Tax E-News

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Contact Tax Kings

Email: contactus@taxkings.co.uk
Telephone: 0141 333 1852
Website: www.taxkings.co.uk
Address: 176 Bath Street, Glasgow, G2 4HG

In this issue

Welcome to our round-up of the latest business news for our clients. Please contact us if you want to talk about how these updates affect your business. We are here to support you!

Companies House to bring in changes to accounts filing from April 2028

Companies House will introduce changes to accounts filing due to governmental reforms under the Economic Crime and Corporate Transparency Act 2023 (ECCT Act 2023).

The changes will now come into effect from April 2028, rather than April 2027, to give companies more time to prepare.

The reforms include requiring small companies and micro entities to file profit and loss accounts with Companies House as other companies do. They will have the option to opt out of publishing this information on the public register.

As with Making Tax Digital, companies will be required to file annual accounts via commercial software.

The new rules will introduce additional limitations, including removing the option for companies to file abridged accounts and reducing the number of times a company can shorten its accounting reference period. There will also be a strengthened eligibility statement for all companies claiming an audit exemption and a requirement that the component parts of the accounts and reports be filed together.

Companies House will contact all companies via their registered email address to tell them about these changes and signpost available guidance.

Although transparency and data clarity were prime factors in the planned changes, allowing small companies and micro-entities to opt out of publishing their filed profit and loss accounts protects their privacy and mitigates commercial risks.

Software-only accounts filing

From April 2028, Companies House will require all UK-registered companies to file their accounts in Inline eXtensible Business Reporting Language (iXBRL) format by using commercial software. This applies to companies that file their own accounts and those using third-party agents or accountants to file their annual accounts. Web and paper-based filing systems will be closed for account filings.

The full details of changes will be confirmed in due course but are likely to increase the operating costs of small businesses.

To select a software provider, Companies House recommends using the interactive list of software providers on GOV.UK.

https://www.gov.uk/software-company-accounts

How can you make AI work effectively for your business?

Artificial Intelligence (AI) continues to make headlines. Anthropic, the company behind chatbot Claude, has filed paperwork in the US to go public. At its last valuation, the company was worth £717 billion.

AI news is not all positive, though. For example, Instagram’s AI chatbot is reported to have been tricked by hackers into gaining access to other people’s accounts.

The BBC ran a feature article last week showing that many businesses seem to be confused about how best to roll out AI.

In some cases, it seems firms are prioritising the use of AI just so that they can say they are embracing it. Other businesses are looking for staff to use AI but are not always clear on why they are adopting it and how they expect to benefit.

Businesses could be wasting effort and missing out on potential gains. What are some practical suggestions you could use in your business to make sure that AI is working for you?

1. Define your objectives

First, consider what your reason for using AI is.

Are you looking to increase profitability so that you can sell the business? Are you trying to reduce time spent on low-value tasks to increase availability for higher-value tasks?

The clearer you are about why AI is important to your business, the more focused you will be in picking AI tools and promoting their use in ways that will benefit your business.

2. Map your processes before you automate them

Before reaching for an AI tool, document what your current processes actually look like.

If a process is already inefficient or poorly defined, using AI to automate it will often only produce inefficient or poor results faster.

Take time to map out the steps of a process and identify where the bottlenecks are. Then ask whether AI is the right solution or whether a simpler fix might do the job just as well.

3. Start small and measure everything

Pilot AI tools in one team or on one specific task rather than rolling them out across the whole business all at once.

Set clear criteria for what you are expecting to achieve before you begin and then evaluate honestly whether the results justify wider adoption.

What does success look like in concrete terms? Is it hours saved, error rates reduced or revenue generated? If you cannot measure it, you cannot know whether it is working.

4. Get staff onboard

If staff do not understand why a tool is being introduced or how to use it, it is unlikely they will use it effectively.

Anyone using AI tools should be given training on the ethics and risks of using AI, including its limitations. For instance, AI tools can exhibit bias and hallucinate information. They are also designed to flatter the user rather than provide objective information.

Involve staff early in identifying where AI could genuinely help them and make training practical and relevant to their actual role. Staff will be reluctant to use AI if they believe an AI tool is there to replace them, so be clear that the goal is to make their working lives easier, and not to replace them, if that is the case.

5. Assign clear ownership

Someone in the business needs to be responsible for your AI strategy. Without that role being looked after, tools get adopted inconsistently and they are not evaluated properly.

It does not need to be complicated. You might simply need to assign a senior person to take responsibility for reviewing what tools are in use, what they are costing and what they are achieving.

6. Review regularly and be willing to stop

AI tools, like any other business investment, should be reviewed periodically. What made sense 12 months ago may no longer be the best option.

Build in a regular review, quarterly or twice yearly, where you honestly assess which tools are earning their place and which are not.

7. Keep human judgment in the loop

AI can process information, generate options and surface patterns that humans might miss. What it cannot reliably do is exercise judgment, take accountability, or understand the nuances of your customer relationships and business culture.

Make sure that important decisions still involve a human who understands the context, and that your team knows when to trust the AI output and when to question it.

Conclusion

The businesses that will get the most from AI are not necessarily those that adopt it earliest or most enthusiastically. They are the ones that have the clearest view about what problem they are solving, the most disciplined about measuring results, and the most honest when something is not delivering.

Continue to treat AI as you would any other significant business investment, with curiosity, rigour and a healthy dose of scepticism.

