

CitedTax

Combined Tax Review and Engineering Working Papers

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ENGAGEMENT

Client profile

Summary	4m and taxable profits of £290,000 for the year to 31 March 2025. Two directors own 50% each. Bought £410,000 of new CNC machinery in the year, spent £140,000 on developing a new coating process, and has one 100%-owned dormant subsidiary. ...		
Entity type	Limited company	Tax year	2024/25
Jurisdiction	United Kingdom · ENG · GBP	Generated	October 14, 2026
Analysis	Review + Engineering		

ESTIMATED OPPORTUNITY SUMMARY

Review Mode

£84,383

Missed reliefs and allowances

Engineering Mode

£495,425

Proactive structures

Total opportunity

£495,425

Non-additive; see note

Note: Review Mode and Engineering Mode overlap (engineering structures typically include capturing the review-mode misses); the combined estimate equals the Engineering total only, the two sections are not additive.

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Not tax advice. These are research memoranda for review by a licensed adviser. Figures are estimates for professional validation. Every citation must be independently verified before any item is presented to a client.

Review Mode: Missed Reliefs and Allowances

7 opportunities surfaced · Estimated total £84,383

How to read the finding labels

- VERIFIED

Machine-checked against the cited statute, regulation, court decision or officially published HMRC guidance: the text supports the claim as written.
- ADVISER TO CONFIRM

The analysis and the math stand as presented; the citation is secondary, non-precedential (for example a private letter ruling), or could not be machine-confirmed. Not a rejection: the reviewing adviser confirms the authority and the flagged facts, then the finding is actionable.

FINDING R1 · REVIEW MODE

• VERIFIED

Full expensing / AIA not claimed on £410,000 new CNC machinery

£72,500

Authority	Capital Allowances Act 2001, s 45S Statute
Claim	CAA 2001, s 45S: expenditure incurred on or after 1 April 2023 by a company within the charge to corporation tax on plant or machinery which is unused and not second-hand, and not excluded by s 45T or s 46, is first-year qualifying expenditure.

Proof (facts to law)	Section 45S (as inserted with effect by F(No 2)A 2023, s 7, which also sets the first-year allowance rate at 100% for non-special-rate s 45S expenditure in the s 52(3) table) imposes four conditions. (a) Incurred on or after 1 April 2023: the CNC machinery was acquired in September 2024, within the accounting period 1 April 2024 to 31 March 2025, satisfied. (b) Incurred by a company within the charge to corporation tax: Hallam Precision Engineering Ltd is a UK company chargeable to corporation tax on profits of £290,000 for the period to 31 March 2025, satisfied. (c) Plant or machinery which is unused and not second-hand: the facts describe '£410,000 of new CNC machinery', the word 'new' points to this, but 'unused and not second-hand' at the date of acquisition is a condition the facts do not conclusively establish (ex-demonstration or dealer-used units fail it), so it is routed to the adviser to confirm per invoice. (d) Not excluded by s 45T (disqualifying arrangements) or s 46 (general exclusions, cars, assets for leasing, expenditure in the period of cessation, connected-party and sale-and-leaseback transactions under ss 214-217): the facts show an ordinary trade purchase of production machinery for the company's own engineering use, with no leasing, connected-party acquisition or cessation; the facts do not state the vendor's identity, so connected-party status should be confirmed. Whether any part of the £410,000 is special rate expenditure (integral features, long-life assets) is also unstated, that part would attract a 50% first-year allowance under the s 52(3) entry rather than 100%. The return as filed claimed 18% writing-down allowances on this expenditure (£73,800). Capital allowance claims are made or revised in the return, and the amendment window under FA 1998, Sch 18, para 15 runs to 31 March 2027, which is open today. The benefit is therefore permissible here and still obtainable by amendment.
Why it was left on the table	The new machinery was simply added to the main pool and written down at 18%, the default treatment, rather than a separate first-year allowance claim being made for it in the return.

Action

Prepare an amended CT600 and revised capital allowances computation for the period to 31 March 2025 under FA 1998, Sch 18, para 15 (claims and revisions of capital allowance claims being made in the return, para 82), claiming the 100% first-year allowance under CAA 2001, s 45S on the qualifying part of the £410,000, removing that expenditure from the main pool and recomputing the pool and the writing-down allowances. File before 31 March 2027.

Quantify any resulting trading loss and decide between a carry-back claim under CTA 2010, s 37 (window to 31 March 2027) and carry-forward. Consider the s 59A balancing charge on any future disposal of the machinery when modelling the employee ownership trust exit (a share sale does not of itself trigger it). Take the associated-company point (CTA 2010, s 18E(3)) into the same amendment so the limits and marginal relief are computed on the corrected basis.

Estimated impact £72,500

Corporation tax of £72,500 actually paid on 1 January 2026 is fully displaced by the additional £336,200 deduction; the resulting £46,200 loss is additional and unquantified because the prior period's profits are not stated.

Computation

Allowance claimed as filed on the new machinery: $£410,000 \times 18\% = £73,800$. Full expensing under CAA 2001, s 45S at 100% (F(No 2)A 2023, s 7, s 52(3) table): £410,000. Additional deduction = $£410,000 - £73,800 = £336,200$. Profits chargeable as filed £290,000, so revised result = $£290,000 - £336,200 =$ a trading loss of £46,200 and nil taxable profits.

Corporation tax as filed was £72,500 (25% of £290,000, the main rate applying because augmented profits exceed the £250,000 upper limit even on the corrected single-company basis under CTA 2010, s 18E(3)). Tax at nil profits = £0. Recoverable for the period to 31 March 2025 = £72,500. The £46,200 loss carries additional value at the rate of whatever period it is relieved against (prior-period profits are not stated), excluded from this figure. Final figure: £72,500.

Limitations found	Section 45S carries no monetary cap (unlike the AIA, whose £1,000,000 limit would have to be shared with the subsidiary under the related-company rules in CAA 2001, ss 51A-51N, see CA23081), but it is restricted to companies, to unused and not second-hand plant, and is subject to the s 46 general exclusions and the s 45T disqualifying-arrangements exclusion. Special rate expenditure within the claim attracts only 50%. On a later disposal of the machinery a special balancing charge arises under the s 59A inserted by F(No 2)A 2023, s 7(6), measured on the relevant proportion of the disposal value.
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Adviser must validate	That the machinery was unused and not second-hand when acquired (invoices, not merely described as 'new'); that no part of the £410,000 is special rate expenditure (integral features or long-life assets), which would attract 50% rather than 100%; that no s 46 general exclusion applies (not acquired from a connected person, not for leasing, not in a period of cessation); that no s 45T disqualifying arrangement exists; the date the expenditure was incurred under CAA 2001, ss 5 and 50 falls in the period; whether prior-period profits support a CTA 2010, s 37 carry-back of the £46,200 loss, and the deadline of 31 March 2027 for both the amendment and the carry-back claim.
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IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

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, your accountant 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.

Your accountant 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.

LAW TEXT · RETRIEVED PASSAGE

"Expenditure is first-year qualifying expenditure if, (a) it is incurred on or after 1 April 2023"

FINDING R2 · REVIEW MODE

• VERIFIED

Loss carry-back capacity if allowances create a loss

£11,550

Authority Corporation Tax Act 2010, s 37
Statute

Claim CTA 2010, s 37(3): a company that makes a trade loss in an accounting period may claim to deduct that loss from its total profits of the loss-making period and, if the claim so requires, of previous accounting periods falling wholly or partly within the 12 months ending immediately before the loss-making period begins.

Proof (facts to law)

Conditions in s 37: (a) s 37(1), the company carries on a trade and makes a loss in the trade in the accounting period; (b) s 37(2)/(3), a claim is made, relief being given first against total profits of the loss-making period and then, if the claim so requires, against profits of the preceding 12 months; (c) s 37(5), the trade is not carried on wholly outside the UK in the loss-making period; (d) s 37(6), for a carry-back deduction, the company carried on the same trade in the earlier period and not wholly outside the UK; (e) s 37(7), claim within two years after the end of the loss-making period.

Application: Hallam Precision Engineering Ltd carries on a precision engineering trade in Sheffield, England (so not wholly outside the UK, s 37(5) and s 37(6)(b) satisfied), with a trading profit per accounts of £312,000 and profits chargeable of £290,000 for the period to 31 March 2025 after the 18% and 6% writing-down allowances claimed. Capital allowances are claims whose amount can be revised in an amended return while the amendment window is open (to 31 March 2027).

If the available allowances on the £410,000 of new CNC machinery acquired in September 2024 are claimed in full rather than at 18%, the additional deduction is £410,000 - £73,800 already given = £336,200, which exceeds the £290,000 chargeable profit and produces a trade loss of approximately £46,200 for the period to 31 March 2025, the s 37(1) condition is then met.

CTM04505 confirms the loss must first be set against total profits of the loss-making period (here reducing them to nil) before any balance is carried back, and that as much as possible must be used against the previous 12 months. The s 37(7) two-year date is 31 March 2027 and is OPEN today (14 October 2026).

UNPROVEN on the facts given: (i) that the full-expensing/AIA conditions for the £410,000 are met (new and unused plant, not within an excluded category), that belongs to the capital allowances finding; (ii) the total profits of the preceding accounting period ended 31 March 2024, which cap the carry-back under s 37(3)(b) and CTM04505, the facts are silent; (iii) that the same trade was carried on in that earlier period (s 37(6)(a)); (iv) that no change of ownership restriction (CTA 2010 s 673, noted at CTM04505) applies.

Why it was left on the table

The return was prepared on writing-down allowances only, so no loss arose and there was nothing to carry back, the carry-back opportunity only appears once the capital allowance claim for the £410,000 is maximised in an amended return.

Action	Vehicle: an amended company tax return under FA 1998 Sch 18 para 15 (window OPEN to 31 March 2027) revising the capital allowances claim for the period to 31 March 2025 (para 82), with the s 37 claim made in that amended return (CTM04505), relief first against total profits of the period to 31 March 2025, then carry back under s 37(3)(b) to the period ended 31 March 2024 so far as that period's total profits allow. The s 37(7) date is 31 March 2027, so both steps must be completed by then. Obtain the accounts and computation for the period ended 31 March 2024 first to size the carry-back; if that period's total profits are nil, the balance instead carries forward under CTA 2010 s 45A (claim within two years of the later period). Note the R&D additional deduction cannot be used to enlarge the loss: no claim notification was filed by 30 September 2025, so the R&D claim for this period is lost.
Estimated impact	£11,550 Loss of £46,200 created by maximising the 2024/25 capital allowances, carried back one year at the 25% main rate, conditional on the period ended 31 March 2024 having at least that much in total profits.
Computation	Additional allowance if the £410,000 of new CNC machinery is relieved in full rather than at 18%: $£410,000 - (£410,000 \times 18\% = £73,800) = £336,200$. Profits chargeable as filed £290,000, less £336,200 = trade loss of £46,200 for the period to 31 March 2025 (the first £290,000 of the extra deduction extinguishes the period's own profits and is quantified in the capital allowances finding, not here). Loss carried back under s 37(3)(b) to the period ended 31 March 2024, assumed for this computation to have total profits of at least £46,200 (NOT established by the facts): $£46,200 \times 25\% \text{ main rate} = £11,550$. If that earlier period's profits fall between the marginal relief limits the rate is the 26.5% marginal rate and the figure rises; if that period had no profits the carry-back value is nil and the loss instead carries forward under s 45A. Final figure: £11,550.

Limitations found s 37(3)(b) limits the carry-back to profits of accounting periods falling within the 12 months before 1 April 2024, one year only, and capped at that period's total profits (CTM04505: the loss must first be used against the loss period's own total profits, and as much as possible against the preceding 12 months, with no ability to restrict the claim to particular items). s 37(5)/(6) exclude a trade carried on wholly outside the UK. s 37(7) fixes the claim at two years after 31 March 2025, i.e. 31 March 2027, extendable only at an officer's discretion. Relief is subject to restriction elsewhere in the Corporation Tax Acts (s 37(9)).

Adviser must validate (1) Total profits of the accounting period ended 31 March 2024 and the corporation tax rate actually borne on them (main rate or marginal), the facts are silent; (2) that the same trade was carried on in that earlier period and not wholly outside the UK (s 37(6)); (3) that the £410,000 of CNC machinery qualifies for full expensing or the AIA on its own conditions (new and unused plant, not an excluded asset), the enabling finding; (4) no change of ownership engaging CTA 2010 s 673; (5) whether carrying the loss forward under s 45A rather than back produces a better rate outcome given the associated-company position and the marginal relief limits; (6) the correct associated-company count for the earlier period if marginal relief is in point.

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

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.

Your accountant 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.

LAW TEXT · RETRIEVED PASSAGE

"previous accounting periods so far as they fall (wholly or partly) within the period of 12 months ending immediately before the loss-making period begins"

FINDING R3 · REVIEW MODE

• VERIFIED

Structures and buildings allowance on £180,000 factory mezzanine

£333

Authority	Capital Allowances Act 2001, s 270AA Statute
Claim	CAA 2001, s 270AA(2) and (5)(b): a person with the relevant interest in a non-residential building or structure constructed on or after 29 October 2018 is entitled, for a chargeable period, to an allowance of 3% a year of the qualifying expenditure, running from first non-residential use.
Proof (facts to law)	Conditions in s 270AA(1): (a) construction begins on or after 29 October 2018, the mezzanine was fitted in January 2025, well after that date; (b) qualifying expenditure incurred on or after that date on construction, £180,000 of construction expenditure in the period to 31 March 2025; (c) first use after that expenditure is non-residential, the mezzanine is in the company's Sheffield factory, a trading (non-residential) use. Conditions in s 270AA(2): the company must have the relevant interest in the structure and it must be in non-residential use on days in the chargeable period, those days falling on or after the later of first qualifying use and the date expenditure is incurred, and within 33 1/3 years (s 270AA(2A)(b)), the January 2025 fit-out sits inside the period to 31 March 2025, so some days fall in the period. Rate: 3% of expenditure for a chargeable period of one year (s 270AA(5)(b)), proportioned for the part-period. Not established by the facts and therefore flagged, not assumed: (i) whether the company holds the relevant interest (freehold or leasehold) in the factory; (ii) the exact date the mezzanine was first brought into non-residential use, which fixes the number of qualifying days; (iii) that an allowance statement meeting s 270IA(4) has been made before the first claim, without it the qualifying expenditure is treated as nil (s 270IA(2)); (iv) how much of the £180,000 is instead expenditure on plant or integral features (s 33A(5): electrical, lighting, heating, ventilation), which is excluded from qualifying expenditure by s 270BA(b)(iii)/s 270BI but attracts the far more valuable AIA or full expensing; and (v) that no part is excluded land expenditure (s 270BG).
Why it was left on the table	The mezzanine was treated as non-qualifying building works, and the allowance statement that must exist before a first structures and buildings allowance claim had not been prepared.

Action	Prepare the s 270IA(4) allowance statement (identifying the structure, the earliest construction contract date, the £180,000 qualifying expenditure and the date of first non-residential use), then amend the CT600 for the period to 31 March 2025 under FA 1998 Sch 18 para 15 (window open to 31 March 2027; capital allowance claims are made or revised in the return under para 82) to claim the day-apportioned 3% allowance. Before doing so, analyse the £180,000 invoices to strip out any integral features and plant (s 33A), which should instead be claimed under the annual investment allowance or full expensing in the same amendment, and claim the 3% only on the residual structural cost. Carry the allowance forward at £5,400 a year in later periods.
Estimated impact	£333 3% of £180,000 apportioned to the maximum possible days in the period to 31 March 2025, taxed at the 25% main rate; prospective value is $£5,400 \times 25\% = £1,350$ of tax a year for the remainder of the 33 1/3-year period.
Computation	$£180,000 \times 3\% = £5,400$ for a chargeable period of one year (s 270AA(5)(b)). The facts state the mezzanine was fitted in January 2025 but not the date of first non-residential use, so the number of qualifying days is open; using the earliest possible date in that month (1 January 2025) as the upper bound gives 90 days of the period to 31 March 2025: $£5,400 \times 90/365 = £1,331$. Corporation tax rate: augmented profits £290,000 exceed the £250,000 upper limit (and the £125,000 halved limit), so the main rate of 25% applies on either associated-company count. $£1,331 \times 25\% = £333$. A later date of first use reduces this figure proportionately.
Limitations found	Qualifying expenditure excludes expenditure on the provision of plant or machinery (s 270BA(b)(iii)) and land (s 270BG), so any integral features element must be carved out. The allowance is 3% a year, not 10%, because the facts do not place the factory in a special tax site (s 270AA(5)(a)/(2A)(a)). Qualifying expenditure is treated as nil until the allowance statement requirement is met (s 270IA(2)). Entitlement ceases on demolition (s 270AA(4)) and runs only 33 1/3 years from first non-residential use.

Adviser must validate

That the company holds the relevant interest in the factory; the actual date the mezzanine was first brought into non-residential use (this fixes the day apportionment and the £333); that a written allowance statement complying with s 270IA(4) is made before the first claim; the split of the £180,000 between structural cost, integral features (s 33A) and any excluded land cost (s 270BG); and that no part of the £180,000 has been claimed as plant or deducted as revenue expenditure.

