

BUSINESS DIGEST

NOVEMBER 2025



WELCOME

Welcome to our new publication curated for our clients in the business community and fellow professionals who work alongside us to support them. Whilst we have produced various business updates in recent years, we have taken time to pause and reflect on how we support you with a thoughtfully composed selection of interesting articles. The result is Business Digest.

With potential personal tax changes being touted for the upcoming Autumn Budget, there are still a number of business related matters to consider.

In this edition, Business Property Relief continues to make the headlines, and whilst they can make for unhappy reading, the issue does highlight the need for expert advice in succession planning. Here, we take a look at some of the key considerations for business clients looking to pass on the family business to the next generation.

We explore the latest developments in respect of the Corporate Criminal Offence and the introduction of the Failure To Prevent Fraud legislation. This is a topic that is increasingly gaining attention among policymakers who are aiming to demonstrate their commitment to tackling misconduct in business.

In our third piece, we examine recent cases of debt funded companies and how we have helped clients navigate the tax treatment of loan relationships, and what should be considered when a business debt is released.

With the biggest changes to Companies House in its 180 years history happening this quarter, we remind you of the obligations for directors to be compliant with the Economic Crime and Corporate Transparency Act 2023.

In case you missed our recent publication on changes to UK GAAP, in our final piece we summarise the significant changes to FRS 102 around the new model of revenue recognition and on balance sheet operating lease accounting.

We hope that you enjoy reading Business Digest and if you have any feedback or suggestions for future items, please contact one of the editorial team.

The Partners



Succession Planning for Family Businesses

Read this to gain insight on how to pass on the family business in a tax-efficient way.

The Autumn Budget 2024 introduced significant reforms to the UK's inheritance tax (IHT) regime, with wide-reaching implications for family businesses and entrepreneurs. Among the most notable changes were amendments to Agricultural Property Relief (APR) and Business Property Relief (BPR), both of which will take effect from 6 April 2026, pending any changes in the Autumn Budget next month.

While recent headlines have focused heavily on the proposed reduction in APR, the proposed changes to BPR are equally impactful for owners of family businesses who are hoping to pass them onto the next generation.

The Liquidity Challenge

Under the existing rules, BPR can provide up to 100% relief from IHT on qualifying assets, including shares in a trading business. Importantly, this relief is uncapped, allowing business owners to pass on significant value either during their lifetime or on death, free from IHT.

However, from 6 April 2026, the BPR regime will become substantially more restrictive, with 100% relief capped at £1 million of qualifying business and agricultural property (across both reliefs). For the value exceeding £1 million, the relief will drop to 50%, resulting in an effective IHT rate of 20% on the excess.

The impact of the change is significant. Post April 2026, if shares in a wholly trading family business worth £10 million are passed on death, the IHT bill will be £1.8 million.

- First £1m: 100% relief £0 IHT
- Remaining £9m: 50% relief, IHT @ 20% £1.8 million

This shift presents a potentially substantial liquidity challenge for family businesses, as the value of a family business is often tied up in illiquid assets rather than cash. The result could be that part of the business has to be sold off, reducing the family's control or putting the viability of the business at risk.

Pensions and IHT

From April 2027, changes to the treatment of pensions for IHT purposes are also expected to take effect. Currently, personal pensions fall outside the IHT net.

Under the new proposal, pensions will be brought within the scope of IHT. If the pension scheme holds underlying assets in the family business, no BPR will be available. This could further compound the IHT exposure for business owners.

How Are Business Owners Responding?

As awareness of these changes grows, we are seeing a marked increase in clients actively engaging in succession and estate planning. Where previously IHT was not seen as risk to the long-term viability of the family business due to the extent of BPR available, it has now become a topic of great concern.

However, with the right planning there are options for family business owners looking to pass the baton on to the next generation. These include:

- accelerating succession through lifetime transfers of shares;
- implementing term life insurance to provide liquidity for future IHT liabilities;
- establishing Family Investment Companies (FICs);
- creating trust structures ahead of April 2026;
- exploring non-UK corporate structures and international estate planning; or
- reviewing group structures to assess the impact of non-trading or investment assets on BPR eligibility.

