income and expenses, rather than just using your personal bank account for everything.

Top Tip - Get a business bank account in place (if you don't have one already) and make sure that all business income and expenses are paid into/out of that account.

If you do have both self-employment income and rental income, you only have to have one Xero software to capture both streams of income and costs. We will set up tracking in Xero for you so that they are shown separately and the filings can be made.



If you have only started being self-employed or receiving rental income in the current (25/26) tax year, and your income is over the £50,000 limit, you will not have to start reporting under the MTD for Income Tax rules until the April after your first tax return is filed showing this income. Therefore, if the income started in the current 25/26 tax year, the submission deadline is 31 January 2027, so you would start reporting under MTD for Income Tax from 5th April 2027.

Partnerships are not subject to the MTD for Income Tax rules.

However, jointly owned property income is.

As usual, HMRC will be issuing penalties to people that do not meet the deadlines for submitting quarterly returns under the MTD for Income Tax regime. They are going to use a points based system where you will only receive a penalty once you have reached 4 points. Non-submission of a quarterly return will earn you one penalty point. If you get to 4 points you will be issued with a £200 fine.

HMRC can also issue a fine of up to £3,000 for failing to maintain adequate records in relation to a return. This includes not maintaining digital records.



They can also issue a £300 minimum fine if you deliberately conceal information needed for HMRC to assess your liability.

We will help you to ensure that you stay compliant and avoid these penalties.

Finally, for the people that worry about how much information HMRC will be getting when we/you submit your quarterly data using software, they cannot see the full data, they only get the totals of income and expense categories.

At Perception Accounting, we will be letting you know if you are going to be subject to the MTD for Income Tax rules very soon. We can only tell you once your 24/25 tax returns are prepared and filed so it is doubly important to get your tax return information to us as soon as you can, if you haven't already.

This is the biggest change in tax since the introduction of MTD for VAT, but we are here to help you through it every step of the way.



VAT Mistakes and How to Avoid Them

VAT might be one of those things you think you've got under control, until HMRC decides otherwise. It's one of the most common areas for business errors, and unfortunately, one of the quickest ways to get an unwanted letter through the post. Here are some of the biggest VAT slip-ups we see, and how to make sure they don't happen to you.

1. Claiming VAT on items that aren't allowable

Not everything you buy for your business is eligible for VAT reclaim. Client entertainment, some vehicles, and even staff perks can trip you up. If there's a personal element involved, think twice, or better yet, check with your accountant before hitting 'submit'.

2. Missing deadlines

VAT returns are usually due one month and seven days after the end of your accounting period. Late submissions or payments can trigger penalties and interest. Pop reminders in your calendar or get automated alerts set up so it's impossible to miss.



3. Using the wrong VAT rate

Standard, reduced, zero-rated, exempt, it's alphabet soup for business owners. Using the wrong rate is a classic mistake. For example, some food items and children's clothing are zero-rated, while catering or adult clothing is not. If in doubt, check the official VAT rates list or run it past us.

4. Not keeping proper records

Every VAT-registered business must keep digital records under Making Tax Digital (MTD) rules. That means invoices, receipts, and transaction details, stored electronically and linked to HMRC through compliant software. Using Excel or paper records alone just won't cut it anymore.



5. Forgetting to register (or deregister)

If your turnover crosses the £90,000 threshold (as of 2025), you must register for VAT. Miss it, and HMRC can backdate your registration, and the bill. Equally, if your turnover drops below £88,000, deregistration might actually save you money.

6. Failing to reconcile VAT control accounts

Your VAT return should match your bookkeeping. If it doesn't, something's off, and HMRC loves nothing more than inconsistencies. Run a reconciliation every quarter to make sure what you've declared aligns with your accounts.



How to Avoid VAT Headaches Altogether

- Use MTD-compliant software (QuickBooks, Xero, Sage, etc.)
- Review transactions monthly, not just at quarter-end
- Keep all digital receipts, no excuses!
- Ask for advice before you file, not after the penalty arrives

VAT doesn't have to be terrifying, it just needs a bit of attention and the right systems in place. The good news? You don't have to figure it out alone.

Business Valuation: What's Your Company Really Worth?