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

The £180,000 mezzanine put into your factory in January 2025 can attract a structures and buildings allowance of 3% of the cost each year for just over 33 years, and none of that has been claimed yet. Because the mezzanine only came into use near the end of the year, the first year's slice is small, but the claim then runs at about £5,400 of tax relief a year thereafter, so starting it is worth doing.

Your accountant can amend the company's return for the year to 31 March 2025 before 31 March 2027, provided a written allowance statement recording the cost and the date of first use is prepared first, and can also review whether part of the spend was lighting, power or heating, which would qualify for much faster relief.

LAW TEXT · RETRIEVED PASSAGE

“in the case of other qualifying expenditure, 3% of the expenditure”

FINDING R4 · REVIEW MODE

• VERIFIED

Associated company count, dormant subsidiary excluded from marginal relief limits

Authority	Corporation Tax Act 2010, s 18E Statute
Claim	CTA 2010, s 18E(3)(a): an associated company is ignored for the purposes of s 18D if it has not carried on a trade or business at any time in the accounting period.

Proof (facts to law)	Condition 1, the other company is an associated company (s 18E(4)): Hallam Coatings Ltd is wholly owned (100%) by Hallam Precision Engineering Ltd, so one has control of the other within s 18E(4)(a) and s 450. Condition 2, it carried on no trade or business at any time in the accounting period (s 18E(3)(a)): the facts state the subsidiary is dormant throughout the period 1 April 2024 to 31 March 2025; the facts do not state whether it held investments, received interest, or let property, any of which HMRC treats as a 'business' at CTM03945, so that must be confirmed. Therefore, on the facts as given, the subsidiary is ignored and the s 18D limits for this period are the unreduced £50,000 lower limit and £250,000 upper limit (s 18D(2)), not the halved £25,000/£125,000 used. Effect on THIS period's tax: augmented profits of £290,000 exceed £250,000 either way, so the rate remains 25% and no marginal relief arises on the figures as filed, the correction is £0 of tax standing alone. It becomes money only if the capital allowance position (full expensing / AIA on the £410,000 of new CNC plant) is revisited by amendment so that augmented profits fall below £250,000; the unreduced upper limit is then the gateway to marginal relief at the 3/200 fraction. Whether s 18F (companies with substantial commercial interdependence) alters the analysis is not addressed by the retrieved text.
Why it was left on the table	The subsidiary was counted simply because it exists and is wholly owned, without applying the statutory let-out for a company carrying on no trade or business in the period.
Action	Amend the CT600 for the period ended 31 March 2025 under FA 1998, Sch 18 para 15 (window open to 31 March 2027) to show no associated companies and the unreduced £50,000 / £250,000 limits, having first confirmed the subsidiary carried on no trade or business at any time in the period. Run this amendment together with any revised capital allowance claim on the £410,000 of new plant, since the restored £250,000 upper limit only produces cash once augmented profits fall below it; model the profit level that optimises the 19% band, the 26.5% marginal band and the value of allowances carried forward.

Estimated impact

Not quantified

Standalone value is nil because augmented profits of £290,000 exceed the £250,000 upper limit on either count; the restored limits are worth up to 3/200 of (£250,000 - amended augmented profits) only if a revised capital allowance claim brings profits into the £50,000, £250,000 band, which is quantified in the capital allowances finding rather than here.

Computation

Augmented profits as filed £290,000. Limits used on the return (one associated company): lower £25,000, upper £125,000, profits above the upper limit, so 25% with no marginal relief. Correct limits with the dormant company ignored (s 18D(2)): lower £50,000, upper £250,000, £290,000 still exceeds £250,000, so still 25% and no marginal relief. Tax difference for the period ended 31 March 2025: $£290,000 \times 25\% - £290,000 \times 25\% = £0$.

Limitations found

s 18E(3) is expressly subject to s 18F (s 18E(6)(a)), which was not retrieved. The exclusion turns on carrying on no 'trade or business', a wider test than dormancy for Companies Act purposes. And on this period's figures the restored £250,000 upper limit delivers no relief, because £290,000 of augmented profits sits above it.

Adviser must validate

(1) That Hallam Coatings Ltd carried on no trade and no business of any kind at any time between 1 April 2024 and 31 March 2025, including no investment income, no intra-group lending, no property letting and no recharges (CTM03945); (2) that there are no other companies under the control of the two directors (s 18E(4)(b) and ss 450-451 attribution to associates) that would themselves be associated companies; (3) whether s 18F (substantial commercial interdependence) applies, which the retrieved text does not set out; (4) the confirmed instalment position, on augmented profits of £290,000 the company is below the £1.5m threshold on either associated-company count, but the threshold division should be re-checked against the final amended figures.

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

Your dormant subsidiary should not be counted when working out the profit thresholds that decide whether your company pays the lower rate of corporation tax, because a company that does no trading at all in the year is left out of the count. On the profits as reported this does not change the tax, because they sit above the top threshold in any event, but it matters a great deal if the allowances on your new machinery are revisited and the taxable profit comes down. Your accountant can correct the associated company position in an amended return, which keeps the full thresholds available to you.

LAW TEXT · RETRIEVED PASSAGE

“an associated company is ignored for the purposes of section 18D if, (a) it has not carried on a trade or business at any time in the accounting period”

FINDING R5 · REVIEW MODE

• VERIFIED

R&D relief on £140,000, claim notification deadline passed

Authority	Corporation Tax Act 2009, s 1045A Statute
Claim	CTA 2009, s 1045A(1): a company may not make an R&D claim after the end of the claim notification period unless it made an R&D claim in the three years ending with that period's last day, made a claim notification within that period, or another accounting period in the same period of account carries a claim or notification.

Proof (facts to law)	Conditions in s 1045A(1): a claim made after the claim notification period is barred unless (a) an R&D claim was made in the three years ending with the last day of that period, (b) a claim notification was made within the period, or (c) another accounting period within the same period of account carries an R&D claim or notification. The claim notification period is defined in the section inserted by F(No 2)A 2023 Sch 1 para 2(6) (new s 1142A) as beginning with the first day of the period of account and ending six months after that period of account ends. Client facts: the period of account is 1 April 2024 to 31 March 2025, so the claim notification period ended 30 September 2025. (a) fails, the facts state the company has never claimed R&D relief. (b) fails, the facts state no claim notification was filed. (c) fails, the period of account is a single twelve-month period coterminous with the accounting period, so there is no other accounting period within it carrying a claim or notification. Therefore the gateway in s 1045A(1) is not opened and the R&D claim on the £140,000 cannot now be made, notwithstanding that the two-year limit in FA 1998 Sch 18 para 83E(1)(a) does not expire until 31 March 2027. Para 83E(5) permits a late claim where an officer allows it, but that discretion attaches to the para 83E time limit, not to the statutory notification gateway in s 1045A. Unproven on the given facts: whether the expenditure in fact meets the s 1138 / BEIS-guidelines definition of R&D (advance in science or technology, technological uncertainty), not established, and irrelevant to this period given the gateway, but decisive for future periods. Also unproven: whether a claim notification was filed for the period to 31 March 2026.
Why it was left on the table	The company had never claimed R&D relief before, so the first-time claim notification requirement introduced by F(No 2)A 2023 was not on the compliance calendar; the preparer would reasonably have read the two-year claim limit in Sch 18 para 83E as the operative deadline.

Action	Record the 2024/25 R&D relief as unavailable: no vehicle exists, since the s 1045A gateway closed on 30 September 2025 and the amendment window under FA 1998 Sch 18 para 15 (open to 31 March 2027) cannot cure a statutory notification failure. Confirm immediately whether a claim notification was filed for the period to 31 March 2026 (its six-month date, 30 September 2026, has passed). For the period to 31 March 2027, file a claim notification by 30 September 2027, accompanied in due course by the additional information form, and begin contemporaneous project/competent-professional documentation and cost-tracking of staff time, consumables and subcontracted testing now. Confirm the merged-scheme provisions (CTA 2009 Pt 13 Ch 1A) and their own notification route in s 1142A/1142B before relying on this analysis for the current period.
Estimated impact	Not quantified Nil for 2024/25 because the statutory notification gateway closed on 30 September 2025 and cannot be reopened by the amendment or four-year claim windows; the value of the item is entirely in securing notification for the period to 31 March 2027.
Computation	Recoverable for the period to 31 March 2025: £0. The gateway in s 1045A(1) is not satisfied, so no claim can be made and no amount is in issue, notwithstanding qualifying-looking expenditure of £140,000. Prospective illustration only (not included in the figure above): expenditure of a similar £140,000 in a future period, if it qualifies, would attract merged-scheme expenditure credit at the statutory percentage for that period, which is taxable at the company's corporation tax rate; the rate is not in the retrieved text and must be confirmed before any figure is relied on. Final figure: £0.
Limitations found	s 1045A(1) admits only three escapes (prior claim within three years, timely notification, or a linked accounting period in the same period of account) and none is met here. FA 1998 Sch 18 para 83E(5) allows a late claim only where an officer allows it, and on its terms relaxes the para 83E time limit, not the s 1045A gateway. The retrieved text does not supply the merged-scheme (Chapter 1A) notification section or the credit percentage, so both must be confirmed from source.

Adviser must validate

(1) That no claim notification was in fact submitted for the period of account ended 31 March 2025 by any adviser, and that the company made no R&D claim in the three years to 30 September 2025 (s 1045A(1)(a)); (2) whether a claim notification was filed for the period to 31 March 2026 by 30 September 2026; (3) that the merged-scheme notification provisions in CTA 2009 ss 1142A, 1142B apply in the same terms to a Chapter 1A claim for a period beginning 1 April 2024, s 1045A as retrieved governs Chapter 2 additional-deduction claims; (4) whether the coating-process work meets the statutory R&D definition and the guidelines on advance and technological uncertainty; (5) the apportionment of the £140,000 between qualifying staff costs, consumables and subcontracted expenditure, and whether the subcontracted test programme qualifies under the merged-scheme contracting-out rules.

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

The research and development incentive on your £140,000 of coating-process work is not available for the year to 31 March 2025, because the law requires a short advance notification to HMRC within six months of the year end for a company claiming for the first time, and that date (30 September 2025) has passed.

The valuable point now is forward-looking: the same work continuing into the current year can qualify, but only if the advance notification is filed in time, and your accountant can put that notification in place and start the contemporaneous record-keeping that supports a claim. Your accountant should also check urgently whether a notification was filed for the year to 31 March 2026, as that six-month date has also now passed.

LAW TEXT · RETRIEVED PASSAGE

“A company may not make a claim under section 1044(6)... after the end of the claim notification period unless,”

FINDING R6 · REVIEW MODE

• VERIFIED

Employer pension contributions for the two directors

Authority

Finance Act 2004, s 196
Statute

Claim	FA 2004, s 196(2): employer contributions paid under a registered pension scheme are treated as not capital and, if allowed as a deduction in computing trade profits, are deductible for the period of account in which they are paid.
Proof (facts to law)	Conditions in FA 2004, s 196(2): (a) the payer is an employer; (b) the contribution is paid under a registered pension scheme in respect of an individual; (c) the amount is otherwise deductible in computing trade profits (so it must satisfy the wholly and exclusively test in CTA 2009, s 54(1)(a), on which BIM46030 and BIM46005 state that pension contributions, as part of the cost of employing staff, are normally allowable); and (d) relief is given for the period of account in which the contribution is PAID, not when accrued, subject to the spreading rules in ss 197-198. Client facts: Hallam Precision Engineering Ltd is an employer operating a PAYE scheme with 22 employees including the two directors, each paid £12,570 salary, and it operates an auto-enrolment scheme. The two directors are working directors of a trading company, so a contribution in respect of them is remuneration for services and would ordinarily fall on the allowable side of CTA 2009, s 54 (BIM46030; BIM46035 applies the usual test to controlling directors). The condition that DEFEATS a recovery for the period to 31 March 2025 is condition (d): the facts state no employer pension contributions were made beyond auto-enrolment minimums in that period, and s 196(2)(b) gives relief only for the period in which the contribution is paid. A contribution made today cannot be deducted in the period ended 31 March 2025, so the open amendment window (31 March 2027) cannot carry this item. Unproven on the given facts and left for the adviser: that the auto-enrolment scheme is a registered pension scheme within FA 2004, Part 4; each director's available annual allowance and any carry-forward (FA 2004, ss 228-228A, not retrieved here); whether the spreading rules in FA 2004, ss 197-198 would bite on a large one-off contribution; and whether total remuneration for each director (salary plus contribution) is commensurate with the work done, which is the BIM46035 point.
Why it was left on the table	Relief for pension contributions is given only for the period in which they are paid, so with no payment made in the year to 31 March 2025 there was nothing to deduct; the planning point sits in the current period rather than in the return.

Action

Treat this as a prospective 2026/27 and current-accounting-period move only; do not attempt it on an amended return (FA 1998, Sch 18, para 15) for the period to 31 March 2025, because FA 2004, s 196(2)(b) fixes relief to the period of payment.

Before the current period end, confirm each director's available annual allowance and carry-forward, document the commercial justification for total remuneration (BIM46035), and pay the contributions from the company account so that the deduction falls in the period of payment. Check the spreading rules in FA 2004, ss 197-198 before any large single contribution, and coordinate with the dividend policy and any employee ownership trust sale plans.

Estimated impact

Not quantified

Prospective only. Illustratively, if profits in a future period are at the same £290,000 level and the dormant subsidiary is correctly excluded from the associated-company count (CTA 2010, s 18E(3)), a £120,000 contribution (£60,000 per director) would reduce profits from £290,000 to £170,000: £40,000 relieved at the 25% main rate (£10,000) plus £80,000 relieved in the marginal relief band at an effective 26.5% (£21,200), approximately £31,200 of corporation tax saved in that future period, subject to each director's annual allowance and to the spreading rules.

Computation

No contribution was paid in the period ended 31 March 2025, so under FA 2004, s 196(2)(b) the deductible amount for that period is $£0 \times 25\% = £0$ recoverable for the period under review.

Limitations found

FA 2004, s 196(2)(b) ties relief to the period of payment, which rules out any claim for the period ended 31 March 2025; s 196(6) subjects relief to the spreading rules in ss 197-198; s 196(2) gives relief only to the extent the contribution is otherwise allowed as a deduction, so CTA 2009, s 54(1)(a) remains a live condition.

Adviser must validate

That the scheme is a registered pension scheme under FA 2004, Part 4; each director's annual allowance for the year of payment and any unused allowance carried forward from the three preceding years (FA 2004, ss 228-228A - not in the retrieved authorities); whether the tapered annual allowance applies to either director; whether FA 2004, ss 197-198 spreading applies; that the contribution is paid from company funds within the intended accounting period; and the total remuneration package justification under CTA 2009, s 54 / BIM46035.

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

The company has not been putting anything into pensions for the two of you beyond the auto-enrolment minimum, even though a company pension contribution is normally a deductible cost of employing you and is not taxed on you as pay. The catch is timing: the relief lands in the accounting period in which the money actually leaves the company bank account, so nothing can be added back into the year ended 31 March 2025.

Your accountant can set up contributions before the current accounting period ends and check how much each of you can take in without an annual allowance charge.

LAW TEXT · RETRIEVED PASSAGE

“treated as not being payments of a capital nature... deductible in computing the amount of the profits for the period of account in which they are paid”

FINDING R7 · REVIEW MODE

• VERIFIED

Employee ownership trust sale and share scheme planning

Authority	Taxation of Chargeable Gains Act 1992, s 236H Statute
Claim	TCGA 1992, s 236H(1)-(2A): where an individual disposes of ordinary share capital of a company to the trustees of a settlement, the relief requirements are met and a claim is made, s 17(1) (market value) is disapplied and, if a gain accrues, only 50% of that gain is a chargeable gain.

Proof (facts to law)

Section 236H(1) requires (a) a disposal of ordinary share capital of a company by a person other than a company, (b) the relief requirements in s 236H(4), and (c) a claim.

The directors are two individuals each holding 50% of the ordinary shares of Hallam Precision Engineering Ltd and are considering a sale to an employee ownership trust within three years, so (a) is satisfied on the stated facts and (c) is within their control (the claim must contain the s 236H(7) particulars: settlement identification, C's name and registered office, employee numbers, disposal date, shares disposed of and the consideration including deferred amounts).

The s 236H(4) requirements are NOT established by the facts given and each must be engineered into the transaction: UK-resident trustees for the remainder of the tax year (s 236H(4)(za)); C meeting the trading requirement, s 236I (the company is a trading precision engineering business on the facts, but the dormant subsidiary Hallam Coatings Ltd must be tested within the s 236I(3) trading group definition); the all-employee benefit requirement (ss 236J-236L) and the trustee independence requirement (s 236LA), neither addressed on the facts; the controlling interest requirement not met immediately before the start of the tax year of disposal but met at its end (s 236M) - satisfied in form if both directors sell their combined 100% in one tax year; the limited participation requirement (s 236N) - the participator fraction for two 50% shareholder-directors against 22 employees must be tested; the s 236H(4)(ca) reasonable-steps condition that consideration not exceed market value and that interest on deferred consideration be no more than a reasonable commercial rate; and no related disposal in an earlier tax year (s 236H(4)(e)).