There is no universal solution, and the attractiveness of different options depends on both tax and non-tax factors. Each individual or family's circumstances are unique, and the approach taken not only depends on the position of the family business, but the aims, intentions, and objectives of the family.

Through appropriate planning it is possible to preserve and transition family wealth in a tax-efficient manner and simultaneously allow the family to maintain control over their business assets.

If you would like to explore how these legislative changes may impact your estate or business planning, please get in touch your usual Rawlinson & Hunter contact.

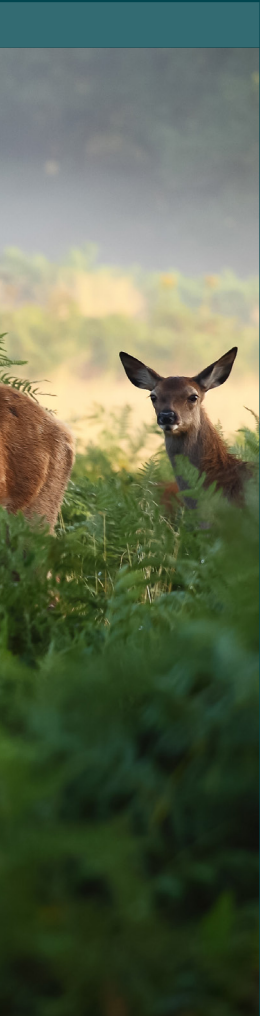
Protecting your business: Corporate Criminal Offence (CCO) and Failure to Prevent Fraud (FTPF)

Read this to learn more about meeting your compliance obligations for CCO and FTPF.

It has now been over eight years since the introduction, via the enactment of The Criminal Finances Act in 2017, of the Corporate offences for failing to prevent criminal facilitation of tax evasion (CCO), and governments and regulators are under pressure to deliver results. Prosecutions are no longer theoretical, with HMRC bringing its first CCO prosecution in August this year.

The CCO makes it a criminal offence for companies and partnerships to fail to prevent the facilitation of tax evasion by individuals acting on their behalf, with its introduction designed to encourage proactive compliance.

The introduction of the Failure To Prevent Fraud (FTPF) as part Economic





Crime and Corporate Transparency Act 2023 (ECCTA) takes things a step further. Failure to take proactive steps leaves businesses exposed to criminal prosecution, unlimited fines, trading restrictions, reputational damage, and intrusive investigations. On top of this, investors, customers, and counterparties are also demanding ever greater transparency on compliance.

Expansion of FTPF

Introduced by the ECCTA, effective September 2025, FTPF targets large businesses where an associated person commits fraud for the benefit of the company, unless reasonable prevention procedures are in place.

Historically, prosecuting companies for fraud was challenging because the offence had to be attributed to a senior individual (the “directing mind”), which was often unrealistic in large businesses.

FTPF removes this barrier by imposing liability regardless of senior management knowledge, provided the fraud benefits the business. This addresses a key enforcement gap, strengthens corporate accountability, and aligns UK law with international standards.

Differences between CCO and FTPF

CCO focuses on tax evasion, applies to all businesses regardless of size and sector, and is enforced by HMRC.

Whereas FTPF focuses on fraud and only applies to large business meeting at least two of; 250+ employees, £36 million+ in turnover, or £18 million+ in assets. Enforcement is by the Serious Fraud Office and Crown Prosecution Service.

However, there is one commonality and that is that the only defence available for CCO and FTPF is for a business to demonstrate that it has taken reasonable steps to prevent tax evasion and fraud.

Prosecution Landscape

In August, HMRC brought its first CCO prosecution. The accountancy firm in question, Bennett Verby Ltd of Stockport, was charged with failing to prevent the facilitation of tax evasion linked to fraudulent R&D tax credit claims. Six individuals connected to the firm face related charges, including cheating the public revenue and money laundering.

