



**Maximise and protect value:
Practical tax opportunities for
tax and finance leaders**

Agenda

- 1 Introduction Rachel Parker
- 2 Corporation tax Laura Wycherley & Ian Rowland
- 3 VAT Irena Scullion
- 4 Tax Efficient Reward Jonathan Berger, Emma Selway & Ruth Walsh
- 5 Q&A

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1 Corporation tax

Unlocking and protecting value through corporate tax

Unlocking value

Capital Investment

- Full expensing 100% first-year deduction on qualifying plant & machinery (40% FYA for leasing businesses)
- AIA up to £1m on most asset purchases
- RDAs
- Land Remediation Relief

Losses

- Group loss planning
- Loss carry backs
- s171A transfers

Transactions

- SSE – tax-free gains on qualifying disposals
- Group rationalisations
- Interest deductibility

Risk Management & Compliance

- BRR+ low-risk status reduces enquiry exposure
- Tax governance frameworks that enable, not just constrain

Protecting value

- s198 elections
- Timely pooling to avoid lost allowances on disposal
- Capital allowance claims vs loss modelling
- Lease arrangements
- Impact of Gunfleet Sands case

- Anti-avoidance on change of ownership
- Rollover relief claims

- Clearance applications before major transactions
- Exit readiness

- SAO obligations for large companies, CCO for all companies
- Transfer pricing documentation for intercompany pricing
- Robust reporting processes to avoid penalties and interest
- Regular historic reviews – find and fix errors proactively

Spotlight on innovation taxes



Poll Question



Q: Does your company currently claim R&D tax incentives?

Options:

- Yes, we claim regularly
- No, we have never claimed
- We claim occasionally, depending on the cost-benefit assessment
- We used to claim, but no longer do due to the complexity and/or perceived risk

Poll Question



Q: How familiar are you with the recent changes to the R&D tax incentive regime and their impact on your organisation?

Options:

- Very familiar – I understand the changes and have already assessed their impact on our claims
- Aware of the changes, but have not yet assessed their impact, or do not believe they affect our claims
- Somewhat aware, but unsure of their impact
- Not very aware of the recent changes

Spotlight on innovation taxes



R&D Tax – Key changes overview



Merged R&D Scheme & ERIS

For accounting periods starting on or after 1 April 2024

SME and RDEC schemes merged into a single scheme for most companies.

Rate

20% above-the-line credit on qualifying expenditure (taxable).

ERIS – Loss-making SMEs

Enhanced R&D Intensive Support available at a 27% credit rate for qualifying intensive SMEs.

ERIS threshold

R&D spend must be $\geq 30\%$ of total expenditure to qualify for ERIS.



Cloud & Data Costs

What's claimable

- **Cloud computing services** (eg, compute, storage) directly used for R&D are now an eligible category.
- **Data licences** incurred for R&D qualify.

Key condition

Costs must be directly attributable to R&D; apportionment required where mixed use.



Contracted-out Rules

The general rule

Only the party who decides to undertake or initiate the R&D can claim. Consider:

- IP ownership
- Who bears financial risk
- Autonomy over execution
- How R&D is exploited
- Seniority of decision-takers
- Nature of the parties.

Note

For APs starting on or after 1 April 2024 the contracted-out rules apply to both the merged scheme and ERIS.



Overseas R&D

PAYE / UK rule

Contracted-out R&D and EPW costs are only claimable where the R&D is undertaken in the UK or the EPWs are subject to UK PAYE/NIC.

Restriction applies unless:

- R&D conditions not present in UK
- Conditions present in overseas location
- Wholly unreasonable to replicate in UK.

Conditions can include

Geographical, environmental, social, legal or regulatory requirements (not exhaustive).

Conditions exclude

- Cost of the R&D (eg, the workers)
- Worker availability to do the R&D.

