



# **The Spring Statement March 2025 A bookkeeper's view**

***A dedicated report for bookkeepers –  
exclusively for ICB members***

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## Introduction

The 2025 Spring Statement was never supposed to be a big event; indeed it was originally billed as a '[Spring Forecast](#)'. The UK Government had committed to only one major fiscal event a year (the Budget) to give businesses and consumers certainty.

The Chancellor of the Exchequer, Rachel Reeves, was due to acknowledge the OBR's new economic estimates, without much elaboration. However, whilst the event is not as significant as the Budget the fact that it was upgraded from Forecast to Statement indicated that this was going to be more significant than planned.

### Fiscal Rules

The UK Government has self-imposed fiscal rules, all in the name of trying to reassure investors and gain / maintain credibility with financial markets. The two main rules are:

1. Not borrow to fund day-to-day public spending; and
2. Get debt falling as a share of the UK economic output by 2029/30

So, Mrs Reeves was keen to keep to these, always a critic of when these have been breached before, for example the Liz Truss and Kwasi Kwarteng Growth Plan in September 2022.

### The Spending Review

The next significant event for Mrs Reeves is the Spending Review in June 2025 when she will confirm how much money Government departments, Local Authorities and devolved administrations will have for the next three years. 'Phase 1' at UK Budget 2024 set departmental budgets for 2024/25 and 2025/26, with budgets for 2026/27, 2027/28 and 2028/29 following in June's 'Phase 2'.

## Spring Statement Document

Hearing the Chancellor speak is one thing, however, reading the information in full is always better. Shortly after the Chancellor sat down in the House of Commons, the full [document](#) was published on Gov.UK along with supporting documentation which we will outline below.

## Making Tax Digital for Income Tax

Via [February 2025's Agent Update](#), HMRC advised agents that from April 2025 they will be writing to sole traders and landlords who may need to comply with Making Tax Digital for Income Tax (MTD ITSA) from April 2026. MTD ITSA is being phased in from this time for individuals with self-employment and / or property income with two confirmed start dates:

1. From 06 April 2026 where annual turnover exceeds £50,000; and
2. From 06 April 2027 where annual turnover exceeds £30,000

The UK Budget in October 2024 announced that, by the end of this Parliament, it will expand rollout to those with income over £20,000. Timing for this would be confirmed at a future fiscal event.

The Spring Statement, point 2.22, confirms that sole traders and landlords with qualifying income over £20,000 will join from April 2028. So, the revised timetable is as follows:

1. From 06 April 2026 where annual turnover exceeds £50,000;
2. From 06 April 2027 where annual turnover exceeds £30,000; and
3. From 06 April 2028 where annual turnover exceeds £20,000

Further, the HMRC Policy Paper issued alongside the Statement details the groups that will be exempt from MTD ITSA obligations, subject to notifying and satisfying HMRC that they are exempt:

- Where a Power of Attorney exists;
- Non-UK resident foreign entertainers and sportspeople who have no other income sources that count as qualifying income for MTD; and
- Taxpayers where HMRC cannot provide a digital service

Also, the following groups will not be required to join MTD ITSA over the course of this Parliament so that HMRC can prioritise delivery to the majority:

- Ministers of religion;
- Lloyd's Underwriters;
- Recipients of the Married Couples' Allowance; and
- Recipients of the Blind Persons' Allowance

The last announcement is an important update about streamlining the End of Year (EOY) journey for MTD ITSA, recognising that some users of MTD ITSA will have other sources of income that need to be reported in Self-Assessment. Under the previous design, users would use software to submit quarterly updates of their MTD mandated income sources but could choose to use HMRC's online filing service to submit their final tax return. As a simplification, HMRC will now require MTD customers to file their tax return through their MTD software and will be unable to use alternative methods of submission.

### Supporting Documentation

[Modernising the tax system through Making Tax Digital \(technical note\)](#)

## **Making Tax Digital (VAT and ITSA) and Increased Penalties**

Point 2.23 of the Statement says that late payment penalties for Value Added Tax (VAT) taxpayers and ITSA taxpayers as they join MTD from April 2025 onwards will increase. This is to encourage taxpayers to pay on time.

From 06 April 2025, the new rates will be:

- 3% of the tax outstanding where tax is overdue by 15 days; plus
- 3% where tax is overdue by 30 days; plus
- 10% per annum where tax is overdue by 31 days or more

This will impact MTD VAT clients and relevant ITSA taxpayers that receive a late payment penalty.

Supporting Documentation

[Spring Statement 2025 \(policy costings\)](#)

## Direct Recovery of Tax Debts by HMRC

Point 3.20 of the Statement says that HMRC will re-start '*direct recovery*' of tax debts owed by individuals and companies who have the ability to pay but choose not to do so. This is Direct Recovery of Debts (DRD) where HMRC are empowered to recover debts of £1,000 or more, subject to the stipulation that HMRC would have to leave a minimum £5,000 across any person's accounts when using this legislative power.

The government will also explore options to automate the process for collecting lower value tax debts.

The use of the words '*re-start*' means that HMRC have chosen not to use DRD but will now use this again.

