

## HMRC Crypto Enforcement

**A recent Financial Conduct Authority survey found that 12% of UK adults own cryptoassets.** This equates to 7 million of the UK population as opposed to a mere 2.2 million back in 2021.

It has taken HMRC awhile to catch up with how to enforce the UK tax regulations regarding crypto activity.

They, along with 47 other tax jurisdictions, have now got their act together to keep both crypto traders (CT) and crypto exchange platforms (CEP) in line by signing up to the Crypto Asset Reporting Framework.

From January 2026 onwards anybody involved in crypto trading will have to inform CEP of their name, address, date of birth, national insurance number or tax reference and tax residence. The CEP will then be obliged to send a report, by January 2027, to the tax jurisdiction it is deemed to be resident in, providing that information along with details of crypto trading activity carried out by that person. Similar details will be gathered in respect of businesses involved in the crypto trade. This information will then be passed across to the relevant tax authority if that CT is not resident in the same jurisdiction as the CEP. Failure by either the CEP or the CT to provide the correct information will result in penalties being imposed. This will happen on an annual basis.

**Adding to this ramping up on the compliance front, you will have noted that for the first time HMRC included a separate reporting section around crypto assets within the body of the 2024/25 Tax Return.**

**More than ever, the onus is on the CT to keep proper crypto records to enable tax compliance.**

**There are a plethora of cryptocurrency portfolio tracking apps which track transactions across a number of CEPs.** For example Koinly, Coin Tracker, TaxBit, Crypto Tax Calculator, Bitcoin Taxes, and Accounting to name but a few. If used properly these tracking apps should be able to keep a record of purchases, sales, trades, gifts and staking rewards across the CEPs.

Added to that some CEPs allow you to download CSV files at the time showing the trading activity which can be kept in a secure place. Screenshots of any transactions may also make sense. The secure retention of the private key which provides access to the blockchain will also help on the record keeping front.

Keeping a separate bank account monitoring the comings and goings in and out of sterling/ US dollar would also be sensible rather than mixing it through your normal bank account.



### TIP...

If you need help of any kind to comply with the UK tax rules please do not hesitate to contact us. We are here to help.

## Executors - The Heightened Responsibility

**Executors of deceased estates already have a heavy burden placed on their shoulders when dealing with the administration process.**

- ⊕ Tidying up the deceased's tax affairs to the date of death.
- ⊕ Applying for probate (Confirmation in Scotland).
- ⊕ Obtaining valuation of assets and liabilities as at the date of death.
- ⊕ Completing estate returns and paying over any tax arising from income and capital gains during the course of the administration period.
- ⊕ **Checking the inheritance tax (IHT) position and, where applicable, completing the relevant IHT forms within 12 months of the death.**
- ⊕ **Paying over the IHT within 6 months of the deceased's demise to ensure interest charges and possibly penalties are not being imposed.**
- ⊕ Ensuring that all liabilities related to the estate are met.
- ⊕ Distributing assets and income to the beneficiaries during and at the end of the administration period in line with the deceased's Will.

**However, in future, greater pressure is going to be put on the executor where the deceased has one or more of the following:**



- a) Agricultural property or land used for agricultural purposes.
- b) A trading business.
- c) Unused funds in a pension pot.

**In the case of a) and b) above, in broad terms, if a person dies after 5th April 2026 and the value exceeds £2.5 million, the excess above that threshold may be liable to 20% IHT.** This is likely to trigger HMRC enquiries on the valuations of these assets which could result in IHT amendments and the extension of the administration period whilst matters get resolved.

**As regards c) above, with the exception of death in service benefits, defined benefit schemes and pensions transferred to surviving spouses/civil partners, all unused pension pots will fall within the scope for IHT from April 2027.**

**From that date, executors will be required:**

- ⊕ To notify all the pension schemes of the death and obtain the pension fund value along with details of all the non-exempt beneficiaries and their stake in that pension pot.
- ⊕ To work out the total IHT liability, splitting that figure between the free estate and that relating to each pension fund as well as calculating the IHT per pension scheme beneficiary (PSB) and notifying all parties concerned. Once the pension beneficiaries are known they become joint and severally liable, along with the executor, for their share of the inheritance tax.

**The options to pay the inheritance tax relating to the pension pot will be:**

- a) The executor pays it out of the free estate and then claims the pension component back from the PSBs.
- b) The PSBs direct the pension scheme to pay their share of the IHT over direct to HMRC.
- c) Once the PSBs receive their entitlement from the pension fund, they pay the IHT direct to HMRC.