When was the last time you checked what your business is actually worth?

If your answer is somewhere between “never” and “I think my accountant mentioned it once in 2018”, then it’s time to revisit the subject.

Business valuation, is just something you do when you’re planning to sell up. It’s a vital tool for understanding where your company stands today, and how it could grow tomorrow. Knowing your value can help you make better strategic decisions, attract investors, secure finance, or even plan your exit strategy on your terms, not the market’s.

A proper valuation looks at more than just profit. It factors in assets, cash flow, brand reputation, intellectual property, customer loyalty, and even the strength of your management team. In other words, it’s a full-body check-up for your business.

Why It Matters Now

With interest rates and costs still unpredictable, many business owners are tightening belts without seeing the bigger picture, that their business might be worth more (or less) than they think. A current valuation can uncover hidden potential, highlight inefficiencies, and open doors you didn’t know were there.

BUSINESS VALUATION: WHAT'S YOUR COMPANY WORTH?



Why It Matters Now



When to Get a Valuation

- You're considering a sale, merger, or acquisition
- You want to attract new investors or funding
- You're planning succession or shareholder changes
- You simply want to measure progress year-year-year



Our Advice

Treat valuation as part of your annual strategy, not a one-off



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Businesses evolve, markets shift, and numbers can surprise you, in both directions.



What You Can (and Can't) Claim

Whether you're running your business from a spare bedroom, the kitchen table, or the garden shed that's now grandly called your "office," working from home comes with costs, and potential tax relief you might be missing.

Let's break down what you can claim, what you can't, and how to make sure HMRC doesn't come knocking.

Why It Matters

Since the pandemic, more people than ever run businesses or work remotely from home. But many don't realise they can offset part of their household costs against tax. The savings aren't life-changing, but every bit helps, and it's perfectly legitimate if done correctly.

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What You Can Claim

Here's what counts as an allowable business expense when you work from home:

1. A Proportion of Household Bills

You can claim part of your:

- Electricity and gas (for heating and lighting your workspace)
- Water rates (if your business uses water, e.g. hairdressers, caterers)
- Rent or mortgage interest
- Council tax
- Home insurance

You can't claim all of these, only the proportion that relates to your business use. For example, if you use one room of five for work, that's roughly 20% of your total eligible costs.

2. Broadband and Phone Bills

If you use your internet or phone for both personal and business use, you can only claim the business portion. For example, if 60% of your phone use is for work, claim 60% of the bill.

If you've got a separate business line or dedicated broadband connection, that can be claimed in full.

3. Office Equipment and Supplies

You can claim for equipment like:

- Computers, printers, or monitors
- Desks and chairs
- Stationery, printer ink, and paper

If you later use the items personally, there may be capital gains implications, so it's best to keep business purchases separate wherever possible.



The Flat Rate Option

If working out percentages makes your head hurt, HMRC allows you to claim a flat-rate amount for home working instead.

For 2025, the current guideline (for self-employed individuals) is:
Hours Worked at Home per Month/Flat Rate

You Can Claim

25 to 50 hours	£10
51 to 100 hours	£18
101+ hours	£26

This doesn't include telephone or internet costs, those can be added separately if used for business.

If you're a limited company director, you can claim a simplified allowance of £6 per week (£26 per month) without records, or more if you have evidence of higher costs.

There are limits, and crossing them can get messy. You can't claim for:

- The full cost of household bills
- Renovations or extensions (unless exclusively for business)
- Mortgage capital repayments
- Household cleaning or repairs that benefit the entire property

And be cautious: claiming too much of your home as a business expense could affect Capital Gains Tax when you sell the property (if part of it is deemed business premises).

The Smart Way to Do It

- Keep clear records: copies of bills, a note of hours worked at home, and any calculations.
- Use a separate business account if possible, to keep things tidy.
- Review your setup annually, especially if your working pattern changes.
- And of course, check with your accountant before you submit.

HMRC loves precision, not guesswork.