## Behavioural Penalty Reform

This refers to the financial penalties that apply when inaccuracies are found in returns and documents submitted to HMRC and where taxpayers do not meet their obligations to notify HMRC of circumstances that affect their tax liability.

At the UK Budget in October 2024, the committed to publish a consultation on options to simplify and strengthen HMRC's inaccuracy and failure to notify penalties. This is complicated and takes into consideration a range of factors including where the non-compliance was:

- Careless;
- Deliberate but not concealed;
- Deliberate and concealed; and
- Prompted or unprompted

The reform consultation seeks views on a new model consisting of two features:

1. A misdeclaration / failure to notify penalty; and
2. A civil evasion penalty reserved for the smaller number of cases where a taxpayer has consciously tried to reduce their tax liability or avoid paying tax altogether

Make no mistake, though, whilst reform might be due, that any reform would still lead to a complicated regime and additional administrative complexity.

Supporting Documentation

[Reform of behavioural penalties \(consultation\)](#)

## Tackling Tax Advisers Facilitating Non-Compliance

Another consultation seeks to look at options to enhance HMRC's powers and sanctions to take swifter and stronger action against professional tax advisers who facilitate non-compliance in their client's tax affairs. The consultation asks for views on a complementary suite of potential measures:

- Expanding information powers against tax advisers;
- Introducing stronger penalties against tax advisers who contribute to the tax gap;
- Publishing details of tax advisers subject to HMRC sanctions; and
- Sharing a greater range of information about tax advisers with their professional bodies

This consultation builds on the October 2024 UK Budget announcements about measures to raise standards in the tax advice market, including requiring tax advisers who interact with HMRC on behalf of a client to register.

The consultation is complimented by another which seeks views on a range of new measures to 'close in' on promoters of tax avoidance.

Supporting Documentation

[Enhancing HMRC's powers: tackling tax advisers facilitating non-compliance \(consultation\)](#)  
[Closing in on promoters of marketed tax avoidance \(consultation\)](#)

## Improving the Quality of Data Declared to HMRC

One of four consultations issued at the Spring Statement was to do with exploring the opportunities for additional information to be reported to HMRC. Whilst the Statement document states that this additional information will help close the tax gap, as the payments are subject to Income Tax, the consultation document is less direct and talks about how improving the quality of data acquired from third parties will help taxpayers get their tax right the first time (whilst also closing the tax gap).

The tax gap refers to the difference between the tax revenue HMRC anticipate receiving and the amount collected if all taxpayers strictly adhered to the law.

This will impact third parties, for example banks and building societies who are required to report interest and other interest payments. Whilst this reporting obligation already exists, the most interesting part of the consultation is that there is the intention for legislation to be reformed to ensure HMRC receive the right data and the right time in a standardised format.

Supporting Documentation

[Better use of new and improved third-party data to make it easier to pay tax right first time](#)

## Individual Savings Accounts (ISAs)

Media speculation before the Spring Statement indicated that Mrs Reeves may choose to reduce the ISA limit from the current £20,000.

However, point 2.65 confirms only that the UK Government is looking at reforms in respect of getting the balance right between cash ISAs and stocks and shares ISAs.

## Criteria Change for Self-Assessment

Currently, one of the criteria for registering for Self-Assessment and sending a tax return is if there is a need to pay the High-Income Child Benefit Charge ([HICBC](#)). This applies if the taxpayer or partner earn adjusted net income over £60,000 (in 2024/25) and either:

- Is in receipt of Child Benefit; or
- Someone is in receipt of Child Benefit for a child living with the taxpayer and they contribute at least an equal amount towards the child's upkeep

Point 3.34 of the Spring Statement says that a new digital service will be available from summer 2025 which will allow employed individuals to report their family's Child Benefit payments and opt to pay HICBC directly through PAYE, without the need to register for Self-Assessment.

## Pensions

There are two pension announcements that the profession is waiting for:

1. As allowed for by [The Pensions \(Extension of Automatic Enrolment\) Act 2023](#), Auto-Enrolment reforms will take place, designed to get more people saving more money. The Act allows for the lower the age threshold for automatic enrolment to be reduced from 22 to 18 and the removals of the Lower Qualifying Earnings Band earnings limit meaning that worker and employer contributions are calculated from the first pound or earnings;
2. The review of the State Pension age, specifically the increase from age 67 to 68. The Pensions Act 2007 legislates for the increase to 67 between 2026 and 2028 and to age 68 between 2044 and 2046. However, the Pensions Act 2014 stipulates that there should be a periodic review of the increase to ensure 'whether the rules about pensionable age are appropriate, having regard to life expectancy and other factors that the Secretary of State considers relevant'. The 2023 [review](#) concluded that the increase to age 67 will still happen as planned by the end of 2028 but bringing forward the increase to age 68 (over the period 2037-2039) will be '[within two years of next Parliament](#)'

The predicted '*spring statement silence*' on both topics provide to be the correct prediction.

## Payrolling Benefits

The Spring Statement was also silent with regards any announcement on an amended timescale for mandating that all taxable benefits and expenses (excluding accommodation and beneficial loans) would have to be processed via the payroll from April 2026.

ICB hopes that there will be an announcement on this but, in its absence, we advise members to prepare their clients.