AI chatbot for government queries

The government has made a new Artificial Intelligence (AI) tool available on the GOV.UK app called GOV.UK Chat. It draws on official government guidance, including tax, to answer questions.

According to the government press release, GOV.UK Chat is an Artificial Intelligence (AI) chatbot designed for people to ask questions in plain language and receive instant, clear and 'reliable' answers drawn from official government information. The aim is to reduce demand for helpline services and speed up searches for information on the GOV.UK website.

Users of the AI chatbot will be able to get answers on a range of subjects, including tax. It is important to note GOV.UK Chat has limitations. While it uses HMRC guidance on the GOV.UK website to source answers to tax questions, it does not source information from HMRC's manuals.

This makes it unlikely to be useful beyond answering basic tax questions.

Businesses should also be aware that GOV.UK Chat is only available on the GOV.UK app. This means any use by your staff that is related to your business will likely be on their personal devices using personal logins, which could raise privacy and data security concerns.

Additionally, as with any AI tool, the answers given may not be accurate or complete and 'hallucinations' can cause AI tools to present incorrect responses as fact.

Watch out, watch out, HMRC’s about

“Owners of dodgy shops that are evading tax: we are coming for you,” said Dan Tomlinson, Exchequer Secretary to the Treasury, as he announced that HMRC will make 30,000 high-street ‘interventions’ in the coming year as part of an initiative to tackle tax fraud and illegal activity.

Effectively, it is an aggressive campaign against vape shops, barbers, sweet shops and convenience stores from being used as fronts for criminal activity.

“Too many high streets have been blighted by illegal activity that harms local communities and undercuts honest businesses, and we’re determined to fix this. This is a sustained, nationwide effort, and HMRC and its partners will use every power available to dismantle these criminal networks,” added Mr. Tomlinson.

The new 350-strong team of criminal investigators to tackle evasion by small businesses, announced during the Autumn Budget 2025, has now been recruited.

To illustrate the work this team is carrying out, unannounced visits were made to six souvenir shops in central London last week involving representatives from HMRC, Home Office Immigration Enforcement, Westminster Council Trading Standards and the Metropolitan Police.

As a result, HMRC will continue tax compliance enquiries, the Home Office made three arrests for immigration-related offences and Trading Standards seized goods worth £5,433.

Businesses and activities that are being targeted include:

- Cash-intensive businesses that may be associated with illegal activity.
- Businesses engaged in money laundering and in breach of National Minimum Wage rules.
- Businesses selling illicit goods such as vapes and tobacco.
- Rogue directors who repeatedly shut businesses and reopen elsewhere (phenoxism).

- Providers and users of electronic tools that manipulate sales records to launder money or suppress sales at the till.

Only 20% of small businesses use AI regularly

A new report has revealed that only one in five small businesses use Artificial Intelligence on a regularly. Of those that did, they were dominated by telecom and technology companies.

Based on a survey of 1,320 ‘micro’ and small businesses, the ‘UK SME Digital and AI Adoption: The state of play in 2026’ report found that only six per cent have embedded AI into their daily work.

The report was compiled by Enterprise Nation’s Tech Hub in partnership with Google, Sage, Dell Technologies and Square.

How the technology was viewed varied across geographic areas and the size of the company. It also offered contradictory data. Although only 21% of those surveyed used AI regularly, 57% described themselves as highly or moderately digital.

In terms of sector, 74% of information and communication businesses used AI to some degree, while only four and one per cent, respectively, for the construction and agricultural sectors.

Of those firms that had adopted AI early, 65% said their use increased in the past year. The report concluded that early adopters were likely to pull ahead of competitors.

The report warned that the smallest businesses were at the greatest risk of being left behind, with only 34% of one-person businesses using AI at all. Sixty-eight per cent of companies with 50-249 employees, on the other hand, did use AI.

When asked about what held them back from adopting AI:

- 53% said cost.
- 46% cited lack of skills.
- 38% had concerns about privacy and data.
- 37% had a lack of time.

In geographic terms, 30% of London and 27% of Scotland’s Small to Medium-sized Enterprises (SMEs) used AI regularly, compared to only 10% in the North East of England and 6% in Northern Ireland.

A PDF copy of the report can be found at https://a.storyblok.com/f/102007/x/ec83d6c6a3/digital-and-ai-adoption-among-uk-smes.pdf

Fit note system to be overhauled

The government has launched four new pilots as it looks for the best way to reform the fit note system for workers who fall ill.

The pilots will last up to a year and cover up to 100,000 appointments. A variety of methods are being explored so that the current fit note system will eventually be replaced by personalised ‘stay in work’ and ‘return to work’ plans.

According to published government information, only three out of ten Healthcare Professionals in Primary Care consider fit notes to be a good use of GPs time. Six in ten employers think the current process is ineffective at supporting their employees’ work and health needs.

During the pilots, patients will be offered either an initial fit note from a GP and then referred to community health workers or will instead be supported by a separate service staffed by clinical and non-clinical practitioners without an initial fit note from a GP.

A range of work and health support will be provided. This could include three-way conversations between patients, employers, and trained professionals that cover reasonable adjustments and keep people connected to their workplace.

The areas covered by the new pilots are Birmingham and Solihull, Coventry and Warwickshire, Cornwall and the Isles of Scilly, Lancashire and South Cumbria.

Findings from the pilots will inform decisions and legislation for reforming the fit note system.

Need advice? Contact Tax Kings on 0141 333 1852 or email contactus@taxkings.co.uk.