CHOCOLATE BONFIRE CAKE

Ingredients

- 200g Chopped dark chocolate
- 200g Unsalted butter
- 200g Soft, dark brown sugar
- 150g Golden syrup
- 50g Black treacle
- 3 Large eggs
- 200g Self raising flour
- 1tsp Bicarbonate of soda
- 2tsp Ground ginger
- 1tsp Ground cinnamon
- ½ tsp Nutmeg
- Pinch of salt



Ganache Topping

- 200g Dark chocolate
- 200ml Double cream
- Red, Yellow and orange icing (Flames)
- Flake or Matchmakers (Logs)
- Gold sprinkles for sparkle



Directions

Prep the Oven - Pre Heat the oven to 180°C (160°C fan) / 350°F

- Grease and line a 20cm round cake tin
- In a saucepan gently melt butter, sugar, golden syrup treacle and dark chocolate
- Stir until smooth, then cool slightly
- Beat in the eggs
- Sift flour, spices, bicarb and salt into a large bowl
- Fold in the chocolate syrup mixture until combined

Bake

- Pour into the prepared tin and bake for 40-50 minutes
- Cool completely on a wire rack

Make the Ganache

- Heat cream gently until just steaming
- Pour over chopped dark chocolate and stir until glossy
- Allow to thicken slightly before spreading over the cooled cake

Decorate

- Use icing to swirl red, orange and yellow flames into the ganache
- Add chocolate sticks around the top to look like a bonfire
- Sprinkle with edible gold for a sparkling fire effect

5 Bite Sized Business Tips

1. Keep Your Cash Flow on a Short Leash

You don't need to be an accountant, but you do need to know your sales, margins, and costs. If you can't explain how your business makes money in two sentences, it's time to review your figures.

Profit looks great on paper, but cash in the bank keeps you alive. Review incoming and outgoing payments weekly, not monthly. It's the difference between steering your business and just hoping it doesn't crash.

2. Know Your Numbers (Even If You Hate Them)

Set aside a percentage of income every time you get paid, before you spend a penny. Future You will thank you when HMRC comes knocking.

3. Don't Leave Tax to Luck



4. Work On the Business, Not Just In It

If you're doing everything, you're not growing. Block out at least two hours a week for strategy, planning, and processes, that's where real progress happens.

People buy from people. Stay visible, be useful, and build genuine relationships. A strong network can do more for your business than any ad campaign.

5. Your Network Is Your Net Worth



COMPANY NEWS

What a trek!

Lisa and Georgie raised
£2,594 for MacMillan Cancer



Exam Passes

Both Jake and Jemma
passed AAT exams
in the summer

Charity Casino Night

We are raising funds for Home
Start Ashford:



PERCEPTION ACCOUNTING

are raising funds for

HOME START ASHFORD


CASINO NIGHT



Come along to our Casino Night on
28th November from 7pm to 11pm



CLICK [HERE](#) OR SCAN QR
CODE
FOR FURTHER INFO

CASINO TABLES, RAFFLES 
DRINK ON ARRIVAL AND FOOD ON THE NIGHT



Here we are again, well into Autumn and only 8 weeks to Christmas (yikes) and 13 weeks to the tax return deadline for 24/25 returns!! How did that happen! 😬

Firstly, I wanted to say a big THANK YOU to everyone that donated to our Kelly's Trekkers just giving page. It was the hardest thing Georgie, and I have ever done in the name of charity! However, we raised an incredible £2,594 for Macmillan, so every step was worthwhile. 💪

We have also since heard that Kelly has had her first scans following her gruelling treatment plan and these show no signs of cancer still being present, which is the best news ever. There is still a long way to go before the all-clear can be given, but we have everything crossed that her next round of scans will show the same picture.

This year, if you are self-employed or have rental income, it is even more important to get your tax return information to us early as we will need to have prepared your 24/25 return to determine whether you fall under the new Making Tax Digital for Income Tax regime. See the article at the start of the newsletter for more details.

This is the biggest change in tax since HMRC brought in Making Tax Digital for VAT. We got everyone through that and we can get everyone affected through this.

I hope you all had a great summer! 😎

I had the best one for a while with my 25th wedding anniversary cruise to the Norwegian Fjords, helped along by the lovely Dianne insisting that I have the bottle of Dom Perignon she won in our prize draw. I have the best clients ever



All that is left is for me to wish you all a Happy Halloween, because I can't bring myself to say Happy Christmas yet!!



Lisa



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