A provisional trial date has been set for September 2027 at Manchester Crown Court, creating a sense of uncertainty for the firm and its clients in the interim period. This will no doubt be a challenging time for all involved, but this landmark case demonstrates HMRC's commitment to enforcement and signals that further prosecutions are likely.

Indeed, as of June 2025 there were 11 live CCO investigations, 27 live opportunities



under review, and 121 CCO investigative opportunities that had been rejected. Investigations span 13 business sectors, including software providers, labour provision, accountancy and legal services, and transport, demonstrating the wide scope of investigations.

The FTPF regime only came into force on 1 September 2025, and there are no publicly reported live FTPF cases yet. However, the SFO and CPS guidance emphasises that businesses must be able to demonstrate appropriate prevention, controls, and the preparation of procedures in order to avoid the likelihood of prosecution.

Meeting Your Compliance Obligations

For both CCO and FTPF, the only defence is demonstrating that your business has reasonable prevention procedures in place, including:

- conducting regular risk assessments;
- designing and embedding proportionate policies and controls;
- training employees, agents, and partners;
- monitoring and reviewing procedures to keep them effective; and
- documenting everything to evidence compliance.

We can support you with this by assessing your company's exposure to CCO risks and identifying areas of vulnerability. Furthermore, tailored prevention policies and procedures will need to be written to address the identified risks. Gaining employee buy-in is fundamental and, therefore, comprehensive employee training should be carried to ensure they understand the importance of compliance and their role in preventing CCO. Finally, ongoing monitoring with regular reviews is needed to maintain effective preventative measures.

If you require support in meeting your compliance obligations, please reach out to your usual Rawlinson & Hunter contact.

Interest-ing Times in Debt Financing

Read this for an understanding of the different options available to debt financing.

Debt financing has long been a preferred source of funding for many businesses. Its flexibility, ease of implementation and the priority of loans over equity in the event of financial difficulty makes it a powerful tool for business owners and investors.

However, in a period of financial ups and downs, shareholder and intercompany loans can often require adjustment in ways which should be carefully considered. Without proper planning, adjustments to loan terms can trigger unintended tax consequences.

Our team has recently supported clients through several complex scenarios



where tax, accounting, and debt management intersect. Although no-two financing deals are the same, there are key learnings we can take away from each scenario.

Recapitalising a distressed property company

One client faced imminent winding-up proceedings from a third-party lender. We helped implement a solution with the capitalising of existing shareholder debt, accompanied with the introduction of new external funding to repay the original lender. By carefully applying reorganisation provisions, we ensured the company avoided tax charges on the release of shareholder loan liabilities, protecting the business, its shareholders, and its creditors.

Adjusting loan terms in a rising interest rate environment

A client had accumulated significant interest on shareholder debt, originally priced at SONIA + 4% in 2020. With rates climbing, and interest compounding on accrued interest, the financing had become increasingly burdensome. To stabilise the business and allow long-term equity growth and incentivisation, we supported a refinancing that reduced the shareholder loan interest rate.

Key to this was ensuring that employment-related securities rules did not inadvertently create a taxable benefit for shareholders. This could have happened if it were perceived that the interest rate adjustment had enriched the equity owned by the shareholders. With clear commercial rationale, appropriate documentation, and careful tax analysis, the group was able to strengthen its financial footing without triggering unwanted liabilities.

Acquiring group debts

We have seen a number of recent transactions where debts have been transferred to UK holding companies as part of group reorganisations. The key challenge here lies in the accounting treatment under FRS 102.

For instance, a long-term, interest-free, non-repayable loan may be treated as an investment in a subsidiary rather than as debt. Conversely, an interest-free loan may be accounted for as if it bore interest, creating "imputed" interest complexities. The tax analysis in such cases is far from straightforward and demands careful scrutiny to ensure there are no unintentional UK tax exposures within the new structure.