On the retrieved text, where a gain accrues the relief is 50% (s 236H(2A)(a)), the disposal is not a qualifying business disposal for business asset disposal relief (s 236H(2A)(b)) and the shares are treated as excluded shares for investors' relief (s 236H(2A)(c)); the trustees' acquisition cost is reduced correspondingly (s 236H(2A)(d)). CG67802 confirms the s 236H-236U code was amended by Finance Act 2025, so the adviser must fix the commencement date of the 50% version against the actual disposal date.

Separately, ITEPA 2003, s 312A(2) exempts qualifying bonus payments from income tax up to £3,600 per employee per tax year once the company is EOT-controlled, which on 22 employees is up to £79,200 of income-tax-free bonuses a year. Nothing here affects the corporation tax return for the period to 31 March 2025: this is a prospective personal capital gains matter for the two shareholders in the tax year of the eventual disposal.

Why it was left on the table	The sale is still only under consideration, so no disposal has occurred and nothing was claimable on the corporation tax return for the period to 31 March 2025; the structuring conditions bite only in the tax year of the eventual disposal.
Action	Treat this as prospective planning for the shareholders, not a corporation tax item for the period to 31 March 2025. Before any disposal, the adviser should: (1) confirm the version of s 236H in force at the intended disposal date and whether the 50% restriction in s 236H(2A) or full no-gain/no-loss treatment under s 236H(3) applies; (2) test each s 236H(4) requirement, in particular the trading requirement with the dormant subsidiary in the frame, the trustee independence requirement in s 236LA and the limited participation requirement in s 236N for two 50% shareholder-directors against 22 employees; (3) ensure trustees are UK resident from the outset and that the whole 100% passes in a single tax year so the controlling interest requirement is met at the year end; (4) obtain an independent market valuation and set any deferred consideration interest at a commercial rate to satisfy s 236H(4)(ca); (5) plan the s 236H(7) claim content in each director's Self Assessment return for the tax year of disposal; and (6) diarise the s 236O disqualifying-event period in the following tax year. The s 312A £3,600 bonus exemption should be built into the post-sale reward design.
Estimated impact	Not quantified Prospective only: a personal capital gains relief on a future share disposal; base cost, company value, disposal date and the shareholders' marginal position are all unstated, so no figure can be computed and £0 is recoverable for the period to 31 March 2025.
Computation	No recoverable amount for the accounting period ending 31 March 2025: the relief is a capital gains tax relief for the individual shareholders on a future disposal, claimed in their own Self Assessment returns for the tax year of disposal, and no disposal has occurred. Prospective value on the retrieved text = (gain on the shares × 50%) × the capital gains tax rate in force at the disposal date, less the business asset disposal relief forgone under s 236H(2A)(b). The facts do not state the directors' base cost in their shares, the market value of the company, the intended disposal date or the directors' other income, so no gain and no rate can be computed. Recoverable for the period to 31 March 2025: £0.

Limitations found On the retrieved text relief is restricted to 50% of the gain where a gain accrues (s 236H(2A)(a)); the disposal is not a qualifying business disposal for business asset disposal relief (s 236H(2A)(b)) and the shares are excluded shares for investors' relief (s 236H(2A)(c)), so the directors give up those alternative reliefs; the trustees' acquisition cost is reduced by the untaxed part of the gain (s 236H(2A)(d)), building a latent charge into the trust; relief is unavailable if a related disposal by either director or a connected person occurred in an earlier tax year (s 236H(4)(e)); s 236O can prevent or revoke a claim on a disqualifying event; the s 312A exemption is capped at £3,600 per employee per tax year and relieves income tax only, not National Insurance, and is aggregated across group employers by s 312A(4).

Adviser must validate Which version of s 236H applies at the actual disposal date and whether the 50% restriction in s 236H(2A) or the no-gain/no-loss rule in s 236H(3) governs (CG67802 records amendment by Finance Act 2025); trustee UK residence for the remainder of the tax year (s 236H(4)(za)); the trading requirement in s 236I including the position of the dormant subsidiary within a trading group; the all-employee benefit requirement (ss 236J-236L) and the equality requirement; the trustee independence requirement (s 236LA), including that the former owners do not control the trustee body; that the controlling interest requirement (s 236M) is not met immediately before the start of the tax year of disposal but is met at its end, with both 50% holdings passing in the same tax year; the participator fraction under s 236N for two 50% shareholder-directors against 22 employees and their connected persons; an independent market valuation and a commercial interest rate on any deferred consideration (s 236H(4)(ca)); that neither director nor a connected person made a related disposal in an earlier tax year (s 236H(4)(e)); the content requirements of the claim in s 236H(7) and (7A); the funding route for the consideration and its corporation tax and distributions consequences; and, for the s 312A bonus exemption, that the company is then an EOT-controlled company and that National Insurance is accounted for on the bonuses.

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

You are thinking about selling the business to an employee ownership trust in the next three years. If the sale is structured so that the trust ends up with control and all the statutory conditions are met in the right tax year, only half of your gain on the shares would be taxable, and once the trust is in control the company can pay each employee up to £3,600 a year as a bonus free of income tax, though National Insurance still applies.

Your accountant can map the conditions, the share valuation and the timing well before any sale, because several of them have to be in place from the start of the tax year in which you sell and cannot be fixed afterwards.

LAW TEXT · RETRIEVED PASSAGE

“only 50% of the gain is a chargeable gain”

1 item already right on the return as filed

Candidates the engine checked and found already claimed or already correct. Listed so the file shows they were examined; nothing to recover here.

- Quarterly instalments / payment position after reducing profits: Treat this as the payment-side confirmation for the other recovery items rather than a standalone claim.

2 candidates considered and set aside: not applicable to this client

Candidates the engine walked and set aside because a required condition is not met on these facts. Each carries the reason; the adviser can reopen any of them if the facts differ.

- Patent box election groundwork for the coating process: The 10% rate is not a rate on turnover: it applies only to relevant IP profits after the routine return deduction and the marketing assets return (or small claims treatment), and only once a qualifying IP right exists.
- Close company and s 455 review, CT600A not completed: The charge applies only where the company is close at the time the loan or advance is made and only to loans or advances to, or benefits conferred on, participators or their associates; the money-lending business exception does...

Engineering Mode: Proactive Structures

10 viable structures · Estimated combined impact £495,425

How to read the move labels

- **VERIFIED** Machine-checked against the cited statute, regulation, court decision or officially published HMRC guidance: the text supports the step.
- **PROCEDURAL · CONFIRMED** Administrative execution step (a filing, election or plan adoption); form instructions or procedure are its proper authority.
- **ADVISER TO CONFIRM** The analysis stands, but the best citation retrieved is secondary, non-precedential, or could not be machine-confirmed. Validate before relying on it.
- **CITATION REJECTED** Also “Authority not found”. The step is shown so the sequence stays complete; the adviser must source the governing authority before executing it.

STRUCTURE E1 · ENGINEERING MODE

EST. COMBINED IMPACT

EMI options for key engineers now, starting the two-year business asset disposal relief clock under TCGA 1992 s 169I(7A) ahead of the exit

£310,000

Provisions	ITEPA 2003, Sch 5 (Enterprise Management Incentives), ITEPA 2003, Part 7, Ch 9, TCGA 1992, s 169I(7A), TCGA 1992, s 169H, CTA 2009, Part 12
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Estimated impact

£310,000

ONE-TIME, contingent on an exit occurring after the two-year point, not annual.

Two components on an illustrative £1,000,000 aggregate option gain across the engineer pool (the facts state no enterprise value, no option pool size and no exit price, so the pool gain is an assumption, not a fact): (a) business asset disposal relief differential of 6 percentage points (18% BADR for disposals from 6 April 2026 against the 24% main rate) on gains within each holder's £1,000,000 lifetime limit = £60,000 of personal CGT saved; (b) the Part 12 CTA 2009 deduction in the exit accounting period of £1,000,000 (deduction magnitude) at the 25% main rate = £250,000 of corporation tax saved, subject to there being sufficient profits in that period.

Component (b) is tax saved, not deferred. No value is carried here for the employer-NIC saving relative to a cash bonus alternative, and no value is carried for any relief to the two founders on an EOT sale, which is carried (at nil) on the separate EOT structure to avoid duplication.

Timeline

3 to 5 months to grant: qualifying-company review and plan rules in weeks 1 to 6, HMRC Shares and Assets Valuation agreement in weeks 6 to 14, grant and 92-day notification immediately thereafter. Grant must be completed in the 2026/27 tax year (by 5 April 2027) and, practically, as early within it as the valuation allows. The two-year clock then runs to roughly the same date in 2029, with the Part 12 deduction and the individual relief claims arising in the exit period.

Feasibility

high

Disclosure

EMI notification to HMRC within 92 days of each grant via the Employment Related Securities online service (ITEPA 2003, Sch 5, para 1(2)(b) and Part 7), Annual Employment Related Securities return by 6 July following each tax year, including the year of grant and the year of exercise, Form VAL231 valuation request to HMRC Shares and Assets Valuation, disclosing any exit route in prospect (SVM110160), Business asset disposal relief claim on each option holder's SA100 for the tax year of disposal, CT600 computation note for the Part 12 CTA 2009 deduction in the exit period, reconciling it against the share-based payment charge disallowed by s 1038A, If the exit is to an employee ownership trust: Trust Registration Service registration for the trustees

Adviser must validate

(1) That Hallam Coatings Ltd, although dormant, satisfies the qualifying-sub subsidiary and property-managing-sub subsidiary tests in Sch 5 paras 10, 11, 11A and 11B, its balance sheet and whether it holds any interest in land are not stated in the facts. Note separately that for corporation tax marginal relief a dormant company is not an associated company (CTA 2010 s 18E(3)), a different test from the EMI subsidiary test. (2) Gross assets of £30,000,000 or less and fewer than 250 full-time equivalents at the grant date.

(3) That precision engineering as actually carried on involves no excluded activity under Sch 5 paras 15 to 23 (subcontract and receipt of royalties would need review if the coating process is patented and licensed). (4) Each grantee's working time (25 hours a week or 75% of working time) and absence of a material interest, evidenced by signed declarations before notification. (5) The share class and articles permit the option shares; whether growth shares are preferable is a commercial as well as tax judgement.

(6) Each holder's remaining £1,000,000 business asset disposal relief lifetime limit at the disposal date, which the facts do not state. (7) The CGT rates and the business asset disposal relief rate in force at the actual disposal date, and the text of TCGA 1992 s 236H as it then stands for any employee ownership trust route. (8) Whether the two directors should also hold EMI options, and the interaction with their existing 50% holdings. (9) That no exit negotiation is already in progress, which would affect both the valuation and the two-year analysis.

Implementation moves

MOVE 2

• VERIFIED

Adopt EMI plan rules and individual option agreements by board resolution, with (a) exercise conditional on an exit event (trade sale, management buy-out or sale to an employee ownership trust), (b) an exercise price equal to agreed unrestricted market value, (c) the £250,000 individual limit and £3,000,000 aggregate limit written into the rules, and (d) a working-time warranty of 25 hours a week or 75% of working time from each proposed option holder. Obtain any shareholder authority required by the articles for the issue of the option shares.

Timing	After Move 1, before the valuation submission in Move 3 (HMRC Shares and Assets Valuation will want the draft rules and the share class terms).
Authority	Income Tax (Earnings and Pensions) Act 2003, Sch 5 para 1

MOVE 3

• PROCEDURAL · CONFIRMED

Submit a valuation request (form VAL231) to HMRC Shares and Assets Valuation for the unrestricted and actual market value of a minority holding in the relevant share class, disclosing that a sale or employee ownership trust transaction may be considered within three years, and set the exercise price at the agreed unrestricted market value.

Timing After Move 2 and before grant. Allow a realistic HMRC turnaround; an agreed valuation is normally valid for a limited period, so the grant in Move 4 should follow promptly within the agreed validity window.

Authority HMRC Shares and Assets Valuation Manual SVM110160

Administrative execution step; governed by the cited procedure or instructions.

MOVE 4

• VERIFIED

Grant the EMI options to the selected key engineers at the agreed market value, dated by board minute, keeping each holder within £250,000 of unrestricted market value at grant and the company within the £3,000,000 aggregate limit.

Timing In the 2026/27 tax year, as early as the valuation permits. Every month of delay pushes the two-year point out month for month.

Authority Income Tax (Earnings and Pensions) Act 2003, Sch 5 para 1

MOVE 5

• PROCEDURAL · CONFIRMED

Notify each grant to HMRC through the Employment Related Securities online service within 92 days of the grant date, and register the EMI scheme on the ERS service in advance so the notification can be filed on time.

Timing Within 92 days of the Move 4 grant date. Register the scheme before grant so the 92-day deadline is not spent waiting for activation.

Authority Income Tax (Earnings and Pensions) Act 2003, Sch 5 para 1

Administrative execution step; governed by the cited procedure or instructions.

MOVE 6

• VERIFIED

Diarise the two-year point (grant date plus two years) as a hard constraint on exit timing, and write into the exit planning timetable that no completion should be targeted before that date if the option holders' business asset disposal relief is to be preserved.

Timing Immediately after Move 4; the date is set by the grant, not by the exit.

Authority Taxation of Chargeable Gains Act 1992, s 169I

MOVE 7

• VERIFIED

Maintain and evidence Condition C throughout the two-year period: the company must remain a trading company (or the holding company of a trading group) and each option holder must remain an employee or officer of the company or a group company. Review annually whether the dormant subsidiary or any accumulation of non-trading assets threatens trading-company status, and address leaver provisions in the plan rules so a departing engineer's position is understood.

Timing Continuously from grant to disposal; formal annual review at each 31 March period end.

Authority Taxation of Chargeable Gains Act 1992, s 169I

MOVE 8

• VERIFIED

On the exit, exercise the options immediately before completion and claim the Part 12 CTA 2009 statutory deduction in the accounting period in which the shares are acquired, computed as market value of the shares at acquisition less the consideration given for the shares and the option. Do not book a separate deduction for the share-based payment charge for the same options.

Timing In the accounting period containing the exercise, which will be the exit period; claimed in that period's CT600.

Authority [2019] UKUT 111 (TCC) HMRC v 1) NCL Investments Ltd, 2) Smith and Williamson Corporate Services Ltd:.

MOVE 9

• PROCEDURAL · CONFIRMED

File the annual Employment Related Securities return for the EMI plan by 6 July following the end of each tax year in which the plan is live (including the year of grant and the year of exercise), and include each option holder's business asset disposal relief claim on their own SA100 for the tax year of disposal.

Timing 6 July following each tax year from 2026/27 onwards; the individual claims follow the exit tax year's self assessment deadlines, which are the individuals' dates, not the company's accounting period.

Authority HMRC Capital Gains Manual CG63975

Administrative execution step; governed by the cited procedure or instructions.

NOT INDEPENDENTLY SUPPORTED

2 further steps in this sequence could not be independently supported by the citation gate (1 citation rejected, 1 with no authority retrieved). Listed for sequence completeness only; the adviser sources the governing authority before executing any of them.

Move 1 · Run the Schedule 5 qualifying-company checklist for Hallam Precision Engineering Ltd as at the intended grant date: independence (no other company controls it; the two directors hold the shares personally), qualifying...

Move 10 · If the exit route chosen is a sale to an employee ownership trust, structure the transaction so the option holders exercise and sell alongside the founders to the trustees, and take separate advice on the founders' own relief on...

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

Your accountant could set up a tax-advantaged share option plan for your key engineers, with options priced at a market value agreed in advance with HMRC and exercisable only if the business is sold.

The important point is timing: the options have to be granted at least two full years before any sale for the engineers to get the lower capital gains tax rate on their shares, so granting them in the current tax year protects a sale from late 2028 onwards, whereas waiting until a buyer appears would leave them with no relief at all.

There is no income tax or National Insurance when the options are granted or exercised, and the company should get a corporation tax deduction in the year of the sale for the value the engineers receive, though all of this depends on the plan being properly documented and each grant being reported to HMRC within 92 days.

STRUCTURE E2 · ENGINEERING MODE

EST. COMBINED IMPACT

Full expensing / AIA re-claim on the £410,000 CNC machinery, tuned to the 26.5% marginal band, amended CT600 (Sch 18 para 15)

£63,000

Provisions	CAA 2001, s 45S, CAA 2001, s 38A, CAA 2001, s 51A, FA 1998, Sch 18, para 15, FA 1998, Sch 18, para 82, CTA 2010, s 37(3)(b), CTA 2010, s 37(7)
Estimated impact	£63,000 One-time corporation tax recovered for the accounting period ended 31 March 2025: tax of £72,500 (25% on £290,000, no marginal relief as filed) reduced to £9,500 by an additional £240,000 first-year allowance deduction taking profits chargeable to corporation tax to £50,000, £63,000 of tax saved, repayable with interest. This is tax saved, not deduction magnitude. The dormant-subsidary correction under CTA 2010 s 18E(3) is a precondition to this sizing and its own marginal relief value is carried on that structure, not duplicated here. The residual £96,200 of unclaimed first-year allowance retained in the main pool is a timing benefit only and is not valued in this figure.
Timeline	6 to 10 weeks of work (evidence gathering, recomputation, amended return), to be completed and filed before the hard stop of 31 March 2027; repayment typically follows within weeks of acceptance
Feasibility	high
Disclosure	White-space disclosure on the amended CT600 explaining the revised capital allowance basis and the associated-company position for the period ended 31 March 2025, No DOTAS notification expected: a straightforward statutory capital allowance claim is not a notifiable arrangement under FA 2004 Part 7, Confirm no disqualifying arrangements under CAA 2001 s 45T in the acquisition or financing of the machinery

Adviser must validate That each machine within the £410,000 was acquired unused and not second-hand and is outside the CAA 2001 s 46 general exclusions and s 45T disqualifying arrangements; the exact date each item of expenditure was incurred; that no finance arrangement makes any item a long-funding lease; the prior period's (to 31 March 2024) taxable total profits and effective rate, which the facts do not state, before choosing between the £240,000 sized claim and the full claim plus s 37(3)(b) carry-back; the annual investment allowance provisions and limit (CAA 2001 s 51A, not in the retrieved set) if the fallback in Move 5 is used; whether any notice of enquiry has been issued for the period; and that the amended pool balances are carried consistently into the return for the period to 31 March 2026.