Executors can direct pension scheme administrators to withhold a proportion of the pension while the estate is administered. Executors will be able to ask the administrators to withhold 50% of the taxable pot for up to 15 months, and to pay any IHT due on those assets in certain circumstances.

Secondly, executors will not be liable for any IHT arising on pension pots discovered after clearance has been received – provided that HMRC are satisfied that they have made every effort to locate the deceased's pensions.

**It will be imperative for the executors to liaise with both the pension fund and the PSBs on a regular basis to ensure that any IHT compliance is met.** The tight 6 month timeframe for paying over the IHT before interest charges arise will certainly test executors to the limit to achieve that deadline.



If you need any help with dealing with the administration of an estate please do not hesitate to contact us.

## Reward Employees Through PSA

Many employers find it annoying that when providing gifts or benefits to their staff, especially as a recognition of the services they have provided, it can trigger a tax charge and national insurance charge on the individual concerned.

**One option to circumvent this problem is for the employer to enter into a PAYE Settlement Agreement which enables the employer to pick up the tax and national insurance (NI) tab on behalf of the employees.**

**The PSA can be used to meet all the liabilities on minor, irregular or impracticable expenses or benefits.**

**'Minor'** could be a gift for a significant event such as marriage or a new child or for telephone bills.

**'Irregular'** is an expense or benefit paid out at irregular intervals making it difficult for an employer to keep track of and report on. Examples might be - use of the business holiday home or relocation expenses which exceed the £8,000 exemption limit.

**'Impracticable'** is where it might be difficult to place a value on it or divide it between employees. For example attendance at a corporate hospitality box or shared taxis.

You can apply for a PSA online as late as 5th July following the tax year to which you want it to apply.

Once approved, on an annual basis, the employer completes form PSA 1, providing details of the value of the benefits and expenses concerned, the number of employees involved and the tax rate applicable in each case, along with a calculation of the tax and NI due. If the employee's income is so low that it is covered by their personal allowances, there will still be tax at the 20% rate to be applied to their share of the expenses/benefits. This should be paid across to HMRC by 22nd October (19th October if by post) following the end of the tax year.

**The PSA rolls forward to the next year unless you want to cancel or there has been a change of circumstances.**



If you would like help in applying and implementing a PSA please do not hesitate to contact us.



## Tax Year End Considerations



What might you want to think about as we approach the end of this tax year on 5th April 2026?

⚙️ If you own shares in your company, with the dividend tax rate increasing by 2% post 5th April 2026, **is it worth making a dividend distribution prior to that date?**

⚙️ **Review your state pension history over the previous 6 years** and consider making voluntary national insurance contributions to fill in any gap years.

⚙️ Have you gifted away £3,000 in this tax year to make use of your inheritance tax (IHT) annual exemption resulting in an immediate tax saving of £1,200?

⚙️ With the negative changes to the IHT rules regarding business/farming assets from April 2026 and pensions from April 2027, plus the continued freezing of the IHT relief thresholds, **would it be beneficial to review your IHT position and, where applicable, start planning now to mitigate any future IHT liability?**

⚙️ After taking the appropriate qualified IFA advice **is it worth restructuring your investment assets especially in light of the 2% tax rate increase, not only on dividends from April 2026 but also on savings and rental income from April 2027?** For example topping up your Individual Savings Account, investing in capital growth assets and, as regards a married couple or civil partnership where one of you falls within a higher tax bracket, considering re-directing the income generating investments to the lower taxed individual so that you minimize your overall tax liability.

⚙️ **Do you have two or more employments? If so have you reviewed to see if you have paid, in aggregate, too much employees national insurance (NI) for this current year and therefore request a repayment?** If this is to continue into the next tax year why not ask HMRC to notify the second employer to deduct employees NI at a rate of 2% from 6th April 2026.

⚙️ **Have you made use of your capital gains tax (CGT) annual exemption of £3,000 this year?** This is worth a CGT saving of up to £720.

⚙️ **Do you have a family member who looks after your child whilst you go to work and you claim child benefit?** Subject to the level of your earned income, have you considered transferring your child benefit entitlement to state pension for this year to your family member thereby enhancing their pension provision whilst ensuring that you have not missed out on that front too?

⚙️ **If you are self-employed and/or a property landlord will you be caught by Making Tax Digital from April 2026?** If so are you ready to meet the heightened compliance aspects regarding this?



### ⚡ TIP...

These are just some considerations which spring to mind as the tax year comes to an end. If you would like an end of year review tailored towards your circumstances, please do not hesitate to contact us.



### We are here to help

We can help you by ensuring that you're aware of the changes that will affect you, your family and your business. To find out more about the ways that we can help you, do not hesitate to contact us.

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