2 VAT

VAT cash flow

VAT timing strategies

Input tax recovery

- Ensure input VAT is claimed in the earliest permissible period
- Check for pre-registration VAT recovery opportunities
- Confirm VAT is not unnecessarily blocked (eg, entertainment, cars)

Output tax

- Confirm VAT is declared at the correct tax point: Basic v actual tax point issues
- Continuous supplies and milestone billing
- Check for errors leading to over-declaration and correct treatment of discounts, rebates, bad debts

Accounting Method Assessment

- Review current partial exemption method
- Assess whether the business is using the most cash-efficient scheme: Cash accounting; Annual accounting; flat rate; PoA
- Check capital good scheme annual adjustments
- Import VAT: Use Postponed VAT Accounting (PVA)

Structure and process optimisation

- Intercompany supplies? Consider a VAT group
- Could restructuring reduce irrecoverable input VAT
- Ensure exports and reverse charge services are treated correctly

Compliance and risk management

- Review contracts for VAT clauses
- Check ERP/VAT coding accuracy
- Review VAT return process and accuracy

3 Tax efficient reward

01

Employer-provided benefits - the landscape

How are employer provided benefits typically taxed?

Cash Benefits – Income tax & Class 1 NIC (Payroll)

Non-Cash Benefits in kind - income tax & Class 1A NIC (P11D/Payrolling)

Typical benefits in kind include:

- Private medical insurance (PMI) & cash plans
- Company cars, vans & fuel
- Living accommodation (most cases)
- Non-exempt loans above £10,000
- Benefits via salary sacrifice where OpRA applies

Reporting change: mandatory payrolling

from April 2027 – prepare now for the first phase
(Medical benefits, cars, vans & fuel)

Statutory exemptions include:

Annual staff event: £150 per attendee

Trivial benefits: £50 per instance, not a reward

Medical treatment to return to work: up to £500

Cycle to work scheme

Subsidised meals ('canteen' exemption)

Employer pension contributions (inc. subject to annual allowance £60,000 before taper)

Qualifying relocation: < £8,000

Eye test & Seasonal flu jabs

All subject to qualifying conditions & limits

What else can be provided efficiently (all subject to conditions)

Life Assurance / Group Income Protection for employees

Interest free/discounted loans – up to £10,000 total of all loans, eg, season tickets

Discounts portal – watch out for per head costs exceeding trivial benefits exemption

Own goods – provided at least “marginal cost” of provision

EAP – often can be offered as extension to income protection policy or standalone

Annual health screening and medical check-up – one each per employee per year

Employer-owned mobile phones – one per employee

Work-related training & professional subscriptions – required for work and on HMRC List 3

Car parking at or near the workplace & EV charging

Overnight incidental expenses for business trips – £5 (UK)/ £10 (overseas)

Enterprise Management Incentive scheme (EMI)..

Approved salary sacrifice benefits...

Poll Question



Q: How ready are you for mandatory payrolling of benefits from April 2027?

Options:

- Already payroll most benefits voluntarily
- Started planning but aren't ready
- Don't payroll yet, but all set
- Aware of it, but no action taken yet
- This is new to us

02

Optional Remuneration Arrangements

OpRA – the rule that changed the use of salary sacrifice

6 April

2017

OpRA rules introduced

Where an employee gives up salary in exchange for a non-cash benefit, the taxable value is the higher of:

- (a) the cash or allowance foregone, and
- (b) the normal benefit in kind value.

This removes the tax and NIC advantage of salary sacrifice for most benefits.

Special case (approved) exceptions – full advantage retained with salary sacrifice



Employer pension contributions (& pension advice)



Cycle to work scheme



Ultra-low (<75 g/km) / zero emission vehicles



Employer provided childcare (legacy voucher arrangements)



Holiday Buy



Payroll Giving (Income Tax only)

All subject to qualifying conditions & limits

PMI via salary sacrifice – example of compliance risk

What many employers are doing

PMI arranged via salary sacrifice

BIK reported using the insurer premium (P11D/Payroll)

Employees able to upgrade level of cover via salary sacrifice

The risks:

Salary foregone exceeds the insurer premium, inaccurate reporting

Where employees are able to upgrade the level of cover and this is taken via salary sacrifice, this doesn't negate the need to report the full cost to the employer on P11Ds / via payrolling

What to do now

1. Review salary sacrifice arrangements - check whether the benefit falls within the OpRA approved exceptions
2. Irrespective of the level of the salary sacrifice, ensure P11D or payrolled benefit is reported based on cost to the employer
3. Where errors are identified, either amend payroll reporting or voluntary disclosure to HMRC should be made
4. Consider structure of cover and approach, eg, excess, restrictions, etc.

03

Salary sacrifice — key points & focus on pension and electric vehicles

Salary sacrifice - getting the mechanics right

Contract variation

The employee must give up the right to future salary before it is earned. The contract of employment must be formally varied.