Simplifying intercompany loans

Streamlining group debt structures by releasing or restructuring intergroup loans offers several advantages. For example, it can result in simpler reporting, reduce the risk of tax disputes, and be more appealing to potential buyers in an exit scenario as many of whom expect acquisitions on a "debt-free" basis. But restructuring or releasing loans carries tax risks if not executed correctly. Taking advice before embarking on such changes is essential to avoid costly pitfalls.



In conclusion

Debt remains an invaluable funding tool, but today's fluctuating environment calls for a more nuanced approach. Whether recapitalising, refinancing, acquiring, or simplifying group loans, careful accounting and tax planning is key to ensuring businesses can navigate uncertainty while protecting long-term value.

To discuss these options in more detail, please reach out to your usual Rawlinson & Hunter contact.

Economic Crime and Corporate Transparency Act 2023 (ECCTA)

Read this for an overview of ECCTA and what your obligations are.

As you will no doubt be aware ECCTA, which provides new robust laws to fight fraud, counter corruption and reinforce legitimate business, passed into law in October 2023.

ECCTA introduces the biggest changes to Companies House (CH) in its 180-year history by giving CH the power to play a more significant role in disrupting economic crime and supporting economic growth in the UK.

In this article, we set out some of the key changes which have either already been introduced or are going to be implemented by CH and the impact on your company.

ECCTA in brief

ECCTA places new legal obligations on:

- new and existing company directors;
- new and existing Persons with Significant Control (PSCs); and
- anyone who files information on behalf of a company such as the company secretary and professional service providers like accountants and lawyers

Changes already implemented:

- Specific requirements for the registered office address and registered email address used by companies, with use of PO Boxes no longer allowed.
- CH has been given greater power to query/reject or remove incorrect or inconsistent information from its Register and share data with other government departments.
- CH's fee increases for various filings, incorporation etc (more than three or four times higher typically).
- New financial penalties introduced meaning companies or Authorised Corporate Service Providers (ACSP) may receive a financial penalty if they do not comply with their obligations, for example, for filing incorrect information with CH.

Forthcoming significant changes:

- Identity (ID) verification: Anyone setting up, running, owning or controlling a company in the UK, for example, a director, a PSC etc., will need to have their ID verified.
- ID verification has become a compulsory part of new incorporations as well as new appointments for directors and PSCs. For existing companies, all directors and PSCs will have a transition period from Autumn 2025 to verify their IDs with CH.
- The same ID verification requirement will also apply to Limited Liability Partnerships and UK branches of foreign companies. CH has specialist requirements on how ID verification is undertaken. It will be considerably more difficult to use photocopies or scans of ID for verification purposes under ECCTA requirements, despite them being acceptable for Money Laundering regulation purposes.
- ACSP: Third-party providers, such as agents or accountants, will be required to be registered with CH as ACSPs before they are allowed to undertake ID verification. From Autumn 2025 or Spring 2026 (depending on the nature of the filing) only ACSPs can file documents with CH on behalf of clients.
- Changes to limited partnerships: By the end of 2026, all limited partnerships will be required to submit more information to CH to provide greater transparency for users of the public register.
- Changes to accounts filing: Within the next two to three years, there will be accounts related reforms. For example, mandating software-only filing for all accounts, removal of the options for small companies and micro-businesses to file abridged accounts, requiring all companies to file profit and loss accounts, requiring small companies to also file their directors' report, and limiting the number of times that a company can shorten its accounting reference period.
- Restrictions on corporate directors: Any corporate directors of companies will be restricted so that any corporate director of a company must have an all-natural person board. Only UK corporate entities with legal personality will be capable of acting as a corporate director. All the directors of the corporate director will be required to verify their identity.

Who Needs to Verify Their Identity?

You will need to verify your identity if you are:

- a director;
- the equivalent of a director – this includes LLP members, general partners and managing officers;
- a person with significant control (PSC); or
- someone who files documents with Companies House for a company – for example, a company secretary.