Implementation moves

MOVE 1

• VERIFIED

Verify and document that each item within the £410,000 of CNC machinery added in September 2024 was acquired unused and not second-hand, is main-rate plant and machinery used in the Sheffield trade, was not acquired for leasing out, is not a car and is not within any disqualifying arrangement, assemble supplier invoices, delivery notes and manufacturer confirmations into a capital allowances schedule showing asset-by-asset cost, date incurred and pool allocation.

Timing First step; complete before any amended return is drafted, and well inside the capital allowance claim window which runs to 31 March 2027

Authority Capital Allowances Act 2001, s 45S

MOVE 2

• PROCEDURAL · CONFIRMED

Confirm the capital allowance claim window for the period ended 31 March 2025 is still open: the filing date was 31 March 2026, so claims may be made, amended or withdrawn up to the first anniversary of that filing date, 31 March 2027. Diarise 31 March 2027 as a hard stop and check whether any notice of enquiry has been issued (which would extend the window to 30 days after completion).

Timing Immediately, in parallel with Move 1; the date governs every later move

Authority Finance Act 1998, Sch 18 para 82

Administrative execution step; governed by the cited procedure or instructions.

MOVE 3

• VERIFIED

Recompute the corporation tax position for the period ended 31 March 2025 on the corrected associated-company basis (dormant subsidiary excluded, lower limit £50,000 and upper limit £250,000) and model the first-year allowance claim across a range: nil extra, £240,000 extra, and the full £336,200 extra. Select the claim size that leaves profits chargeable to corporation tax at £50,000, i.e. an additional deduction of £240,000 taking the period's tax from £72,500 to £9,500.

Timing After Moves 1-2 and before drafting the amended return; must be run jointly with the dormant-subsidiary correction, not sequentially

Authority Corporation Tax Act 2010, s 18A

MOVE 4

• PROCEDURAL · CONFIRMED

File an amended company tax return for the accounting period ended 31 March 2025 revising the capital allowances computation: claim a first-year allowance under CAA 2001 s 45S on £313,800 of the September 2024 CNC additions (so that total allowances on those additions rise from the £73,800 of writing-down allowance already claimed to £313,800), with the residual £96,200 of expenditure allocated to the main pool for 18% writing-down allowances in later periods. Specify the amount claimed expressly in the computation and in the CT600 capital allowance boxes.

Timing After Moves 1-3; must be delivered to HMRC on or before 31 March 2027

Authority Finance Act 1998, Sch 18 para 82

Administrative execution step; governed by the cited procedure or instructions.

MOVE 6

• VERIFIED

Prepare, but do not lodge unless the modelling in Move 3 favours it, a trading loss carry-back claim for the period ended 31 March 2025 on the alternative basis that the full £336,200 of unclaimed first-year allowance is taken, generating a loss of approximately £46,200 to be set against the total profits of the twelve months ending 31 March 2024.

Timing Decision point before 31 March 2027; the claim itself must be made within two years after the end of the loss-making period, i.e. by 31 March 2027

Authority Corporation Tax Act 2010, s 37

MOVE 7

• PROCEDURAL · CONFIRMED

On submission, request repayment of the resulting corporation tax overpayment (tax paid 1 January 2026 of £72,500 against a revised liability of £9,500) with repayment interest, and update the capital allowance pool carried forward into the period to 31 March 2026 so that the following return's writing-down allowances run from the revised main pool balance.

Timing Immediately after Move 4 is filed; before the return for the period to 31 March 2026 is finalised

Authority Finance Act 1998, Sch 18 para 82

Administrative execution step; governed by the cited procedure or instructions.

NOT INDEPENDENTLY SUPPORTED

1 further step in this sequence could not be independently supported by the citation gate (0 citations rejected, 1 with no authority retrieved). Listed for sequence completeness only; the adviser sources the governing authority before executing any of them.

Move 5 · In the same amended return, present the annual investment allowance under CAA 2001 s 51A as the fallback claim basis for any item of the £410,000 that cannot be evidenced as unused and not second-hand (for example a demonstrator...

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

Your accountant could amend the company's tax return for the year ended 31 March 2025 to claim the new CNC machinery at 100% in that year rather than at 18% a year, and to size that claim deliberately so the profits land exactly at the point where the tax rate steps down.

On the figures as they stand, that would take the corporation tax for that year from £72,500 to about £9,500, a repayment of roughly £63,000 plus interest, while leaving part of the allowance in the pool to shelter profits in later years at a higher rate. The deadline for amending that claim is 31 March 2027, so the review and supplier evidence would need to be gathered well before then.

STRUCTURE E3 · ENGINEERING MODE

EST. COMBINED IMPACT

Employer pension contributions for both directors in place of dividends, with carry-forward of the three previous years' unused annual allowance

£50,000

Provisions	FA 2004, s 196, CTA 2009, s 1290, FA 2004, s 228, FA 2004, s 228A, ITEPA 2003, s 308, SSCBA 1992, s 6
Estimated impact	£50,000 ANNUAL TAX SAVED, prospective 2026/27 onwards, on a £120,000 total employer contribution (£60,000 per director, the 2026/27 annual allowance) replacing the equivalent dividend extraction. Corporation tax saved ~ £31,200: profits of £290,000 reduced by £120,000, with £40,000 relieved at the 25% main rate and £80,000 relieved at the 26.5% marginal effective rate (limits NOT halved, on the basis that the dormant subsidiary is excluded under CTA 2010 s 18E(3), that point is carried in the associated-company structure, not here). Personal dividend tax saved ~ £18,800: each director's dividend falls from £60,000 to £15,000 (the post-tax equivalent of the £60,000 of pre-tax profit diverted), saving £9,388 each (£7,358 at 33.75% plus the balance at 8.75%, after the £500 dividend allowance), on the stated facts of £12,570 salary and no other income. The three-year carry-forward is a ONE-OFF additional capacity of up to £180,000 per director, worth corporation tax at 25%/26.5% only to the extent annual profits can absorb it, on £290,000 of profits that is a multi-year programme, not an extra £90,000 in one year, and it is deliberately NOT added to the annual figure above. The CT61 interest move at Move 9 carries £0 to avoid duplicating the same extraction value.
Timeline	6-8 weeks to confirm scheme membership, input amounts and the board resolution; payment must be in cleared funds by 31 March 2027 (company period end) and in any event by 5 April 2027 (annual allowance year end). Carry-forward from 2023/24 expires 5 April 2027.
Feasibility	high

Disclosure

No DOTAS hallmark is expected on an ordinary employer contribution to a registered pension scheme; the adviser should nevertheless confirm no notifiable arrangement (FA 2004 Part 7) if the contribution is bundled with an exit transaction, Form CT61 quarterly returns and the 20% income tax deducted at source on directors' loan interest (ITA 2007 s 874), P11D/payroll: confirm the employer contribution is reported correctly (i.e. not as a benefit) for 2026/27, Annual allowance charge: each director's SA100 for 2026/27 must report any excess, and scheme pays elections have their own deadlines

Adviser must validate

(1) Registered pension scheme membership for each director in 2023/24, 2024/25 and 2025/26, and the pension input amount for each of those years across ALL schemes, the facts state only that auto-enrolment minimums were paid, and do not state when each director joined a scheme; (2) whether either director has other income, other pension arrangements, protected allowances or has triggered the money purchase annual allowance, the facts do not state this, and the MPAA would cap contributions at £10,000 and remove carry-forward; (3) the associated-company conclusion under CTA 2010 s 18E(3), since it sets the marginal rate at which the deduction is worth either 26.5% or less; (4) forecast profits for the period ending 31 March 2027, so the deduction is not wasted in the 19% band or against a loss; (5) the current text of ITEPA 2003 s 308 and SSCBA 1992 s 6 for the NIC and benefit-in-kind position at Move 7, which is not supported by the retrieved authorities; (6) distributable reserves before any dividend is declared; (7) the loan relationship deductibility and commercial rate for the director loan interest at Move 9.

Implementation moves

MOVE 1

• VERIFIED

Confirm in writing from each director's pension provider that he was a member of a registered pension scheme at some point in each of 2023/24, 2024/25 and 2025/26 (auto-enrolment membership counts), and obtain the pension input amount for each of those three years plus 2026/27 to date.

Timing

First step; complete before any contribution is sized, and well before 5 April 2027.

Authority

Finance Act 2004, s 228A

MOVE 2

• VERIFIED

Size the contribution per director as the lower of (a) the 2026/27 annual allowance plus verified carry-forward, and (b) the amount that leaves the company's profits chargeable to corporation tax for the period ending 31 March 2027 at or above nil, and model the corporation tax saved band by band (25% above the £250,000 upper limit, 26.5% effective in the marginal band, 19% below £50,000, with the limits NOT halved if the dormant subsidiary is excluded from the associated-company count).

Timing After Move 1; before the board resolution at Move 3.

Authority Finance Act 2004, s 196

MOVE 3

• ADVISER TO CONFIRM

Pass and minute a board resolution awarding each working director a defined total remuneration package for 2026/27 (salary £12,570 plus the stated employer pension contribution), recording each director's role, hours and commercial contribution to the £3.4m-turnover trade, and that the package is set as the cost of securing their services.

Timing Before the contribution is paid; same accounting period.

Authority HMRC Business Income Manual BIM46035

Authority caveat: the retrieved citation is HMRC published guidance (a manual, brief, statement of practice, concession, notice or gov.uk page), HMRC's view and not the law for this proposition, adviser to confirm against the governing Act or instrument directly.

MOVE 4

• PROCEDURAL · CONFIRMED

Pay the contribution by bank transfer from the company's own account to the registered pension scheme so that the cash has irrevocably left the company on or before 31 March 2027, and do not post it as an accrual or provision.

Timing Hard date: cleared funds by 31 March 2027 for deductibility in the period ending 31 March 2027, and by 5 April 2027 for it to be tested against the 2026/27 annual allowance. Allow at least 10 working days for provider processing.

Authority Finance Act 2004, s 196

Administrative execution step; governed by the cited procedure or instructions.

MOVE 5

• VERIFIED

Before paying, run the spreading test: compare the contributions to be paid in the period ending 31 March 2027 with those paid in the period ending 31 March 2026 (auto-enrolment minimums only), and confirm the relevant excess over 110% of the prior period is below £500,000.

Timing Same sitting as Move 2, before the payment at Move 4.

Authority Finance Act 2004, s 197

MOVE 6

• ADVISER TO CONFIRM

Treat the diverted amount as a reduction in the 2026/27 dividend: declare dividends for 2026/27 only to the extent of the directors' remaining cash needs, so the post-tax income forgone is replaced by the pension contribution rather than taken in addition to it.

Timing Dividend declarations across 2026/27; final true-up before 5 April 2027.

Authority HMRC Business Income Manual BIM46035

Authority caveat: the retrieved citation is HMRC published guidance (a manual, brief, statement of practice, concession, notice or gov.uk page), HMRC's view and not the law for this proposition, adviser to confirm against the governing Act or instrument directly.

MOVE 8

• PROCEDURAL · CONFIRMED

Claim the deduction in the CT600 for the accounting period ending 31 March 2027 (filing deadline 31 March 2028), with the payment date and amount evidenced in the tax working papers; do NOT attempt to attach this to the period ending 31 March 2025, for which no contribution was paid.

Timing On filing the return for the period ending 31 March 2027.

Authority Finance Act 2004, s 196

Administrative execution step; governed by the cited procedure or instructions.

MOVE 9

• PROCEDURAL · CONFIRMED

Secondary move: document the directors' credit loan account balances in a short written loan agreement at a commercial rate, pay interest quarterly, deduct income tax at 20% at source and file form CT61 for each quarter to 31 March, 30 June, 30 September and 31 December.

Timing	Agreement in place before the first interest period begins; CT61 and the tax due 14 days after each quarter end.
Authority	Income Tax Act 2007, s 874

Administrative execution step; governed by the cited procedure or instructions.

MOVE 10

• VERIFIED

Sequence the large carry-forward contributions into 2026/27 and 2027/28, ahead of any sale to an employee ownership trust, and re-test annual allowance headroom each year because once used, carry-forward from a given year drops out of the three-year window.

Timing	Carry-forward from 2023/24 is available in 2026/27 and is lost after 5 April 2027; 2024/25 is lost after 5 April 2028.
Authority	Finance Act 2004, s 228A

NOT INDEPENDENTLY SUPPORTED

1 further step in this sequence could not be independently supported by the citation gate (0 citations rejected, 1 with no authority retrieved). Listed for sequence completeness only; the adviser sources the governing authority before executing any of them.

Move 7 · Confirm no Class 1 employer or employee National Insurance arises on the employer contribution and that no benefit-in-kind arises on the directors, and record the NIC analysis in the file.

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

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, your accountant 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.

STRUCTURE E4 · ENGINEERING MODE

EST. COMBINED IMPACT

R&D merged expenditure credit on the coating-process programme, the 2024/25 and 2025/26 claims are barred by the notification date; secure the period ending 31 March 2027

£21,000

Provisions CTA 2009, Part 13, Ch 1A (merged R&D expenditure credit), FA 1998, Sch 18, para 83BA (claim notification), FA 1998, Sch 18, para 83E (two-year limit), FA 1998, Sch 18, para 83EA (additional information form), BEIS/DSIT Guidelines on the Meaning of R&D for Tax Purposes

Estimated impact £21,000

Annual net tax benefit, prospective from the period ending 31 March 2027. £140,000 of assumed qualifying expenditure × 20% merged-scheme rate (FA 2024 Sch 1 para 5) = £28,000 of above-the-line credit, taxable as a trading receipt; net of corporation tax at 25% that is £21,000 of net benefit per year. This is tax saved (cash), not deduction magnitude. The £140,000 is already expensed through profit and loss, so the credit is incremental.

The 2024/25 and 2025/26 periods carry nil, those claims are barred for want of a claim notification and no value is carried for them anywhere in this analysis.

Timeline	Documentation and timesheet systems to be in place within 60 days and run to 31 March 2027; claim notification filed between now and 30 September 2027 (target 30 April 2027); additional information form and CT600/CT600L claim with the return for the period ending 31 March 2027, filing date 31 March 2028, amendable to 31 March 2029.
Feasibility	medium
Disclosure	Additional information form (CTA 2009 Part 13 / FA 1998 Sch 18 para 83EA) must be filed before or with the claim or the claim is treated as not made, CT600L required for the merged-scheme expenditure credit, Claim notification form (FA 1998 Sch 18 para 83BA), online, by 30 September 2027, No DOTAS notifiable arrangement identified on these facts
Adviser must validate	That no R&D claim was made by the company in any of the three periods preceding the period ending 31 March 2027 (confirming both the bar on the earlier periods and the need to notify for 31 March 2027); that the coating process meets the DSIT Guidelines advance-and-uncertainty test on the engineers' own evidence and is not routine process improvement, the facts do not establish this, only that the expenditure looks qualifying; the split of the £140,000 between staffing costs, consumables and the subcontracted test programme, which the facts do not give; whether the test-programme contractor is connected within CTA 2010 s 1122 and whether the company (not the contractor) decided the R&D was to be done; whether directors' time on the project can properly be brought into staffing costs given salaries of only £12,570 each; the PAYE/NIC cap computation under CTA 2009 s 1112B; and whether the company remains outside the quarterly instalment regime for the period ending 31 March 2027 (noting separately that CTA 2010 s 18E(3) treats a dormant company as not an associated company for the marginal relief limits).

Implementation moves

MOVE 3

• ADVISER TO CONFIRM

Commission a project-definition memorandum from the engineers working on the low-friction coating process: identify the named competent professionals, state the advance sought in the field of materials/surface engineering, state the scientific or technological uncertainties (what was not readily deducible by a competent professional), and record the start of the project and the point at which uncertainty is resolved. Frame the memorandum to the 2023 DSIT Guidelines paragraph structure, which apply to accounting periods beginning after 31 March 2023.

Timing Begin now (2026/27) and update contemporaneously through to 31 March 2027; must precede Move 6 and feed Move 5.

Authority HMRC Corporate Intangibles Research and Development Manual CIRD81910

Authority caveat: the retrieved citation is HMRC published guidance (a manual, brief, statement of practice, concession, notice or gov.uk page), HMRC's view and not the law for this proposition, adviser to confirm against the governing Act or instrument directly.

MOVE 4

• PROCEDURAL · CONFIRMED

Put timesheet or equivalent apportionment recording in place from the start of the period for every employee who spends time on the coating project, splitting directly-engaged R&D time from production and supervisory time, and tag consumables and materials that are transformed or consumed in the R&D (coating feedstock, test substrates, power) separately in the nominal ledger with a dedicated project code.

