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TAXTANGLE

Newsletter 10/8/26

This is 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!

contact us

Date of Budget 2026 announced

The Chancellor of the Exchequer, John Healey, has announced that Budget 2026 will be presented on 28 October 2026.

Announcing the date, the Chancellor said that the Budget will ‘move money and power out of Westminster, and into every postcode around Britain’.

He also stressed that the government would continue to meet its fiscal rules, adding that the Budget would provide businesses and families with the stability they need to plan for the future.

Alongside the Budget, the Office for Budget Responsibility (OBR) will publish its latest economic and fiscal forecast, reflecting its assessment of the government’s plans.

We will provide full coverage and analysis of the Budget announcements as details emerge.

In the meantime, if you have any concerns about how you may be affected by existing or proposed tax measures, please get in touch. We will be happy to discuss your circumstances and help you understand the implications.

Why every business needs a 12-month profit improvement plan

Many businesses start the year with ambitious sales targets. The problem is that increased sales do not always translate into increased profits.

To overcome this problem, a structured 12-month profit improvement plan provides you with an opportunity to examine the factors that drive the financial performance of the business. You can then assess where targeted changes will deliver the greatest return.

Starting with the current position

Effective profit planning begins with a detailed understanding of how the business is currently performing.

This typically involves reviewing:

- Sales by product or service line.
- Gross profit generated by each area of the business, or for each revenue stream.
- Customer profitability.
- Overhead costs and operating expenditure.
- Overall net profit performance.

This analysis will often highlight some significant variations in profitability across different parts of the business. While some products, services, or clients generate strong returns, other may contribute comparatively little despite accounting for a sizeable proportion of revenue.

Understanding these differences gives you a solid foundation for the next step.

Look beyond historical results

While the accounts explain what has happened, profit planning focuses on what could happen.

A key part of the planning process involves modelling different scenarios to assess their potential impact on profitability.

Examples might include:

- What happens if sales volumes increase by 10%?
- How is profit affected if prices are given a modest increase?
- What's the difference to the bottom line if there is a 2% increase in gross profit margins?
- What happens if a greater emphasis is put on selling higher-margin products or services?
- Is there a big impact on profit if you discontinue selling low-margin products or services?

By flexing both sales and gross profit assumptions, it becomes possible to estimate how different strategies will impact profitability.

<u>Understanding the power of margin improvement</u>

Relatively small improvements in gross profit margins can sometimes deliver greater benefits than substantial increases in sales.

For example, a business generating £1 million of annual sales at a gross profit margin of £300,000.

If turnover increases by 10%, gross profit rises to £330,000.

Alternatively, if turnover remains unchanged but the gross profit margin increases from 30% to 33%, gross profit also rises to £330,000.

When both factors improve simultaneously, the effect can be even more significant.

Modelling both sales and margin improvements can help you identify where effort will generate the greatest financial return.

<u>Translating numbers into action</u>

The value of a profit improvement plan lies not in the forecasts themselves but in the actions that the plan prompts you to take.

Depending on the outcome of the analysis, the goals you might set could include:

- Sales growth
    - Developing existing customer relationships.
    - Increasing customer retention.
    - Targeting new markets.
    - Expanding higher-margin service offerings.

- Margin improvement
    - Reviewing pricing policies.
    - Reducing unnecessary discounting.
    - Improving purchasing arrangements.
    - Enhancing operational efficiency.

- Product and service mix
    - Increasing focus on higher-performing revenue streams.
    - Reviewing underperforming products or services.
    - Reallocating resources towards more profitable activities.

Review and adjust

By connecting financial targets with practical initiatives, the plan becomes a management tool rather than simply a budgeting exercise.

Regular reviews can help you to make sure that the business is staying on track with your targets.

As you compare the actual results against your projections you will see what is working well, where adjustments may be needed to maximise the opportunities you identified during the planning process, and where a plan is not working and needs to be abandoned.

A more focused approach to growth

Profit improvement is rarely the result of a single initiative. More often, it comes from a series of targeted decisions that collectively strengthen financial performance.

A structured planning process helps you to focus on the numbers that matter the most. By analysing current sales lines, assessing gross profit contribution and modelling the impact of potential changes, you can build a realistic roadmap to increased profitability over the next 12 months.

If you would like help putting your 12-month profit improvement plan together, please give us a call. We'd be happy to help you!

Recovering from a cyber attack

The National Cyber Security Centre (NCSC) have new response and recovery guidance that can provide a framework for dealing with a highly disruptive cyber incident and its aftermath.

Anyone who has experienced a cyber-attack in their business will know that there is an emotional toll in addition to recovery work that can take weeks or even months.

The NCSC guidance is divided into three sections, and considers:

- The immediate activities that should be undertaken in the first few hours of an incident happening.
- How to set up and run a recovery programme and its supporting activities during the first few days, and potentially weeks.
- The organisational rebuild phase as the business begins to recover its processes and get back to business as usual.

Immediate activities

The guidance emphasises the key role of leaders in setting a calm, professional tone from the outset. While the first response is often highly emotional, maintaining composure and focus will improve decision making and reduce how much leverage an attacker can exert.

Recommended actions for the first hours after an attack include:

- Establish an incident command structure.
- Secure the services of an NCSC-assured cyber incident response (CIT) provider.
- Decide whether to disconnect or shut down systems.
- Incident triage: establishing the current operational state.
- Identify and complete any immediate regulatory or other requirements.
- Report the incident to the NCSC.
- Establish a central record to log and share situational awareness.
- Establish communications with key stakeholders.