Ways to Verify Their Identity:

IDV can be completed by one of the following three options:

1. Directly with Companies House using GOV.UK One Login. If you have a biometric passport, you can verify your identity with GOV.UK online. This is free of charge and guidance on how to verify your identity is available on the government website. We have found this to be reasonably user friendly.
2. In person at the Post Office. If you cannot verify online and you live in the UK, you may be able to verify your identity in person at a Post Office.
3. Through an ACSP. Rawlinson & Hunter LLP has registered as an ACSP for the IDV service, and we would be happy to do this for you.

Personal Authentication Code

Once your identity has been verified, you will receive a unique personal authentication code.

The code can also be used for any other companies of which you are a director and/or PSC.

If you have any questions in relation to the new legislation, or how we can assist you with its implementation, please contact your usual Rawlinson & Hunter contact.

Upcoming Changes to UK GAAP

Read this to find out the key changes to UK GAAP.

Despite the festive period approaching, the thoughts of some will already be turning towards the new financial reporting requirements on the horizon.

For accounting periods beginning on or after 1 January 2026, the UK Financial Reporting Council has issued amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland to provide closer alignment and consistency to international accounting standards. The significant amendments are principally:

- a new model of revenue recognition; and
- on balance sheet operating lease accounting.

What Are The Key Changes?

Revenue

UK GAAP is converging with IFRS 15 to a single comprehensive five-step revenue recognition model for all contracts with customers. This may impact the timing of revenue recognition.

Revenue will now be recognised when performance obligations specified in





the contract are satisfied. For the sale of goods, the performance obligation is satisfied once the customer obtains control of the goods and revenue is recognised at that point in time. The indicators of the transfer of control will need to be considered and include (but are not limited to):

- the right to payment for the goods;
- whether the customer has legal title of the goods; and
- when the customer has physical possession of the goods.

With the change in revenue recognition model, whether the entity is the principal or agent in the transaction should also be reconsidered.

Leases

UK GAAP will no longer distinguish between operating and finance leases for lessees. All leases will now be included on the balance sheet as a right of use (RoU) asset and lease liability.

Rent expense will no longer be recognised in the Profit & Loss Account. Instead, depreciation spread straight line over the duration of the lease and notional interest expenses will be recognised.

Exemptions are available for short-term leases (less than one year) and leases of low-value assets.

Recognising leases on the balance sheet will have a significant impact on key metrics such as gross assets, net debt and gearing ratios. The effect on Profit & Loss Account metrics will also need considering: a typical measure, like "EBITDA", will fundamentally be altered.

When do The Changes Apply

The amendments will be effective for accounting periods beginning on or after 1 January 2026, but early adoption is available providing all amendments are applied at the same time. There is no requirement to restate comparatives for these amendments.

If the entity is in a group with a parent that reports under international accounting standards or US GAAP, they may choose to early adopt to align their accounting policies with the parent entity which will usually already be reporting using these new principles.

What To Do Next?

The impact of these new requirements may be wide reaching, and an initial impact assessment is advised to understand the key areas affected and the likely quantitative impact.

Consideration should also be given to the commercial impact of these amendments including:

- lending covenants;
- remuneration, bonus scheme or share option schemes linked to financial performance;
- dividend payments if distributable reserves are impacted;
- changes to systems and processes; and
- additional disclosures in the financial statements.

If you require support or further information regarding anything covered in this article, please contact your usual Rawlinson & Hunter contact.



Business Digest

Editor: Craig Davies

Writers: James Randall & Hiral Kanzaria

Document Production: Steph Bailhache

Business Digest is intended solely as an overview of complex tax legislation. No action or omission should be taken in reliance on the articles in this issue without full and appropriate professional advice.

Rawlinson & Hunter is the trading name of Rawlinson & Hunter LLP, a limited liability partnership registered in England & Wales with registered number OC43050. This communication contains general information only, and Rawlinson & Hunter LLP is not rendering professional advice or services by means of this communication.