NEWS ROUND-UP

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HMRC MOVES TO DIGITAL CORRESPONDENCE

HMRC will stop sending most paper letters from spring as it accelerates its shift to digital communication.

Email alerts will replace automatic postal letters, directing taxpayers to view new documents in their personal tax account or the HMRC app. The change is part of HMRC's digital by default plan, which aims for 90% of interactions to be online by the 2029/30 tax year and is expected to save £50 million per year in print and postage costs.

Only taxpayers who are digitally excluded, or those who actively opt out, will continue to receive letters by post. HMRC confirmed that anyone already using the HMRC app or a personal tax account will be among the first to move to digital notifications. When logging in, they will be prompted to provide or confirm their email address or mobile number.

These details will be used solely to alert users that new correspondence is available in their online account.

HMRC stressed that taxpayers who do not use digital services will continue to receive paper letters. Safeguards will be in place to ensure that the elderly and those with disabilities can rely on traditional communication if needed.

Legislation in the Finance Bill 2025/26 will give HMRC the power to require digital contact details from users of its online services. The rollout will begin in spring 2026 and expand gradually as systems are updated.

HMRC states that the change will free staff to support those who most need help, while enhancing the speed and reliability of communications. Paper versions will remain available and must meet the same clarity standards as digital formats.

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HMRC RESUMES DIRECT DEBT RECOVERY FROM FIRMS

Firms urged to settle overdue tax swiftly as some companies across the UK have begun receiving letters from HMRC.

HMRC is warning that the tax authority may exercise its revived powers to recover overdue tax directly from their bank or building society accounts.

These letters mark the first wave of firms contacted under the revived Direct Recovery of Debts (DRD) process. HMRC paused DRD during the COVID-19 pandemic but reinstated it earlier in 2025, entering a "test and learn phase." The renewed use remains tightly controlled and is initially limited to a small number of businesses.

Under DRD, HMRC may recover tax debts of £1,000 or more directly from eligible accounts, provided the debt is firmly established, the appeal windows have passed, and other recovery methods, including repeated contact attempts, have been unsuccessful. Before funds are seized, HMRC will conduct a face-to-face visit to confirm identity, explain the debt and discuss alternative options such as a payment plan.

Businesses that receive such a letter — or suspect they might soon — should consider contacting HMRC promptly to arrange a "time to pay" agreement and avoid direct recovery.

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SIX-MONTH THRESHOLD FOR UNFAIR DISMISSAL APPROVED

After months of dispute between ministers and peers, the Government has accepted a six-month qualifying period before most employees gain protection from unfair dismissal.

The move clears the way for the Employment Rights Bill, following the House of Lords' opposition to plans to introduce unfair dismissal rights from the first day of employment. Currently, staff generally need two years of continuous service before they can bring an unfair dismissal claim, so the six-month threshold still represents a significant expansion of rights.

The compromise follows extended talks with employer groups, unions and other stakeholders. Under the agreement, the unfair dismissal provisions in the Bill will be scaled back, allowing it to reach Royal Assent on schedule and keep the Government's timetable for wider reforms.

From April 2026, statutory sick pay and paternity leave are set to become day-one rights, alongside the launch of the new Fair Work Agency. Ministers argue that millions of workers, including many on low pay, will benefit, while warning that delays to the Bill would have pushed these measures back.

Business representatives have also emphasised that employers require time to adjust their policies, systems and contracts to the new regime. Smaller organisations, in particular, are expected to review their recruitment, probation and performance management arrangements over the next two years.

The six-month qualifying period for unfair dismissal is not expected to take effect before 2027, based on previous Government statements. Further guidance is likely to be provided once the Bill has completed its passage and secondary legislation is published.

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NATIONAL LIVING WAGE AND MINIMUM WAGE TO INCREASE

The Government has confirmed significant wage increases for workers from 1 April 2026. The national living wage (NLW) will rise by 4.1%, reaching £12.71 per hour for those aged 21 and over.

This increase will benefit around 2.4 million low-paid workers, adding £900 to the annual salary of a full-time worker.

Meanwhile, the national minimum wage (NMW) will rise by 8.5%, reaching £10.85 per hour for 18 to 20-year-olds. This will provide a £1,500 boost for full-time workers, further narrowing the gap with the NLW and progressing towards a unified adult rate. The NMW for 16 to 17-year-olds and apprentices will also increase by 6%, to £8 per hour.

While trade unions welcomed these pay rises, they will also add pressure on businesses, which are already burdened by the £24 billion increase in employers' national insurance, effective from April 2025.

Paul Nowak, general secretary of the TUC, praised the wage increase as a positive step towards addressing the high cost of living. However, Rain Newton-Smith, CEO of the CBI, expressed concerns about the ongoing tax burden on businesses, warning that the economy risks stagnating if further short-term measures are taken without addressing long-term growth.

Talk to us about your staff costs.

WANT TO TALK TO AN EXPERT?

If you've found the topics covered in this report to be of interest or you would like to delve deeper into any of them, we welcome the opportunity to engage in a more detailed discussion with you. Our team of experts is always keen to share insights, and we're confident that a conversation with us can provide valuable perspective.

We are also well-positioned to update you on the latest trends, opportunities and challenges in the business world. As we all know, staying ahead of the curve is vital in today's fast-paced business landscape, and we're here to help you navigate it successfully.

If you're considering getting extra support, we invite you to explore the comprehensive solutions we offer.

To schedule a meeting or to get more information, please don't hesitate to contact us.

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