Timing

The variation must take effect before the salary period begins - not retrospectively.
A side letter or flex election after the event is insufficient.

National minimum wage

Cash pay after sacrifice must not fall below the national minimum wage.

Lifestyle events

Employer discretion regarding lifestyle events to enable employees to change participation subject to certain conditions.

Comms & Employee relations

Ensure communications are kept up to date given regular changes.
Opportunity to showcase total reward proposition, platform or portal can be helpful for this.

Conditions & reporting

Specific conditions for exemption for each benefit.
Consideration as to whether P11D or payrolling required.

Pension salary sacrifice - NIC saving and what is changing

Employer NIC rate from 6 April 2025

15%

vs 13.8% previously

Illustrative NIC saving

Employee salary: £60,000

Pension via salary sacrifice: £5,000 p.a.

Employer NIC saving at 15%: £750 per employee

At 100 employees: £75,000 p.a. saving

Possible Apprenticeship Levy saving at 0.5% in addition

A further £25 per employee, £2,500 per 100 employees.

Budget 2025 - forthcoming restriction from April 2029 (not yet enacted)

Employer NIC relief on pension salary sacrifice is proposed to be capped at £2,000 of contributions per employee per year (likely to be per employment).

Also restricts savings on bonus waivers, subject to the same limit.

On a £5,000 contribution, the annual employer saving would reduce from £750 to £300 per employee.

Employers need to model the impact and prepare for the payroll changes. Further guidance awaited.

Electric Vehicle (EV) salary sacrifice

The saving arises because the employee funds the car from pre-tax salary, paying income tax only on the low (eg, 4%) BIK value which is more efficient than funding the car from post income tax and NIC salary privately from net pay.

No salary sacrifice

Employee pays income tax and NIC on all of their salary, with the lease funded personally from net pay.

No BIK charge arises.

Salary sacrifice

Employee gives up £6,000 gross salary.

Employer provides the car.

BIK arises on 4% of list price.

Why the saving arises

The employee pays tax on a lower BIK rather than needing £6,000+ gross salary to fund the car.

Employer Class 1A NIC only.

2026/27 tax year - the key figures

4%

Zero-emission BIK rate
2026/27

£1,600

BIK value on £40,000 list
price

£320

Employee income tax (basic
rate)

£640

Employee income tax
(higher rate)

Employee salary sacrifice: £6,000 p.a.
Employer Class 1A NIC:

£1,600 x 15% = £240 per vehicle per year | Employer also saves £900 NIC on the salary sacrifice, giving a net saving of £660 per vehicle

BIK rate trajectory (zero-emission cars):

2025/26: 3% | 2026/27: 4% | 2027/28: 5% | 2028/29: 7% | 2029/30: 9% (HMRC / Finance Act 2024)

Petrol/diesel BIK in 2026/27 is 26–37%.

Even at 9% in 2029/30, zero-emission cars attract less than a quarter of the BIK tax of a mid-range petrol car.

Illustrative figures. P11D £40,000, monthly sacrifice £500. ER NIC 15%. HR taxpayer above UEL (NIC 2%). BR taxpayer below UEL (NIC 8%).

Why employers offer EV salary sacrifice schemes

Employee benefit

- Significant saving versus private lease
- Access to a new electric vehicle via a simple employer scheme
- Single monthly sacrifice covers all costs - insurance and servicing often included
- More predictable costs
- No upfront deposit or credit check
- New & maintained vehicle

Employer benefit

- Net NIC saving per year
- Gross NIC saving can be passed to employees, increasing the scheme attractiveness
- Supports ESG commitments and net zero targets
- Aids staff recruitment and retention - a valued benefit at modest employer cost
- Reduced grey fleet risk

Wider benefits

- Reduces emissions compared to employees driving private petrol or diesel vehicles
- Confirmed BIK rate trajectory to 2029/30 enables multi-year planning
- EV infrastructure investment by employers can also attract capital allowances
- Can be linked to charging options either at home or workplace

Risks – what employers must consider

National minimum wage

Salary sacrifice must not reduce cash pay below the national minimum wage. Particularly relevant for lower-paid or part-time employees. Model NMW exposure before admitting any employee to the scheme.

OpRA - reporting the BIK correctly

EVs are within the OpRA approved exceptions, so the BIK is 4% of list price (2026/27), not the salary foregone.

BIK must be reported on P11D or via payrolled benefits. Failure to report is a compliance risk.