Recovery and ongoing investigations

Once confident that the attacker has been evicted from the network, the recovery process can start. The NCSC guidance warns that this can take longer than expected.

It is recommended that recovery is run as a formal programme, with clear structure, ownership and decision-making authority. The guidance sets out what this can look like.

Rebuild

As a business moves beyond crisis response and business gets back to normal, the rebuild phase is about strengthening the business so it is better prepared for the future.

Because cyber incidents can place heavy demands on people, it is also important to provide the staff involved with time and support so that they can recover.

The guidance provides ideas on what business leaders can do and the areas that may need attention.

To review the guidance in full, see: https://www.ncsc.gov.uk/collection/what-to-do-when-cyber-attacks-disrupt-your-organisation/recovering

AI pricing leaves businesses struggling to predict costs

According to a BBC report, businesses investing in Artificial Intelligence (AI) are finding it increasingly difficult to predict what their technology bills will look like, as reliance on AI increases.

Software purchasing is generally straightforward in that businesses typically pay a fixed monthly or annual fee based on the number of users or licences required. However, AI charges are increasingly being linked to usage rather than simple subscriptions.

Many AI tools are priced according to “tokens”, the units used to measure how much information is processed used by an AI model. While this may make sense to an AI provider, for businesses it can be difficult to estimate how many tokens employees will consume in normal day-to-day use.

As AI systems become more capable, the problem becomes more pronounced. New AI “agents” can carry out multi-step tasks. A user might only make a single request; however the system could perform numerous tasks in the background. This makes the eventual costs even harder to predict.

Some organisations are finding that staff are using up tokens more rapidly than they anticipated. This uncertainty has prompted them to monitor AI more closely and reassess which tools are providing them with the best value for money.

Businesses that increasingly use AI for their own processes will also need to consider how they pass on the costs to their own customers. This can be challenging when the costs are fluctuating from month to month.

Many smaller businesses are currently able to use flat fee accounts, which avoids unpredictability. However, Goldman Sachs is forecasting that between 2026 and 2030, token consumption will increase by 24 times. As a result, AI firms are likely to come under increasing pressure from their shareholders to raise their fees.

For businesses then, the current challenge is not just whether to adopt AI, but also how to ensure that its benefits outweigh what could become an unpredictable bill.

See: https://www.bbc.co.uk/news/articles/c872r52x7jgo

Playday: HMRC remind parents to use the Tax-Free Childcare Scheme

HMRC is using Playday, the national day for play, to remind working parents about the Tax-Free Childcare scheme, which can help eligible families meet the cost of nurseries, childminders, holiday clubs, breakfast clubs and after-school clubs.

The campaign may also be of interest to employers in supporting working parents and improving employee wellbeing, particularly during school holiday periods when childcare costs can be a significant financial burden.

Families can save up to £2,000 per child

Under the scheme, the government adds £2 for every £8 paid into a Tax-Free Childcare account, providing support of up to £2,000 per year per child. The maximum increases to £4,000 per year for a disabled child.

Families can receive up to £500 worth of top-up money (£1,000 for a disabled child) every three months.

Parents can open an account for each eligible child and use the funds to pay approved childcare providers. According to HMRC, nearly 75,000 childcare providers are now registered to receive payments through the scheme.

Approved childcare includes nurseries, childminders, holiday clubs, breakfast clubs and after-school clubs.

While Tax-Free Childcare is often associated with younger children, HMRC reports that use of the scheme for children aged eight and over has increased by more than 20% compared with the previous year.

Eligibility

Families may qualify if they:

- Have a child aged 11 or under, or a disabled child aged up to 16.
- The parent and their partner (if they have one) earn, or expect to earn, at least the National Minimum Wage or Living Wage for 16 hours a week, on average.
- Each earn no more than £100,000 a year.
- Do not receive Universal Credit or childcare vouchers.

Once an account has been opened, funds can be used immediately or saved for future childcare costs, and unused money can be withdrawn at any time.

Tax-Free Childcare can be used alongside government funded childcare hours, if eligible.

To find out more and apply, see: https://www.gov.uk/tax-free-childcare

ICO raids properties in crackdown on nuisance car finance marketing

The Information Commissioner's Office (ICO) has carried out searches at residential and business premises across the UK as part of an investigation into suspected nuisance marketing linked to car finance mis-selling claims.

The ICO say that they have received more than 12 million complaints about nuisance text messages relating to car finance mis-selling claims since September 2025.

Search warrants were executed on 29 July 2026 at properties in Bolton, Burnley, Liverpool, London and Swansea linked to five companies that are under investigation. Investigations are ongoing, however the ICO believes the businesses may have been responsible for sending a combined 170 million marketing text messages between September 2025 and May 2026.

The operation formed part of a joint initiative involving the ICO, Financial Conduct Authority (FCA), Advertising Standards Authority (ASA) and Solicitors Regulation Authority (SRA).

The ICO have said that the investigation should serve as a reminder to businesses involved in direct marketing that they must comply with the Privacy and Electronic Communications Regulations (PECR). These rules govern the use of electronic marketing communications, including text messages, emails and telephone calls.

Andy Curry, the ICO's Head of Investigations, said the regulator was responding to public frustration over unwanted marketing communications and warned that firms failing to comply with the law could face enforcement action.

The ICO has the power to obtain court warrants to search premises as part of investigations under PECR. Evidence can be seized during these investigations, including laptops, mobile phones and SIM farms.

See: https://ico.org.uk/about-the-ico/media-centre/news-and-blogs/2026/07/multiple-properties-searched-across-uk-after-millions-of-car-finance-complaints/

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