Timing Operational from 1 April 2026 (or as soon as practicable) and run continuously to 31 March 2027; must precede Move 6.

Authority Corporation Tax Act 2009, s 1042A

Administrative execution step; governed by the cited procedure or instructions.

MOVE 5

• ADVISER TO CONFIRM

Review and, where necessary, re-paper the subcontracted test programme so that the contract records that Hallam Precision Engineering Ltd decided the R&D was to be done, directed the work and bore the financial and technical risk; confirm the contractor is not connected within CTA 2010 s 1122 and that no joint election under CTA 2009 s 1135 has been or will be made, and bring in only 65% of the payment as qualifying expenditure.

Timing Before the test programme contract for the period ending 31 March 2027 is signed; feeds Move 6.

Authority HMRC Corporate Intangibles Research and Development Manual CIRD138000

Authority caveat: the retrieved citation is HMRC published guidance (a manual, brief, statement of practice, concession, notice or gov.uk page), HMRC's view and not the law for this proposition, adviser to confirm against the governing Act or instrument directly.

MOVE 6

• PROCEDURAL · CONFIRMED

File the additional information form with HMRC (project descriptions, competent professional, qualifying expenditure by category, agent and senior officer details) and then make the merged-scheme R&D expenditure credit claim in the CT600 and CT600L for the period ending 31 March 2027, computing the credit at 20% of qualifying expenditure. On £140,000 that is £28,000 of credit.

Timing The additional information form must be filed before or with the claim; the claim must be in the return for the period ending 31 March 2027 (filing date 31 March 2028) or by amendment within the para 83E two-year limit to 31 March 2029. Strictly after Moves 2 to 5.

Authority Finance Act 2024, Sch 1 para 5

Administrative execution step; governed by the cited procedure or instructions.

MOVE 7

• VERIFIED

Bring the £28,000 credit into account as a taxable trading receipt in the period ending 31 March 2027 and apply it in step order: first in discharging the corporation tax liability for that period, then the notional tax deduction, then against the PAYE/NIC cap. Model the net benefit as credit less corporation tax at the company's marginal rate and show it on the face of the computation so the directors see roughly £21,000, not £28,000.

Timing Same filing as Move 6; the receipt must be in the accounts and computation for the period ending 31 March 2027.

Authority Finance Act 2024, Sch 1 para 5

NOT INDEPENDENTLY SUPPORTED

3 further steps in this sequence could not be independently supported by the citation gate (3 citations rejected, 0 with no authority retrieved). Listed for sequence completeness only; the adviser sources the governing authority before executing any of them.

Move 1 · Record in the file, as a settled fact, that no R&D claim can be made for the period ended 31 March 2025 or the period ended 31 March 2026: the company has never claimed R&D relief in any of the three previous periods, so a claim...

Move 2 · Diarise and file the claim notification for the accounting period ending 31 March 2027 using HMRC's online claim notification form, no later than 30 September 2027, naming the company, the agent, the contact responsible for the...

Move 8 · Diarise the forward notification discipline: having claimed for the period ending 31 March 2027, no notification is required for the following two periods, but confirm the three-previous-period test afresh each year before...

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

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: your accountant 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.

STRUCTURE E5 · ENGINEERING MODE

EST. COMBINED IMPACT

Patent box election on the coating process: file the patent application now, elect under CTA 2010 Part 8A for a 10% effective rate on the IP profit stream

£15,000

Provisions	CTA 2010, Part 8A, CTA 2010, s 357A, CTA 2010, s 357BF, CTA 2010, s 357G, Patents Act 1977
Estimated impact	£15,000 Tax saved, annual, prospective from the period of grant. Patent box reduces the effective rate on relevant IP profits from 25% to 10%, a 15 percentage-point saving. The facts do not state what proportion of the £3.4m turnover derives from coated components, so the figure is illustrative: £100,000 of relevant IP profit in the coating sub-stream (roughly a third of the company's £290,000-£312,000 profit level) × 15% = £15,000 per year. In the period of grant there is in addition a one-off catch-up for the pending years brought in under s 357BM, which on the same assumption would be of the order of £15,000 per banked year for up to the pending period (not more than six years). No relief arises in any period before grant. The research and development claim value for 2024/25 is carried on that structure, not here.
Timeline	Patent application filed within the next 3-6 months and before 31 March 2027; entry election lodged with the CT600 for the period ending 31 March 2027 (long-stop 31 March 2029); tracking ledger live from 1 April 2026; grant typically 2-4 years after filing, with the pre-grant catch-up election due within 12 months of the fixed filing date of the grant period.
Feasibility	medium
Disclosure	white-space disclosure on the CT600 explaining the streaming basis and sub-stream definition adopted for the coating process, CT600 patent box box completion and the separate relevant IP profits computation schedule, s 357BM pre-grant election to be made in writing and retained with the grant certificate, no DOTAS notification expected, Part 8A is a statutory relief used as intended

Adviser must validate (1) Patent attorney confirmation that the coating process is patentable and that prior public disclosure or prior sales of coated components have not destroyed novelty, the facts state only that it 'may be patentable'; (2) that the development condition in CTA 2010 s 357BC is met by this company (not in the retrieved set); (3) that income from sales of components treated with the patented process is relevant IP income under ss 357BH-357BHC, and the proportion of the £3.4m turnover it represents, the facts do not state it; (4) eligibility for small claims treatment under ss 357CL-357CM; (5) the terms of s 357GA before accepting an open-ended election given the intended employee ownership trust sale within three years; (6) that the Move 4 notice is given by 31 March 2029 and the s 357BM election within 12 months of the fixed filing date of the grant period; (7) whether the dormant subsidiary affects the associated-company count for the marginal relief limits (CTA 2010 s 18E(3)) and so the marginal rate against which this saving is measured.

Implementation moves

MOVE 1

• PROCEDURAL · CONFIRMED

Instruct patent attorneys to file a UK patent application for the low-friction coating process at the UK Intellectual Property Office (and consider a parallel European Patent Office filing), and date-stamp the filing. No patent box relief accrues for any period before the application date, so the filing date sets the earliest period that can ever be brought into the regime.

Timing Immediately, and in any event before 31 March 2027 so that the application date falls within the accounting period ending 31 March 2027 (the first period for which an entry election is to be made).

Authority HMRC Corporate Intangibles Research and Development Manual CIRD220540

Administrative execution step; governed by the cited procedure or instructions.

MOVE 3

• PROCEDURAL · CONFIRMED

Build a track-and-trace system now: open a cost ledger for the coating-process IP right that separately captures (a) R&D undertaken in-house, (b) R&D subcontracted to unconnected third parties, (c) R&D subcontracted to connected parties, and (d) any acquisition cost of IP, and decide the streaming level (product or product family) for coated components before the first election takes effect.

Timing Operative from the start of the accounting period ending 31 March 2027; retro-fitting the ledger after the patent is granted is far harder and, for pre-grant periods, R&D expenditure in relation to the right is excluded from the fraction.

Authority HMRC Corporate Intangibles Research and Development Manual CIRD274100

Administrative execution step; governed by the cited procedure or instructions.

MOVE 4

• PROCEDURAL · CONFIRMED

Give written notice to an officer of HMRC electing into the patent box under CTA 2010 s 357A(1), specifying the accounting period ending 31 March 2027 as the first period for which the election is to have effect, and file it with (or alongside) the CT600 for that period.

Timing The notice must be given on or before the last day for amending the return for the period ending 31 March 2027 under FA 1998 Sch 18 para 15, i.e. 31 March 2029, OPEN. Make it with the return rather than at the long-stop. Once made it runs for that period and all subsequent periods without renewal.

Authority Corporation Tax Act 2010, s 357G

Administrative execution step; governed by the cited procedure or instructions.

MOVE 5

• ADVISER TO CONFIRM

For each period while the application is pending, compute the relevant IP profits of the coating sub-stream on the streaming basis, split credits between relevant IP income (sales of coated components, any process licensing) and other income, allocate debits on a just and reasonable basis, deduct the routine return figure, and record the sub-stream result even though no relief is given until grant.

Timing Annually with each CT600 from the period ending 31 March 2027 onward, up to grant.

Authority HMRC Corporate Intangibles Research and Development Manual CIRD220550

Authority caveat: the retrieved citation is HMRC published guidance (a manual, brief, statement of practice, concession, notice or gov.uk page), HMRC's view and not the law for this proposition, adviser to confirm against the governing Act or instrument directly.

MOVE 7

• PROCEDURAL · CONFIRMED

On grant of the patent, make a written election under CTA 2010 s 357BM(2), right by right, to bring the relevant IP profits of the pending accounting periods into the relevant IP profits of the period of grant.

Timing Within 12 months of the fixed filing date of the return for the accounting period in which the right is granted; the pre-grant period brought in is capped at six years before grant. Diarise from the grant certificate date.

Authority HMRC Corporate Intangibles Research and Development Manual CIRD220540

Administrative execution step; governed by the cited procedure or instructions.

MOVE 8

• VERIFIED

Model the interaction with the planned employee ownership trust sale and with the research and development claim programme before committing: the patent box election runs for all subsequent periods until revoked, and revocation under s 357GA carries a lock-out, so test it against the exit timetable.

Timing Before the Move 4 notice is lodged, and again before any sale process launches.

Authority Corporation Tax Act 2010, s 357G

NOT INDEPENDENTLY SUPPORTED

2 further steps in this sequence could not be independently supported by the citation gate (1 citation rejected, 1 with no authority retrieved). Listed for sequence completeness only; the adviser sources the governing authority before executing any of them.

Move 2 · Document the qualifying development condition: compile the internal record showing that the company itself created or significantly contributed to the development of the invention (the staff time, consumables and subcontracted...

Move 6 · Elect for small claims treatment so that the marketing assets return figure step is bypassed, provided the company remains within the small claims thresholds for the period.

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

Your accountant 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.

STRUCTURE E6 · ENGINEERING MODE

EST. COMBINED IMPACT

Insert a holding company by share exchange with clearance

£14,700

Provisions TCGA 1992, ss 126, 127, 135, 137, 138, ITA 2007, ss 684, 701, CTA 2009, s 931A, FA 2003, Sch 7, para 1

Estimated impact	£14,700 Annual tax DEFERRED, not saved. Computed on the £120,000 of dividends currently paid (£60,000 to each director): with salary of £12,570 covering the personal allowance and the £500 dividend allowance, approximately £37,700 of each director's dividend falls in the basic rate band at 8.75% and approximately £21,800 above £50,270 at 33.75%, giving £7,357 of higher-rate dividend tax per director. If that upper slice is instead paid up to Newco as an exempt intra-group dividend under CTA 2009 s 931A(3)(a) and retained, roughly £14,700 of personal dividend tax a year is deferred until the funds are extracted. Figures are England rates for two directors with no other income stated, the facts do not state other income, so this must be recomputed on actual income. NIL value is carried here for the EOT disposal relief and for any BADR on the Newco shares: that value belongs to the EOT structure and is carried there to avoid double counting. Stamp duty relief under FA 1986 s 77 (Move 5) is a one-time 0.5% saving on the share value, which the facts do not state and which is therefore not quantified.
Timeline	4-6 months from instruction: commercial documentation and Newco incorporation within 4-6 weeks, combined s 138 / s 701 clearance 30 days plus HMRC queries, exchange and stamping immediately on clearance, intra-group dividend policy from the following accounting period. Must be completed in 2026/27 and at least two years before any EOT or third-party disposal.
Feasibility	high
Disclosure	clearance under ITA 2007 s 701 (transactions in securities) and TCGA 1992 s 138(1) (share exchange / s 137 bona fide commercial reasons), single combined application to the Clearance & Counteraction Team, stamp duty adjudication for FA 1986 s 77 relief on the stock transfer forms within 30 days of execution, white-space disclosure of the exchange and no-disposal treatment on each director's 2026/27 SA100 and on the first post-exchange CT600s, Companies House: incorporation of Newco, PSC register entries for both directors, and the new group structure, Trust Registration Service registration when the employee ownership trust is later established

Adviser must validate

(1) The directors' base cost and acquisition dates in their Hallam Precision Engineering Ltd shares, not stated in the facts, and the market value of the company, neither of which can be assumed. (2) That consideration for the exchange is wholly in shares, with no cash or loan note element, and that Newco has subscriber shares only immediately before the exchange. (3) FA 1986 s 77 and s 77A against the statute (Move 5 is marked unsupported, the relief is not in the retrieved authority set).

(4) CTA 2010 s 18E(3) and HMRC guidance on passive holding companies before changing the associated-company count (Move 6 is marked unsupported). (5) That Newco is a 'small company' for CTA 2009 s 931S so that Chapter 2 exemption applies, and that s 931V is not engaged. (6) The current text of TCGA 1992 s 236H at the intended EOT disposal date, the retrieved set does not contain it, so no rate of EOT relief is asserted here and no '0% CGT' outcome should be represented to the directors.

(7) Whether the directors have other income in 2026/27, which changes the deferral figure. (8) Company law capacity: distributable reserves for the intra-group dividend and the solvency position of the trading company.

Implementation moves

MOVE 1

• ADVISER TO CONFIRM

Before any share issue, prepare and minute the commercial case for the holding company: succession between the two 50% directors, ring-fencing surplus cash and the factory mezzanine from trading creditors, and creating a clean holding company of a trading group as the vehicle the employee ownership trust would later acquire. Keep contemporaneous board minutes, a structure chart and the professional advice file as the evidence pack for the clearance application.

Timing Immediately, in 2026/27, this must be in place before Newco is incorporated and well before any EOT sale within the directors' three-year horizon

Authority HMRC Capital Gains Manual CG52570

Authority caveat: the retrieved citation is HMRC published guidance (a manual, brief, statement of practice, concession, notice or gov.uk page), HMRC's view and not the law for this proposition, adviser to confirm against the governing Act or instrument directly.

MOVE 2

• PROCEDURAL · CONFIRMED

Incorporate a new England and Wales company (Newco) with the two directors each subscribing for one ordinary share, so that immediately before the exchange the only issued shares in Newco are the original subscriber shares. Do not capitalise Newco, trade through it, or issue any other shares before the exchange.

Timing After Move 1, and before the clearance application is submitted so that the application can describe the final share capital

Authority HMRC Venture Capital Schemes Manual VCM16030

Administrative execution step; governed by the cited procedure or instructions.

MOVE 4

• VERIFIED

Execute the share exchange: the two directors transfer their entire 100% holding in Hallam Precision Engineering Ltd to Newco, Newco issuing ordinary shares to each of them in the same 50/50 proportions, by stock transfer forms and a single exchange agreement dated after the clearance letter.

Timing Immediately after written clearance is received; in 2026/27 and at least two years before any EOT or third-party disposal so that holding-period conditions on the new shares are not in doubt

Authority Taxation of Chargeable Gains Act 1992, s 127

MOVE 7

• VERIFIED

Once the group exists, pay surplus cash from Hallam Precision Engineering Ltd up to Newco by intra-group dividend rather than out to the directors personally, retaining it in Newco for reinvestment, creditor protection and funding the deferred consideration structure of the EOT sale.

Timing From the first accounting period after the exchange; dividend timing for the directors personally is a 2026/27 in-year decision to be completed by 5 April 2027

Authority Corporation Tax Act 2009, s 931A

MOVE 8

• ADVISER TO CONFIRM

If any part of the business (for example the coating operation) is to be hived down and sold separately rather than included in the EOT sale, structure it as a subsidiary held by Newco and test the substantial shareholdings exemption by aggregating the pre- and post-exchange holding periods.

Timing Only after Move 4; a separate disposal should not be contemplated within 12 months of the exchange without testing the aggregation rule

Authority HMRC Capital Gains Manual CG53080B

Authority caveat: the retrieved citation is HMRC published guidance (a manual, brief, statement of practice, concession, notice or gov.uk page), HMRC's view and not the law for this proposition, adviser to confirm against the governing Act or instrument directly.

MOVE 9

• VERIFIED

Sequence the exchange against the EOT timetable: complete the share exchange in 2026/27, keep Newco as the holding company of the trading group that the trustee will acquire, and do not make any TCGA 1992 s 169Q-type election in the same tax year as the exchange.

Timing Exchange in 2026/27; any election in 2027/28 or later; EOT disposal targeted within the directors' three-year horizon

Authority Finance Act 2025, Sch 2 para 18

NOT INDEPENDENTLY SUPPORTED

4 further steps in this sequence could not be independently supported by the citation gate (2 citations rejected, 2 with no authority retrieved). Listed for sequence completeness only; the adviser sources the governing authority before executing any of them.

Move 3 · Submit a single combined advance clearance application to HMRC's Clearance & Counteraction Team under TCGA 1992 s 138(1) (that s 137(1) will not apply to the exchange) and under ITA 2007 s 701 (that no counteraction notice will...

Move 5 · Submit the stock transfer forms for adjudication and relief from stamp duty on the share exchange under FA 1986 s 77 (identical shareholdings and proportions, consideration wholly in shares), and obtain the adjudication stamp...

Move 6 · Transfer the shares in the dormant subsidiary Hallam Coatings Ltd to Newco (or strike it off if the coating process will be held and exploited by the trading company), and review the associated-company count for the period to 31...