P11D and Class 1A obligations

Class 1A NIC cost.

P11D reporting requirement.

Mandatory payrolling from April 2027 (Phase 1) requires system preparation.

Contractual validity

A valid sacrifice requires a formal contract variation before the salary is foregone. A side letter after the event is insufficient. Invalid arrangements are challenged by HMRC and the NIC saving is lost.

Employee departure or early termination

Where an employee leaves during the lease term, the employer remains liable on the lease. Schemes must contain provisions for early termination, including insurance, clawback of costs or transfer of vehicle.

Model future BIK rate increases

The BIK rate steps from 4% in 2026/27 to 9% in 2029/30. Employees on 3 to 4-year leases will face increasing BIK charges in later years. The saving narrows, though remains material, over time.

04

Enterprise Management Incentives

EMI: tax-efficient equity reward

How EMI works

Options granted over shares in a qualifying trading company/group

Exercise price agreed at grant - recommend seeking confirmation with HMRC

No income tax or NIC on grant or exercise (where exercise price equals market value at grant)

Growth in value taxed as CGT (currently up to 24%) - not income tax/NICs

Business Asset Disposal Relief potentially available if 2 years between grant and sale of shares (currently up to 18% & up to lifetime limit of £1m gains)

Schedule 5, ITEPA 2003

Key conditions at a glance - From 6 April 2026

Company: trading, assets under £120m gross, employees less than 500

Options: maximum value £250,000 per employee up to £6m for the group (at grant)

Must not be a disqualifying event between grant and exercise

Length of option can now be up to 15 years, we scope to amend existing options

05

Apprenticeship Levy - compliance risks and opportunities

Apprenticeship Levy - getting compliance right

Rate

0.5% of annual pay bill,
above the £3m allowance

Pay bill

Wages, salaries and other earnings
subject to Class 1 NIC - reported
monthly via PAYE Employer Payment
Summary (EPS)

Allowance

£3m - shared across connected
employers, not multiplied

Common errors

Each entity in a group incorrectly claiming the full £3m allowance independently

Excluding variable pay, commission or bonus

Not starting to pay once paybill unexpectedly exceeds the £3m threshold during the year

Post transaction implications and connections

Consequences of underpayment

Interest on underpaid amounts

Penalties for careless or deliberate error

HMRC assessment: 4 years (careless), 6 years (failure to take reasonable care), 20 years (deliberate)

HMRC compliance activity in this area has increased

Apprenticeship Levy - connected employer scenario

Scenario:

A group of three connected companies: Company A (pay bill £5m), Company B (pay bill £2m), Company C (pay bill £1.5m). Total group pay bill: £8.5m.

Company A

Pay bill: £5,000,000
Takes the full £3m allowance

Incorrect: £10,000

Correct: allocated share of £3m allowance applies

Company B

Pay bill: £2,000,000
Doesn't pay any levy

Incorrect: Nil (claimed full £3m)

Correct: Nil or proportionate

Pay bill under £3m – but allowance must still be allocated

Company C

Pay bill: £1,500,000
Doesn't pay any levy

Incorrect: Nil (claimed full £3m)

Correct: Nil

Pay bill under £3m

Key point: the £3m allowance is shared once across the group.

An underpayment of £17,500 has arisen overall within the group ($£8.5m - £3m = £5m - £2m \text{ paid} = £3.5m * 0.5\%$)

Employers must agree the split and notify HMRC at the start of each tax year via the EPS.

Making the most of your Apprenticeship Levy

The Apprenticeship Levy becomes the Growth and Skills Levy from April 2026, with the rules of use tightening through the year. Many employers still don't draw down their full entitlement.



Key changes from 2026

Now the Growth and Skills Levy, from April 2026

Funds expire in 12 months (was 24); 10% top-up ends; co-investment up to 25%

16 standards defunded from September 2026; Level 7 closed to over-22s



The tax-smart view

Employer NIC relief on under-25s
A 0.5% "payroll tax" already paid - fund existing staff too

Training is tax-deductible, with no benefit-in-kind charge

SMEs: under-25s fully funded; incentives stack to £6,000



Ways to optimise it

Audit your pot; commit funds before the 12-month expiry

Transfer up to 50% to supply-chain SMEs

More flexible options: eg, AI Leadership Units (30 hrs) and change management capability with our Centre for Innovation and Change

Questions



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