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Tax Savings Review

Prepared for Hallam Precision Engineering Ltd · October 14, 2026

SUMMARY

We reviewed the 2024/25 return and related information and identified 6 opportunities we recommend discussing with you, with a combined estimated benefit of about £171,925. Each item below explains what it is, why it may apply to you, and what we suggest as a next step. Figures are estimates and depend on facts we will confirm together. Amounts are in pounds sterling.

6

opportunities identified

~£171,925

combined estimated benefit

2024/25

return reviewed

Thank you for letting us take a second look at the company's return for the year to 31 March 2025. One item can still be recovered for that year through an amended return before 31 March 2027, two further items follow from it, and three planning moves are worth setting up before the next year end. Nothing here is urgent this week; we will manage the deadlines with you.

Opportunities

1 **Full expensing on the £410,000 of new CNC machinery** ~£72,500

The new CNC machinery bought in September 2024 qualifies for a 100% write-off in the year of purchase rather than the 18% a year that was claimed, provided the machines were bought new and unused. Because the return for the year to 31 March 2025 can still be amended until 31 March 2027, we can revise the capital allowances claim to take the full £410,000 now, which on the figures would wipe out the corporation tax paid for that year and leave a small trading loss to use elsewhere.

We would need to check the purchase invoices and confirm none of the equipment counts as an integral feature or long-life asset, which is written off at a different rate.

SUGGESTED NEXT STEP

We prepare the amended CT600 and the revised capital allowances computation; you confirm from the invoices that the machinery was new and unused.

2 **Carrying back the loss the allowances create** ~£11,550

If the full first-year deduction for the new machinery is claimed rather than the smaller annual write-down, the deduction is larger than this year's profit, which turns the year to 31 March 2025 into a loss for tax. A loss can be set against the previous year's profits as well, which would bring back tax already paid for that earlier year as a repayment.

We can test the previous year's figures and, if there were profits to absorb it, file the amended return together with the loss claim before the deadline of 31 March 2027.

SUGGESTED NEXT STEP

Claimed on the same amended return, with the repayment and interest requested in the covering letter.

3 **Taking the dormant subsidiary out of the associated-company count**

~£1,875

Your dormant subsidiary currently halves the profit thresholds at which the lower rate of corporation tax applies, even though it does nothing.

Because a company that carries on no trade or business at all is left out of that count, we could correct the entry on an amended return for the year to 31 March 2025, filed together with the machinery allowance claim, so that the corrected profit is measured against the full thresholds; going forward the subsidiary can either be kept strictly dormant with signed annual confirmations, or closed down once anything of value in it, such as a name or patent application for the coating process, has been moved across.

The thresholds matter only when profits fall into the band between the two limits, so the benefit of this point on its own is modest and depends on the allowance claim succeeding.

SUGGESTED NEXT STEP

We confirm Hallam Coatings Ltd carried on no business in the year and correct the count on the amended return.

4 **Employer pension contributions for both directors in place of dividends**

~£50,000

Instead of taking the whole of your profit out as dividends, the company could pay pension contributions for each of you directly into a registered pension scheme. The company gets a deduction against profits taxed at up to 26.5p in the pound, there is no National Insurance on either side, and you pay no dividend tax on the amount diverted, so on current figures the combined saving could be in the region of £50,000 a year.

Because you may also be able to use unused pension allowance from the three earlier tax years, we should first check with your pension provider which years you were a scheme member and how much room is left, and the money must actually leave the company's bank account by 31 March 2027 to count against that year's profits.

SUGGESTED NEXT STEP

We size the contributions with you against the unused allowances from the last three years and pay them before 31 March 2027.

5 **Securing the research and development claim for the current year**

~£21,000

The way the rules now work, a company claiming research and development relief for the first time has to tell HMRC it intends to claim within six months of its year end, and for both the year to 31 March 2025 and the year to 31 March 2026 that deadline has already gone, so relief for those two years is not available.

The live opportunity is the year ending 31 March 2027: we could file the advance notification with HMRC for that year, which must be done by 30 September 2027, and then put the records in place during the year that the regime expects, namely a written description of the coating project and the technical problems it set out to solve, timesheets splitting engineers' hours, and a clear paper trail on the outside test programme showing that you directed the work and carried the risk.

On the level of spending you have been running, around £140,000 a year, a successful claim would produce a credit of roughly £28,000, worth about £21,000 after the corporation tax charged on it, and it should repeat each year the work continues.

SUGGESTED NEXT STEP

We file the claim notification within six months of the year end and set up the project records now.

6 **Patent box on the coating process**

~£15,000

We could work with patent attorneys to file a patent application on the new coating process now, and then lodge a formal election with HMRC bringing the company into the patent box regime for the year ending 31 March 2027. While a patent is only pending no reduced rate is given, but the election banks those waiting years, so that when the patent is granted the profits earned on coated components during the pending period can be brought in and taxed at the lower patent box rate rather than the main rate.

The same project records being prepared for the research and development work would feed the expenditure tracking the regime requires, which is why the two are best run together; whether the process is patentable, and how much of your sales income counts, both need to be established before the election is worth making.

SUGGESTED NEXT STEP

We instruct the patent attorney on the application and make the election once grant is in prospect.

This summary was prepared by Your Firm Name, Chartered Accountants from the tax return as filed and the information available to us at the time. Amounts are estimates; actual results depend on your specific facts, the elections made, and timing. Please contact us before acting on any item so we can confirm it applies to you.

Prepared with research and drafting software on October 14, 2026: each cited authority was retrieved and compared with its source text, and the firm reviewed every item before release.

Authorities referenced

- 1 **Full expensing on the £410,000 of new CNC machinery**
Capital Allowances Act 2001, s 45S (Statute)
- 2 **Carrying back the loss the allowances create**
Corporation Tax Act 2010, s 37 (Statute)
- 3 **Taking the dormant subsidiary out of the associated-company count**
Corporation Tax Act 2010, s 18E; HMRC Company Taxation Manual CTM03580; Finance Act 2021, Sch 1 para 3; HMRC Company Taxation Manual CTM03590
- 4 **Employer pension contributions for both directors in place of dividends**
Finance Act 2004, s 196; Corporation Tax Act 2009, s 1290; HMRC Business Income Manual BIM46035; Finance Act 2004, s 197
- 5 **Securing the research and development claim for the current year**
Finance Act 1998, Sch 18 para 83B; HMRC Corporate Intangibles Research and Development Manual CIRD138000; HMRC Corporate Intangibles Research and Development Manual CIRD274400; HMRC Corporate Intangibles Research and Development Manual CIRD98610
- 6 **Patent box on the coating process**
Corporation Tax Act 2010, s 357G; Corporation Tax Act 2010, s 357CO; Corporation Tax Act 2010, s 357DA; Corporation Tax Act 2010, s 357BK