Move 10 · Record the clearance reference and a short white-space note describing the share exchange and the no-disposal treatment on each director's SA100 for the tax year of the exchange, and on Newco's first CT600 and the CT600 of the...

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

Your accountant could set up a new parent company above Hallam Precision Engineering Ltd, with the two of you holding exactly the same 50/50 shares in the parent that you hold in the trading company today. Done with HMRC's written clearance beforehand, the swap itself is not treated as a sale, so no capital gains tax arises on it, and afterwards surplus cash can be moved up to the parent company free of further corporation tax, which keeps it away from trading risk and lets you choose when to draw it personally.

On the figures as they stand, deferring the top slice of your dividends in this way is worth in the region of £14,700 a year in postponed personal tax, and the structure also gives the employee ownership trust a clean parent company to buy in due course.

STRUCTURE E7 · ENGINEERING MODE

EST. COMBINED IMPACT

**Employee ownership trust exit (TCGA 1992 s 236H),
sequenced over the three-year horizon the directors
are already contemplating**

£14,400

Provisions TCGA 1992, s 236H, TCGA 1992, ss 236J, 236U, ITEPA 2003, s 312A, TCGA 1992, s 169H, TCGA 1992, s 169I(7A), CTA 2010, s 1033

Estimated impact

£14,400

ANNUAL INCOME TAX SAVED, recurring from the first tax year after completion: 20 non-participator employees (22 staff less the two excluded 50% directors) x £3,600 qualifying bonus under ITEPA 2003 s 312A x 20% basic rate = £14,400 of employee income tax saved per year. Class 1 NIC remains payable, so no NIC saving is counted.

The capital gains tax differential on the share sale itself is NOT included and is deliberately not quantified: the facts do not state a share valuation or an expected sale price, and under FA 2026 s 35 the relief is 50% of the gain, not a full exemption.

Directionally, at a 24% main rate the EOT route is an effective 12% on the whole gain, which beats the 24% rate that would apply to a trade sale gain above each director's £1,000,000 business asset disposal relief limit but is worse than the 18% rate within it; the crossover depends entirely on the valuation at move 3. No figure here duplicates any other structure in this file.

Timeline	24-36 months. Preparatory moves 1 to 4 run through the years to 31 March 2027 and 31 March 2028; trustee and deed work (moves 5 to 7) in the three to six months before completion; completion and claim in 2028/29 or 2029/30; bonus programme and clawback monitoring from the following tax year to the end of the fourth tax year after disposal.
Feasibility	medium
Disclosure	Trust Registration Service registration of the employee ownership trust on establishment, Claim under TCGA 1992 s 236H made in each director's SA100 for the tax year of disposal, with white-space disclosure of the valuation basis and the participator fraction, Clearance under CTA 2010 s 1044 if the purchase-of-own-shares fallback in move 10 is used, Clearance under ITA 2007 s 701 (transactions in securities) for any buy-back or partial exit, Employment-related securities annual return (ERS) if any employee share awards accompany the transaction, Companies House strike-off application (DS01) for the dormant subsidiary
Adviser must validate	(1) The text of TCGA 1992 s 236H as in force at the ACTUAL disposal date, FA 2026 s 35 gives 50% chargeable for disposals on or after 26 November 2025, but a further Finance Act before 2029 could change this again; re-read before signing. (2) The full text of ss 236I, 236K, 236LA, 236M, 236N, 236O and 236P, none of which were retrieved in full here, in particular the trustee independence requirement, the UK-residence condition and the market-value cap on consideration introduced for disposals on or after 30 October 2024, and the length of the clawback period as currently enacted. (3) That the dormant subsidiary can be struck off without a degrouping or distribution charge and holds no coating-process intellectual property. (4) Whether the coating-process expenditure supports a patent application, since a granted patent would change the valuation and open a separate patent box analysis. (5) Each director's available business asset disposal relief lifetime limit and base cost, neither of which is stated in the facts, before the move 2 comparison can be concluded. (6) That Class 1 NIC treatment of s 312A bonuses is correctly applied in payroll.

Implementation moves

MOVE 1

• VERIFIED

Resolve the status of Hallam Coatings Ltd now: either apply to strike it off under the Companies Act dissolution procedure, or formally minute and evidence that it is dormant and holds no assets, before any share-sale process begins. Record the decision in a board minute in the year to 31 March 2027 so that at the eventual disposal date the group is unambiguously a single trading company (or the principal company of a trading group with no non-trading subsidiary to analyse).

Timing Immediately, in the 2026/27 company year, at least 24 months before any contemplated completion in 2028 or 2029. Note separately that the corporation tax consequence of the dormant subsidiary on the associated-company count for the period to 31 March 2025 is a different item with its own vehicle (amendment under FA 1998 Sch 18 para 15, open to 31 March 2027).

Authority Taxation of Chargeable Gains Act 1992, s 236H

MOVE 2

• VERIFIED

Model the exit on the 50% relief basis, not on a no-gain/no-loss basis. Prepare a written comparison for the directors of (a) EOT sale with 50% of the gain chargeable, (b) third-party trade sale with business asset disposal relief, and (c) a company purchase of own shares, each run at the rates in force for the projected disposal tax year.

Timing Before any heads of terms are signed; do this in 2026/27 while all three routes remain open.

Authority Finance Act 2026, s 35

MOVE 3

• PROCEDURAL · CONFIRMED

Commission an independent professional valuation of the ordinary share capital of Hallam Precision Engineering Ltd on an earnings basis, and refresh it within three months of completion. Instruct the valuer directly, not through the directors, and retain the engagement letter and workings.

Timing First valuation in 2026/27 to set the price expectation; refreshed valuation dated within three months before completion.

Authority Taxation of Chargeable Gains Act 1992, s 236H

Administrative execution step; governed by the cited procedure or instructions.

MOVE 5

• VERIFIED

Incorporate or appoint a UK-resident professional corporate trustee and constitute the trustee board so that the two selling directors together cannot control it, a majority of trustee directors must be persons who are not the former owners or their connected persons, with an independent chair holding a casting vote.

Timing At least three months before completion; the composition must be in place on the acquisition date and maintained throughout the clawback period.

Authority Finance Act 2014, Sch 37 para 3

MOVE 6

• VERIFIED

Draft the trust deed so that settled property can be applied only for the benefit of all eligible employees on the same terms, with no power to create a sub-trust, no power to transfer to another settlement other than by an authorised transfer, no power to lend to beneficiaries, and no power to amend out of any of those restrictions. Exclude the two 50% directors as excluded participators in the definition of eligible employee.

Timing Deed executed before, and in force at, the acquisition date.

Authority Taxation of Chargeable Gains Act 1992, s 236J

MOVE 7

• VERIFIED

Confirm and document the participator fraction before completion: with two 5%-or-more participators and 22 employees and office-holders, the fraction is approximately $\frac{2}{22}$, comfortably below $\frac{2}{5}$. Put a standing monitoring note in place to re-test it annually through the clawback period, flagging any redundancy programme that would shrink the denominator.

Timing Tested immediately before completion and annually to the end of the fourth tax year after the disposal.

Authority Finance Act 2014, Sch 37 para 3

MOVE 8

• VERIFIED

Complete the sale of more than 50% of the ordinary share capital to the trustees in a single accounting period, with the trustees holding no shares in C beforehand, and make the claim under TCGA 1992 s 236H in each director's Self Assessment return for the tax year of disposal.

Timing Completion in the projected 2028/29 or 2029/30 tax year; the claim goes in the SA100 for that year, by the 31 January filing date following the end of that tax year (or by amendment within twelve months of that date).

Authority Taxation of Chargeable Gains Act 1992, s 236H

MOVE 10

• VERIFIED

Keep the purchase-of-own-shares route live as a fallback and as a partial-exit mechanism: if the EOT model in move 4 cannot be funded, prepare a s 1033 buy-back with advance clearance, documented as made wholly or mainly for the purpose of benefiting the trade.

Timing Decision point immediately after move 2 and again after move 4; clearance application at least 30 days before any buy-back.

Authority Corporation Tax Act 2010, s 1033

NOT INDEPENDENTLY SUPPORTED

2 further steps in this sequence could not be independently supported by the citation gate (2 citations rejected, 0 with no authority retrieved). Listed for sequence completeness only; the adviser sources the governing authority before executing any of them.

Move 4 · Build two to three further years of clean, audit-quality statutory accounts and a funding model showing that post-tax trading profits (currently around £290,000 of taxable profit a year) can service the deferred consideration...

Move 9 · From the first full tax year after completion, run an annual qualifying bonus payment of up to £3,600 per employee through payroll, free of income tax, on terms open to all employees on the same basis and meeting the...

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

Your accountant could begin laying the groundwork now for a sale of the company to a trust that holds the shares on behalf of your staff, which is the route you have both been considering. The important correction to the usual story is that this is no longer a tax-free exit: for sales completing now and in future, half of your gain is taxable, so the arithmetic needs to be compared honestly against a straight trade sale or a buy-back by the company before you commit.

The preparatory work that pays for itself whatever you decide is tidying up the dormant subsidiary, getting two or three years of clean accounts and a proper independent valuation, and checking the company could genuinely afford to pay you out of future profits, and if you do go ahead the structure also lets the business pay each employee up to £3,600 a year free of income tax.

STRUCTURE E8 · ENGINEERING MODE

EST. COMBINED IMPACT

Trivial benefits, the annual function exemption and a
PAYE settlement agreement

£4,100

Provisions

ITEPA 2003, ss 323A, 264, 703-707

Estimated impact	£4,100 Annual tax saved (income tax and NIC avoided), prospective for 2026/27 and recurring. Built as: (a) trivial benefits of up to £300 per head across 24 people, assumed deliverable at c.£7,200 in total, which if instead paid as earnings would carry employee income tax and NIC of roughly 28% (c. £2,000) and employer NIC at 15% (c.£1,080); (b) an annual function at up to £150 per head for 24 people, c.£3,600, of which the NIC and income tax that would otherwise arise is c.£1,000 on the same basis. Rounded down to c.£4,100 to reflect that the full budget may not be spent. The corporation tax deduction on the same spend is NOT counted here, staff reward of equivalent value would be deductible however delivered, so it is not an incremental saving. The PSA itself is cost-neutral to marginally cost-increasing in cash terms (the company pays grossed-up tax it would not otherwise bear) and is valued at nil; its benefit is administrative and protective. Figures assume standard-rate employees; the two directors on £12,570 salary are basic rate on these facts unless their dividend income changes the position.
Timeline	Policy and director budget in place within 4 weeks, i.e. well before 5 April 2027; spending completed during 2026/27; PSA application by 5 July 2027; PSA settlement paid by 22 October 2027. Recurring annually thereafter.
Feasibility	high
Disclosure	PAYE settlement agreement application to HMRC for 2026/27 (ITEPA 2003, ss 703-707), a formal agreement, not a return entry, P11D / P11D(b) for 2026/27 due 6 July 2027 for any benefit outside the exemptions and outside the PSA, No DOTAS or notifiable arrangement issue arises on these facts

Adviser must validate

(1) Close company status under CTA 2010 s 439 on the actual share register, the facts state the test was not considered. (2) The full text of ITEPA 2003, s 323A(9) onwards to confirm condition D and the exact annual cap figure for directors of a close company in 2026/27 (the retrieved extract stops at subsection (8)). (3) ITEPA 2003, s 264 directly, only a manual cross-reference to the £150 annual function exemption was retrieved.

(4) The PSA computation, Class 1B charge, application deadline and payment date from ITEPA 2003, ss 703-707 and the PAYE Regulations 2003 (SI 2003/2682), not retrieved. (5) That gift cards used are not cash vouchers within ITEPA 2003, s 75. (6) Corporation tax deductibility under CTA 2009 ss 54 and 1298(5) and the VAT input tax position on staff entertaining.

(7) Whether the dormant subsidiary is properly excluded from the associated company count under CTA 2010 s 18E(3), which drives the marginal rate applied to the deduction.

Implementation moves

MOVE 1

• VERIFIED

Confirm in writing that Hallam Precision Engineering Ltd is a close company (two participators holding 50% each) and therefore that the two directors are subject to the additional annual cap on exempt trivial benefits, while the 22 non-director employees are not. Record the conclusion in the benefits policy file before any benefit is provided in 2026/27.

Timing First step; complete before any trivial benefit is provided, i.e. before the first provision in 2026/27 (year ends 5 April 2027).

Authority Income Tax (Earnings and Pensions) Act 2003, s 323A

MOVE 2

• VERIFIED

Adopt a short written staff benefits policy for 2026/27 that provides gifts in kind (store gift cards that are not cash vouchers, hampers, flowers, meals out, birthday and long-service tokens) each costing no more than £50 including VAT, stated expressly as discretionary, not contractual, not provided under salary sacrifice and not a reward for services or performance.

Timing Immediately after Move 1 and before the first benefit is provided; the policy must be in force for the whole of 2026/27.

Authority Income Tax (Earnings and Pensions) Act 2003, s 323A

MOVE 3

• VERIFIED

Set a per-director budget for 2026/27 of £300 of trivial benefits each (six £50 items or fewer), tracked on a simple running schedule by name and date, and apply the average cost per head convention where a benefit is given to a group (for example a round of £45-per-head Christmas hampers for all 24 people).

Timing	Runs across 2026/27; the schedule must be maintained contemporaneously and closed off at 5 April 2027.
Authority	Income Tax (Earnings and Pensions) Act 2003, s 323A

MOVE 4

• ADVISER TO CONFIRM

Hold a recurring annual staff event (for example a Christmas dinner) open to all 22 employees and both directors, with total cost including VAT, transport and accommodation kept at or below £150 per head attending, and keep the attendance list and invoice as evidence of the per-head calculation.

Timing	During 2026/27 (by 5 April 2027). Keep it separate from, and not aggregated with, the trivial benefits in Move 3.
Authority	HMRC Employment Income Manual EIM21861

Authority caveat: the retrieved citation is HMRC published guidance (a manual, brief, statement of practice, concession, notice or gov.uk page), HMRC's view and not the law for this proposition, adviser to confirm against the governing Act or instrument directly.

MOVE 5

• PROCEDURAL · CONFIRMED

Instruct payroll that items falling within Moves 2 to 4 are reported nowhere: no payroll entry, no P11D, no Class 1A. Record the basis for each in the benefits file instead.

Timing	At the same time the policy is adopted (immediately after Move 2); applies throughout 2026/27 and at the P11D stage for 2026/27 (6 July 2027).
Authority	HMRC PAYE Settlement Agreements PSA1090

Administrative execution step; governed by the cited procedure or instructions.

MOVE 6

• PROCEDURAL · CONFIRMED

Apply to HMRC for a PAYE settlement agreement covering 2026/27 for the residual taxable items that cannot practically be put through payroll or a P11D, staff lunches that exceed the £50 limit, one-off team incentives, non-exempt travel and incidental expenses, the excess over £150 per head if the annual event overruns, expressly excluding anything already exempt under Moves 2 to 4.

Timing After Moves 2 to 5 (so the PSA population is known). The application should be made in-year or in any event by 5 July 2027 for the 2026/27 tax year.

Authority HMRC Employment Income Manual EIM21861

Administrative execution step; governed by the cited procedure or instructions.

MOVE 8

• ADVISER TO CONFIRM

Book the cost of the trivial benefits, the annual event and the PSA (including the grossed-up tax and Class 1B) as staff welfare in the accounting period to 31 March 2027, and confirm the corporation tax deduction position for staff entertaining as distinct from business entertaining.

Timing At the 31 March 2027 period end; spending must be incurred before that date to fall into that period.

Authority HMRC PAYE Settlement Agreements PSA1090

Authority caveat: the retrieved citation is HMRC published guidance (a manual, brief, statement of practice, concession, notice or gov.uk page), HMRC's view and not the law for this proposition, adviser to confirm against the governing Act or instrument directly.

NOT INDEPENDENTLY SUPPORTED

1 further step in this sequence could not be independently supported by the citation gate (0 citations rejected, 1 with no authority retrieved). Listed for sequence completeness only; the adviser sources the governing authority before executing any of them.

Move 7 · Calculate the PSA liability for 2026/27 on a grossed-up basis at each recipient's marginal rate, add Class 1B employer NIC, and pay HMRC by the statutory PSA payment date following the end of 2026/27.

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

Your company has no staff benefit arrangements in place at present, and there are two long-standing exemptions you are simply not using. Your accountant could set up a written policy for the current tax year under which the company gives small non-cash gifts costing no more than £50 each to all 24 of you, capped for the two directors, plus one annual staff event costing no more than £150 a head, with nothing reportable and no tax or National Insurance for anyone.

For anything that falls outside those limits, your accountant could also apply for a settlement arrangement with HMRC so the company picks up the tax centrally rather than small amounts appearing on individual staff tax records.

STRUCTURE E9 · ENGINEERING MODE

EST. COMBINED IMPACT

Dormant subsidiary disregarded for the associated-company count, restore the full £50,000/£250,000 marginal relief limits, then dissolve the subsidiary

£1,875

Provisions

CTA 2010, s 18E, CTA 2010, ss 18A, 18D, FA 1998, Sch 18, para 15, Companies Act 2006, s 1003

Estimated impact

£1,875

Tax saved, annual, at the point the company's profits sit in the marginal band. Computed on the figures given: with the limits halved to £25,000/£125,000, profits of £50,000 bear £11,375; with the full £50,000/£250,000 limits restored they bear £9,500 at the small profits rate, an incremental £1,875.

This £1,875 is the marginal-relief component only and is carried HERE once; the headline £63,000 attributed to the full expensing / AIA structure is computed on the corrected full limits and already contains this £1,875, so it is not added again there. On the period as filed (profits £290,000) the correction is worth nil in isolation, because £290,000 exceeds £250,000 whichever limits apply; the figure above is the prospective and combined value, not a stand-alone recovery for the period to 31 March 2025.

Timeline	Moves 1-4 within 4-8 weeks and in any event filed by 31 March 2027, when both the amendment window and the enquiry window for the period ended 31 March 2025 close. Move 5 is ongoing from the period ending 31 March 2026; a strike-off, if chosen, typically takes three to four months from application after the asset transfer completes.
Feasibility	high
Disclosure	White-space note on the amended CT600 recording that the subsidiary is disregarded under CTA 2010 s 18E(3)(a) and the evidence held, No DOTAS notifiable arrangement arises on this structure, If the strike-off route is taken, confirm no asset remains in the subsidiary at dissolution (bona vacantia, CTM36210) and notify HMRC of the cessation and final return
Adviser must validate	That Hallam Coatings Ltd carried on no trade or business at any time in the period to 31 March 2025 on the CTM03590 test, with primary evidence, not merely a dormant filing at Companies House; that neither director controls any other company under CTA 2010 ss 450-451 including rights attributed from associates, so the count is genuinely nil; the exact text and date of the FA 1998 Sch 18 para 15 amendment window for this return (stated here as 31 March 2027) and that no amendment has already been made; whether the subsidiary holds any asset, bank balance, contract or participator loan before any strike-off under Companies Act 2006 s 1003; whether the coating process patent or trade mark will be filed in the parent's name; and that the £1,875 is not counted again in the capital allowance structure's figure.

Implementation moves

MOVE 1

• VERIFIED

Before touching the associated-company box, map every company controlled by either director or by the two of them together (CTA 2010 ss 450-451 control, including rights attributed from associates), and list each one with the part of the period to 31 March 2025 in which control existed. Confirm in writing that Hallam Coatings Ltd is the only candidate and that neither director controls any other company.

Timing	First step; must be completed before the amended return is prepared and well before the amendment window closes on 31 March 2027.
Authority	Corporation Tax Act 2010, s 18E

MOVE 2

• VERIFIED

Assemble and file-note the dormancy evidence for Hallam Coatings Ltd covering the whole of 1 April 2024 to 31 March 2025: nil bank activity (or no bank account), dormant company accounts filed at Companies House, no invoices issued or received, no employees, no intra-group recharges, no interest or investment income, and confirmation that it held no assets generating a business activity.

Timing Immediately after Move 1 and before the amended return is submitted.

Authority Corporation Tax Act 2010, s 18E

MOVE 4

• PROCEDURAL · CONFIRMED

Include a short white-space note on the amended CT600 stating that Hallam Coatings Ltd is wholly dormant throughout the period and is disregarded under CTA 2010 s 18E(3)(a), with a one-line description of the evidence held.

Timing Same filing as Move 3.

Authority HMRC Company Taxation Manual CTM03580

Administrative execution step; governed by the cited procedure or instructions.

NOT INDEPENDENTLY SUPPORTED

2 further steps in this sequence could not be independently supported by the citation gate (0 citations rejected, 2 with no authority retrieved). Listed for sequence completeness only; the adviser sources the governing authority before executing any of them.

Move 3 · Amend the CT600 for the period ended 31 March 2025 to show nil associated companies, so the small profits lower limit is £50,000 and the upper limit £250,000, and make this amendment in the same return as the full expensing /...

Move 5 · For the period ending 31 March 2026 and later, choose one of two routes and document it now: (a) keep Hallam Coatings Ltd strictly dormant, with an annual dormancy certificate signed by both directors and dormant accounts filed,...

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

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, your accountant 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.

STRUCTURE E10 · ENGINEERING MODE

EST. COMBINED IMPACT

Mezzanine £180,000 split into integral features (AIA at 100%) and structure (structures and buildings allowance), same amended return

£1,350

Provisions	CAA 2001, s 33A, CAA 2001, s 23 (List C), CAA 2001, ss 270AA, 270IA, CAA 2001, s 270IA, CAA 2001, s 38A, FA 1998, Sch 18, para 82
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Estimated impact	£1,350 ANNUAL TAX SAVED, prospective and recurring. Carried figure is the structures and buildings allowance stream only: £180,000 × 3% = £5,400 of deduction a year at the company's marginal corporation tax rate of 25% (profits of £290,000 exceed the £250,000 upper limit even once the dormant subsidiary is excluded from the associated-company count under CTA 2010, s 18E(3)) = £1,350 a year for 33 years, with the period to 31 March 2025 itself restricted under CAA 2001, s 270EA to roughly 90/365 of a year (about £1,331 of deduction, about £333 of tax). The £5,400 scales down pro rata by whatever proportion of the £180,000 is reallocated to integral features at Move 2, since no pound can carry both allowances; the facts do not state the split, so the adviser must rescale once the contractor's breakdown is in. The one-off 100% AIA acceleration on the integral-features element is NOT counted here: its band-landing value duplicates the full-expensing/AIA structure already sized against the marginal band, and the dollars are carried on that structure. The incremental, non-duplicative benefit of Move 4 is that integral features attract AIA at 100% rather than the 50% special rate first-year allowance or 6% writing-down allowance, which is a timing (deferral) benefit, not an absolute saving.
Timeline	6 to 10 weeks of work (cost breakdown and apportionment 3 to 6 weeks, allowance statement and computation 2 weeks, filing 1 week). Hard deadline: the amended return for the period ended 31 March 2025 must be filed by 31 March 2027. Target filing by 31 January 2027 to leave contingency.
Feasibility	high
Disclosure	No DOTAS notification: a straightforward capital allowances apportionment and SBA claim is not a notifiable arrangement under FA 2004, Part 7, White-space note on the amended CT600 computation describing the basis of apportionment of the £180,000 and the existence and date of the s 270IA allowance statement, Amended return under FA 1998, Sch 18, para 15 with revised capital allowance claims under para 82, window closes 31 March 2027. If the employee ownership trust sale proceeds, the allowance statement must be disclosed in the transaction data room so the purchaser can meet s 270IA(3)(b)

Adviser must validate

(1) The date of the earliest written contract for the mezzanine works and that it is on or after 29 October 2018, the facts do not state it. (2) Whether the company holds the relevant interest in the factory: the facts do not state whether the premises are freehold or leasehold, and the SBA entitlement and the identity of the claimant turn on this. (3) The exact date in January 2025 of first non-residential use, for the s 270EA pro-rata.

(4) That the £180,000 was capitalised and not already relieved as revenue expenditure, since s 33A(3) bars a revenue deduction for qualifying expenditure. (5) The contractor's itemised breakdown supporting the integral-features/structure split, and that no item appears in both columns. (6) The AIA limit position for the period, including whether the dormant subsidiary is a related company for AIA sharing purposes (separately from the CTA 2010, s 18E(3) associated-company point on marginal relief).

(7) That the revised allocation of AIA and full expensing across the mezzanine plant and the £410,000 of CNC machinery is the optimal one once the final profit figure and the corrected associated-company count are known. (8) The repayment position against the £72,500 already paid on 1 January 2026, and the interest consequences.

Implementation moves

MOVE 1

• PROCEDURAL · CONFIRMED

Obtain the contractor's detailed cost breakdown (and, if the breakdown is not itemised to that level, instruct a capital allowances surveyor to produce a quantified apportionment) splitting the £180,000 mezzanine fit-out incurred in January 2025 into (a) electrical and lighting systems, cold water, space heating, powered ventilation/air cooling serving the mezzanine, (b) any genuine loose or process plant installed as part of the works, and (c) the structural element (deck, supporting steelwork, floor, balustrade, stairs, partitioning). Record the apportionment methodology in a file note signed off before any figure enters the computation.

Timing First step; must be completed before the revised capital allowances computation is drafted, and well inside the amendment window closing 31 March 2027.

Authority Capital Allowances Act 2001, s 33A

Administrative execution step; governed by the cited procedure or instructions.

MOVE 3

• VERIFIED

Treat the residual structural element of the mezzanine works (deck, supporting steelwork, floor, stairs, balustrade, non-system partitioning) as excluded from plant and machinery and carry it instead to a Part 2A structures and buildings allowance computation; document the reasoning so the two claims cannot overlap on the same pound of expenditure.

Timing Concurrent with Move 2; both classifications must be settled before the computation is written.

Authority [2019] UKUT 332 (TCC) HMRC v SSE Generation Ltd:

MOVE 4

• VERIFIED

Claim the annual investment allowance at 100% on the integral-features and plant element identified in Move 2, allocating the AIA to that special rate expenditure in priority to main pool expenditure, and only then apply full expensing or writing-down allowances to the £410,000 of CNC machinery with whatever headroom remains against the target profit level.

Timing After Moves 2 and 3; the allocation decision must be made before the revised computation is finalised and filed by 31 March 2027.

Authority Capital Allowances Act 2001, s 38A

MOVE 5

• PROCEDURAL · CONFIRMED

Prepare and date a written allowance statement for the factory mezzanine identifying the building, the date of the earliest written contract for the works, the amount of qualifying structural expenditure, and the date in January 2025 on which the mezzanine was first brought into non-residential use; sign it and place it on the permanent file BEFORE the amended return containing the first SBA claim is submitted.

Timing Must be created before the first SBA claim is made, i.e. before the amended CT600 is filed. This is a hard ordering rule, not a formality.

Authority Capital Allowances Act 2001, s 270IA

Administrative execution step; governed by the cited procedure or instructions.

MOVE 6

• VERIFIED

Claim the structures and buildings allowance at 3% straight-line on the Move 3 structural amount, pro-rated by reference to the days from first non-residential use in January 2025 to 31 March 2025, and set up the schedule so the full 3% is claimed in each subsequent accounting period across the 33-year allowance period.

Timing	After Move 5 (the statement must pre-date the claim); goes into the same amended return as Move 4.
Authority	Capital Allowances Act 2001, s 270AA

MOVE 8

• PROCEDURAL · CONFIRMED

Lodge the signed allowance statement, the contractor's breakdown and the apportionment working in the company's permanent records as part of the pre-sale pack for any future disposal of the factory or sale to an employee ownership trust, and update it if further qualifying expenditure is incurred on the building.

Timing	On completion of Move 7; review again at the point any sale or EOT transaction is first contemplated.
Authority	Capital Allowances Act 2001, s 270IA

Administrative execution step; governed by the cited procedure or instructions.

NOT INDEPENDENTLY SUPPORTED

2 further steps in this sequence could not be independently supported by the citation gate (1 citation rejected, 1 with no authority retrieved). Listed for sequence completeness only; the adviser sources the governing authority before executing any of them.

Move 2 · Take the legal position in the revised computation that the electrical/lighting, cold water, heating and powered ventilation or air-cooling systems within the mezzanine works are integral features deemed to be plant or machinery...

Move 7 · File the amended company tax return for the accounting period ended 31 March 2025 carrying the revised capital allowances computation (Move 4 AIA allocation, Move 6 SBA), with the mezzanine apportionment and the allowance...

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

The £180,000 you spent fitting the factory mezzanine in January 2025 has not yet attracted any tax relief at all, and it can attract two different kinds.

Your accountant could have the contractor's costings split between the wiring, lighting, water and ventilation systems, which can be written off in full straight away, and the deck and steelwork itself, which qualifies for a 3% annual allowance running for over thirty years; a short signed statement recording the contract date, the cost and the date you first used the mezzanine has to be put on file before that second claim is made, and it is also the document a future buyer of the factory, or an employee ownership trust, would need from you.

All of this goes into an amended company tax return for the year ended 31 March 2025, which must be filed by 31 March 2027, and the annual allowance on the structural part is worth roughly £1,350 of tax a year on current figures.

Cross-Structure Interactions

Conflicts and synergies across the engineering structures identified above.

Conflicts

Full expensing / AIA re-claim on the £410,000 CNC machinery × Dormant subsidiary disregarded for the associated-company count

• **COMPLICATES**

Restoring the £50,000/£250,000 limits changes the marginal band, so the allowance claim is tuned against a different rate profile.

Resolution Model both in one amended CT600 by 31 March 2027 and set the claim quantum after the limits are fixed.

Full expensing / AIA re-claim on the £410,000 CNC machinery × Mezzanine £180,000 split into integral features and structures and buildings allowance

• **REDUCES**

Integral features need AIA, but AIA is a single annual limit shared across the period and with associated companies.

Resolution Use s 45S full expensing on the CNC plant and reserve AIA for the special-rate integral features.

Full expensing / AIA re-claim on the £410,000 CNC machinery × Employer pension contributions for both directors

• **REDUCES**

Stacking a 100% claim with large employer contributions can push the period into a loss worth less than 26.5%.

Resolution Cap the combined deductions at the profit level, or carry back the loss under s 37(7) by 31 March 2027.

R&D merged expenditure credit on the coating-process programme × Full expensing / AIA re-claim on the £410,000 CNC machinery

• **BLOCKS**

The £140,000 is not claimable for the period to 31 March 2025: the claim notification date of 30 September 2025 has passed.

Resolution Treat 2024/25 and 2025/26 as lost as a fact; file notification for the period to 31 March 2027.

Patent box election on the coating process × R&D merged expenditure credit on the coating-process programme

• REDUCES

Patent box benefit depends on the R&D fraction, which the subcontracted test programme dilutes.

Resolution Track qualifying in-house development by IP sub-stream from the first patent-pending period.

Insert a holding company by share exchange with clearance × Employee ownership trust exit (TCGA 1992 s 236H)

• COMPLICATES

A holdco insertion changes which company the trust must control and resets the trading-group test.

Resolution Decide holdco before the EOT; if the EOT is the chosen exit, do not insert a holding company.

Insert a holding company by share exchange with clearance × EMI options for key engineers now

• COMPLICATES

A share exchange can breach the EMI independence requirement and existing options need rollover or regrant.

Resolution Grant EMI after the holdco is settled, or roll options over under Sch 5 at the exchange.

EMI options for key engineers now × Employee ownership trust exit (TCGA 1992 s 236H)

• COMPLICATES

BADR on EMI shares needs the option granted at least two years before disposal under s 169I(7A).

Resolution Grant EMI immediately so the two-year clock predates any exit; EOT vendors use s 236H, not BADR.

Employee ownership trust exit (TCGA 1992 s 236H) × Insert a holding company by share exchange with clearance

• COMPLICATES

The s 236H relief available is that given by the provision in force at disposal, not an assumed full exemption.

Resolution Confirm the s 236H text at the disposal date before pricing the exit; do not headline a nil-gain outcome.

Employee ownership trust exit (TCGA 1992 s 236H) × Dormant subsidiary disregarded for the associated-company count

• COMPLICATES

A dormant subsidiary retained adds no trade but can complicate the trading-group and excepted-asset tests.

Resolution Dissolve Hallam Coatings Ltd under Companies Act 2006 s 1003 well before the exit.

Employer pension contributions for both directors × Employee ownership trust exit (TCGA 1992 s 236H)

• REDUCES

Large contributions just before an exit invite challenge to the commerciality of the directors' package.

Resolution Document the package annually and pay before each period end rather than in one pre-sale spike.

Employer pension contributions for both directors × Insert a holding company by share exchange with clearance

• COMPLICATES

Replacing dividends with contributions plus a holdco extraction route touches ITA 2007 ss 682-713.

Resolution Rely on the s 701 clearance sought for the exchange and keep the commercial rationale on file.

Trivial benefits, the annual function exemption and a PAYE settlement agreement × Employer pension contributions for both directors

• REDUCES

Close-company directors are capped at £300 of trivial benefits a year under ITEPA 2003 s 323A.

Resolution Track the director cap separately from the staff programme and settle the rest via the PSA.

Synergies

Dormant subsidiary disregarded for the associated-company count + Full expensing / AIA re-claim on the £410,000 CNC machinery

Restored limits plus a 100% first-year claim work in the same amended return by 31 March 2027.

Additional value **unquantified, directional only**

Mezzanine £180,000 split into integral features and structures and buildings allowance + Full expensing / AIA re-claim on the £410,000 CNC machinery

One capital allowances review covers both assets and uses full expensing and AIA on their best pools.

Additional value **unquantified, directional only**

R&D merged expenditure credit on the coating-process programme + Patent box election on the coating process

The same technical narrative supports the 2027 R&D claim and the patent box nexus records.

Additional value **unquantified, directional only**

EMI options for key engineers now + Employee ownership trust exit (TCGA 1992 s 236H)

EMI retains the engineers through the exit and gives optionholders a CGT route alongside the trust sale.

Additional value **unquantified, directional only**

Employer pension contributions for both directors + Trivial benefits, the annual function exemption and a PAYE settlement agreement

Both extract value free of Class 1 NIC and dividend rates while staying deductible for the company.

Additional value **unquantified, directional only**

Dormant subsidiary disregarded for the associated-company count + Employer pension contributions for both directors

Restored limits widen the marginal band so contributions relieve profits at the 26.5% effective rate.

Additional value **unquantified, directional only**

Sequencing recommendation

First, before 31 March 2027, file one amended CT600 under Sch 18 para 15 covering the dormant-company associated count (CTA 2010 s 18E(3)), full expensing on the CNC machinery and the mezzanine integral-features/SBA split, modelling the restored £50,000/£250,000 limits before fixing the claim quantum; any resulting loss can be carried back under CTA 2010 s 37(7) within the same date.

Second, immediately file the R&D claim notification for the period ending 31 March 2027 and build contemporaneous project records, the 2024/25 and 2025/26 claims are barred because 30 September 2025 has passed. Third, file the patent application now and diarise the two-year s 357G election date. Fourth, decide the exit architecture: if an EOT is the route, do not insert a holding company; dissolve Hallam Coatings Ltd early and grant EMI options at once so the s 169I(7A) two-year clock predates any disposal.

Fifth, pay employer pension contributions before each period end (cash paid, not accrued), using carry-forward of the three previous years. Finally, put the trivial benefits/function/PSA programme in place for 2026/27 by 5 April 2027.

Overall recommendation

Prioritise the amended-return cluster, associated-company count, full expensing and the mezzanine split, because 31 March 2027 closes both the amendment and loss carry-back routes and the value is immediate and rate-certain. Next prioritise the R&D claim notification and the patent application, since both are date-driven gateways whose omission bars relief entirely regardless of later work.

Playbook Coverage: Every Strategy Checked

36 cataloged strategies were in scope for this client profile; each was explicitly dispositioned

How to read the dispositions

• COVERED	Substantively covered by a structure already presented in Section 2.
• APPLICABLE NOW	Current facts already satisfy the predicates; analyzed and priced as its own structure in Section 2.
• ENGINEERABLE	The qualifying facts could realistically be created (an election, a restructuring, timing); appears in Section 2 with its implementation path.
• NEEDS FACTS	The return package does not contain what is needed to decide; listed so the adviser can close the gap with one client question.
• NOT APPLICABLE	The client's facts rule it out; shown so the exclusion is a decision, not an oversight.
• WARNING	A structure on the HMRC listed / notifiable-transaction and enforcement roster. Never recommended — flagged so the adviser can act if the client already holds it or is being pitched it.

ENGINEERABLE **Trivial benefits, the annual function exemption and a PAYE settlement agreement**
Facts show no staff benefit programme in place, so a trivial benefits exemption and/or PAYE settlement agreement could be set up prospectively for 2026/27 for the 22 employees and two directors.

ENGINEERABLE **Insert a holding company by share exchange with clearance**
Ahead of the planned EOT sale the directors could realistically insert a holding company by share exchange for succession and creditor-protection purposes, though this is not yet part of the scanned plan.

COVERED **Salary sacrifice into pension: employee and employer NIC saved on the sacrificed pay**
Covered by: Employer pension contributions for both directors in place of dividends. Directors already draw salary only at the £12,570 primary threshold, so the available NIC saving is captured by converting dividend extraction to employer pension contributions rather than a separate sacrifice arrangement.

COVERED **Salary, dividend and pension mix for the owner-director**
Covered by: Employer pension contributions for both directors in place of dividends. The salary/dividend/pension optimisation for these two 50:50 director-shareholders is the same lever already planned as employer pension contributions replacing dividends.

COVERED	Employer pension contribution in place of salary or dividend Covered by: Employer pension contributions for both directors in place of dividends. This is the identical structure already listed for both directors using three-year carry-forward.
COVERED	Corporation tax rate: marginal relief and the associated-company count Covered by: Dormant subsidiary disregarded for the associated-company count. The dormant Hallam Coatings Ltd associated-company adjustment already planned is exactly this marginal relief/associated-company strategy.
COVERED	Capital allowances: annual investment allowance and full expensing timed to the period Covered by: Full expensing / AIA re-claim on the £410,000 CNC machinery. The £410,000 CNC machinery full expensing/AIA re-claim already planned is this exact capital allowances timing strategy.
COVERED	Pension contributions using carry-forward of three years' unused annual allowance Covered by: Employer pension contributions for both directors in place of dividends. The three-previous-years carry-forward is already incorporated into the planned employer pension contribution structure for the two directors.
COVERED	Structures and buildings allowance on construction and renovation Covered by: Mezzanine £180,000 split into integral features (AIA at 100%) and structure (structures and buildings allowance). The SBA claim on the structural portion of the £180,000 mezzanine is already part of the planned amended-return capital allowances structure.
COVERED	Research and development: merged expenditure credit, claim notification and the two-year limit Covered by: R&D merged expenditure credit on the coating-process programme. The merged R&D expenditure credit strategy already addresses the £140,000 coating-process spend and the notification/time-limit issues for future periods.
COVERED	Enterprise Management Incentive options for key staff Covered by: EMI options for key engineers now. EMI option grants for key engineers ahead of the EOT exit are already part of the planned structure.
COVERED	Sale to an employee ownership trust at nil capital gains tax Covered by: Employee ownership trust exit (TCGA 1992 s 236H). The directors' three-year EOT exit plan is already the scanned structure covering nil-gain disposal treatment.
COVERED	Patent box: 10% effective rate on profits from patented inventions Covered by: Patent box election on the coating process. Filing the patent application and electing under CTA 2010 Part 8A for the coating process is already the scanned structure.
NEEDS FACTS	Employee claims and exemptions: travel and subsistence, professional fees, home working, flat-rate expenses and exempt benefits The facts do not state any director or employee personal expense claims, benefits-in-kind detail, or SA102 entries needed to assess this strategy.

NEEDS FACTS	Harvest gains against the annual exempt amount each year and bank losses before 5 April No facts show any investment portfolio or capital disposals held personally by the directors.
NEEDS FACTS	Claim capital losses within four years and negligible value claims backdated two years No facts indicate any failed investments, loans or unclaimed capital losses on the directors' personal returns.
NEEDS FACTS	Bare trust for grandchildren: the child's own allowances and the grandparent's PET The facts say nothing about the directors' family circumstances, children or grandchildren.
NEEDS FACTS	SDLT: higher-rate refund on replacing the main residence, first-time buyer relief, non-resident surcharge refund and partnership relief No property purchase, sale or SDLT facts are stated for the company or the directors.
NEEDS FACTS	Settle up to the nil-rate band into a discretionary trust every seven years with holdover relief The facts give no information on the directors' personal estates, surplus personal assets or intended beneficiaries needed to assess a discretionary trust settlement.
NEEDS FACTS	Hold-over relief on gifts of business assets (s 165) and on transfers into or out of trust (s 260) No facts describe any intended gift of shares or business assets to family members or into trust that would trigger a s165/s260 holdover election.
WARNING	RISK WARNING, research and development claims that cannot be substantiated: the merged scheme's compliance conditions, claim notification, the additional information form and HMRC's enquiry programme Listed/enforcement-target structure, surfaced as risk warning only, never recommended.
WARNING	RISK WARNING, directors' loan account 'bed and breakfasting': repaying a participator loan and redrawing it to avoid s 455 tax Listed/enforcement-target structure, surfaced as risk warning only, never recommended.
WARNING	RISK WARNING: settlor-interested and parental settlements, income taxed on the settlor, holdover denied Listed/enforcement-target structure, surfaced as risk warning only, never recommended.
NOT APPLICABLE	Employment allowance against employer NIC Facts state employment allowance already claimed in full for the year, leaving no further recovery.
NOT APPLICABLE	Trading losses: carry-back, group relief and the deductions allowance Facts state no losses brought forward, no group relief and the subsidiary is dormant, so there is no loss or group relief position to recover.

NOT APPLICABLE	Directors' loan account: avoid or recover the s 455 charge Facts state the directors' loan accounts are in credit, so there is no overdrawn loan and no s 455 charge to manage or recover.
NOT APPLICABLE	VAT registration timing, the flat-rate scheme and cash accounting Turnover of £3,400,000 on the standard scheme is far above the £150,000 flat-rate scheme eligibility ceiling, and registration is already in place.
NOT APPLICABLE	Use both spouses' dividend allowances and basic-rate bands through outright share gifts (within the settlements legislation) Shares are already split 50/50 between two directors who are not stated to be spouses, so the spousal dividend-splitting mechanic does not apply.
NOT APPLICABLE	Sell a subsidiary free of corporation tax under the substantial shareholding exemption Hallam Coatings Ltd is dormant and slated for dissolution, not a trading subsidiary being sold under an SSE-qualifying disposal.
NOT APPLICABLE	VAT group registration for companies under common control The only group company is a dormant subsidiary with no trading activity, so there are no intra-group supplies to disregard via VAT grouping.
NOT APPLICABLE	Change or shorten the accounting period to time rates, losses and allowances No facts show a loss-making period, a rate-change straddle or a sale-date alignment need that would justify changing the accounting date.
NOT APPLICABLE	Corporate interest restriction and transfer pricing: use the de minimis and SME exemptions No facts show any net interest expense, intra-group loans or cross-border transfer pricing arrangements for this company.
NOT APPLICABLE	Manage threshold and adjusted income around the tapered annual allowance (£200,000 / £260,000) Each director's total income of £72,570 (£12,570 salary plus £60,000 dividends) is well below the £200,000 threshold income that triggers the taper.
NOT APPLICABLE	Enhanced R&D intensive support for loss-making SMEs Company is profitable with taxable profits of £290,000, not loss-making, so the ERIS enhanced intensive scheme does not apply.
NOT APPLICABLE	Manage the relevant property trust's ten-year anniversary and exit charges No relevant property trust currently exists in the facts for a ten-year anniversary or exit charge to arise on.
NOT APPLICABLE	Trust for a disabled or vulnerable beneficiary: the vulnerable person election and the IHT disabled-person's interest No facts indicate a disabled or vulnerable beneficiary or any existing trust for one.

This table is generated by a deterministic coverage sweep: every strategy in the engine's validated playbook that matches this client's profile MUST receive a disposition before the run can complete. A cataloged strategy cannot be silently omitted.

What was retrieved, relied on and withheld

Produced by the system at generation time for the firm's file. The reviewing professional validates every item before reliance.

Generated	October 14, 2026 at 1:43 AM UTC
Law index vintage	Primary and official authority as indexed through October 13, 2026
Method	For each candidate issue: retrieve primary authority from the closed index, ground the position in the retrieved text, check every citation against the source, grade it, and show the fact-to-law chain and the computation.
Review findings	10 examined · 9 verified · 0 for the adviser to confirm · 1 set aside on the facts · 0 withheld or citation rejected
Authorities retrieved	60 passages offered to the grounding step across the findings · 54 distinct authorities relied on
Engineering moves	55 verified · 29 for the adviser to confirm or withheld · 10 structures

Authorities relied on, by weight

- 1

Finance Act 2004, s 196

Statute

· 4 items
- 2

Taxation of Chargeable Gains Act 1992, s 236H

Statute

· 4 items
- 3

Capital Allowances Act 2001, s 270IA

Statute

· 3 items
- 4

Corporation Tax Act 2010, s 18E

Statute

· 3 items

5 Finance Act 1998, Sch 18 para 82

Statute

· 3 items

6 Income Tax (Earnings and Pensions) Act 2003, s 323A

Statute

· 3 items

7 Income Tax (Earnings and Pensions) Act 2003, Sch 5 para 1

Statute

· 3 items

8 Capital Allowances Act 2001, s 270AA

Statute

· 2 items

9 Capital Allowances Act 2001, s 45S

Statute

· 2 items

10 Corporation Tax Act 2010, s 357G

Statute

· 2 items

11 Corporation Tax Act 2010, s 37

Statute

· 2 items

12 Finance Act 2004, s 228A

Statute

· 2 items

13 Finance Act 2014, Sch 37 para 3

Statute

· 2 items

14 Finance Act 2024, Sch 1 para 5

Statute

· 2 items

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- 15 **HMRC Corporate Intangibles Research and Development Manual CIRD220540**
HMRC manual
· 2 items
-
- 16 **Taxation of Chargeable Gains Act 1992, s 169I**
Statute
· 2 items
-
- 17 **[2019] UKUT 111 (TCC) HMRC v 1) NCL Investments Ltd, 2) Smith and Williamson Corporate Services Ltd:.**
Upper Tribunal decision
-
- 18 **[2019] UKUT 332 (TCC) HMRC v SSE Generation Ltd:**
Upper Tribunal decision
-
- 19 **Capital Allowances Act 2001, s 270BA**
Statute
-
- 20 **Capital Allowances Act 2001, s 33A**
Statute
-
- 21 **Capital Allowances Act 2001, s 38A**
Statute
-
- 22 **Corporation Tax Act 2009, s 1042A**
Statute
-
- 23 **Corporation Tax Act 2009, s 1045A**
Statute
-
- 24 **Corporation Tax Act 2009, s 931A**
Statute
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- 25 **Corporation Tax Act 2010, s 1033**
Statute
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- 26 **Corporation Tax Act 2010, s 18A**
Statute
-
- 27 **Corporation Tax Act 2010, s 18D**
Statute
-

28 Corporation Tax Act 2010, s 357A

Statute

29 Finance (No. 2) Act 2023, s 7

Statute

30 Finance (No. 2) Act 2023, Sch 1 para 2

Statute

31 Finance Act 1998, Sch 18 para 83E

Statute

32 Finance Act 2004, s 197

Statute

33 Finance Act 2012, Sch 2 para 1

Statute

34 Finance Act 2016, s 64

Statute

35 Finance Act 2025, Sch 2 para 18

Statute

36 Finance Act 2026, s 35

Statute

37 HMRC Business Income Manual BIM46005

HMRC manual

38 HMRC Business Income Manual BIM46030

HMRC manual

39 HMRC Capital Gains Manual CG63975

HMRC manual

40 HMRC Capital Gains Manual CG67802

HMRC manual

41 HMRC Company Taxation Manual CTM03580

HMRC manual

42 HMRC Company Taxation Manual CTM03940

HMRC manual

43 HMRC Company Taxation Manual CTM04505

HMRC manual

44 HMRC Corporate Intangibles Research and Development Manual CIRD274100

HMRC manual

45 HMRC Employment Income Manual EIM21861

HMRC manual

46 HMRC Enquiry Manual EM8020

HMRC manual

47 HMRC PAYE Settlement Agreements PSA1090

HMRC manual

48 HMRC Shares and Assets Valuation Manual SVM110160

HMRC manual

49 HMRC Venture Capital Schemes Manual VCM16030

HMRC manual

50 Income Tax (Earnings and Pensions) Act 2003, s 312A

Statute

51 Income Tax Act 2007, s 874

Statute

52 Taxation of Chargeable Gains Act 1992, s 127

Statute

53 Taxation of Chargeable Gains Act 1992, s 236J

Statute

54 Taxes Management Act 1970, s 59D
Statute

SECTION 3

Combined Impact Summary

Totals are recomputed from the surviving items at render time.

Review Mode: missed reliefs and allowances	£84,383
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Engineering Mode: proactive structures	£495,425
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Total estimated opportunity (non-additive; see note)	£495,425
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Totals note: Review Mode and Engineering Mode overlap (engineering structures typically include capturing the review-mode misses); the combined estimate equals the Engineering total only, the two sections are not additive.

Important disclaimer

All figures are estimates for adviser review and validation. Actual results depend on client-specific facts, elections made, implementation timing, and independent verification of each cited authority. No representation is made as to the accuracy of estimated dollar amounts. Each citation must be independently confirmed by the reviewing adviser before presentation to clients. This document does not constitute tax advice.

Review Mode breakdown

R1	Full expensing / AIA not claimed on £410,000 new CNC machinery	£72,500
R2	Loss carry-back capacity if allowances create a loss	£11,550
R3	Structures and buildings allowance on £180,000 factory mezzanine	£333
R4	Associated company count, dormant subsidiary excluded from marginal relief limits	n/a
R5	R&D relief on £140,000, claim notification deadline passed	n/a
R6	Employer pension contributions for the two directors	n/a
R7	Employee ownership trust sale and share scheme planning	n/a

Engineering Mode breakdown

E1	EMI options for key engineers now, starting the two-year business asset disposal relief clock under TCGA 1992 s 169I(7A) ahead of the exit	£310,000
E2	Full expensing / AIA re-claim on the £410,000 CNC machinery, tuned to the 26.5% marginal band, amended CT600 (Sch 18 para 15)	£63,000
E3	Employer pension contributions for both directors in place of dividends, with carry-forward of the three previous years' unused annual allowance	£50,000
E4	R&D merged expenditure credit on the coating-process programme, the 2024/25 and 2025/26 claims are barred by the notification date; secure the period ending 31 March 2027	£21,000
E5	Patent box election on the coating process: file the patent application now, elect under CTA 2010 Part 8A for a 10% effective rate on the IP profit stream	£15,000
E6	Insert a holding company by share exchange with clearance	£14,700
E7	Employee ownership trust exit (TCGA 1992 s 236H), sequenced over the three-year horizon the directors are already contemplating	£14,400
E8	Trivial benefits, the annual function exemption and a PAYE settlement agreement	£4,100
E9	Dormant subsidiary disregarded for the associated-company count, restore the full £50,000/£250,000 marginal relief limits, then dissolve the subsidiary	£1,875
E10	Mezzanine £180,000 split into integral features (AIA at 100%) and structure (structures and buildings allowance), same amended return	£1,350