



Branston Adams
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Business News England

Welcome to our round-up of the latest business news for our clients. Please contact us if you want to talk about how these updates affect your business. We are here to support you!

Mandatory payrolling now to be phased in

The announcement of mandatory payrolling for Benefits In Kind was originally expected to start in April 2027, but following industry pressure, it will now be introduced in two phases.

Phase 1 will continue to be rolled out from 6 April 2027, with Phase 2 starting a year later on 6 April 2028. The move to mandatory payrolling will replace the current P11D process for most benefits and move it to real-time processing through a company's payroll system.

Employers providing employee benefits must provide taxable values through payroll in real-time and apply Income Tax and Class 1A NICs through payroll rather than submitting yearly P11D forms.

Phase 1 of mandatory payrolling from April 2027 will include: company cars, car fuel, vans, van fuel and employer-provided medical benefits.

Phase 2 from April 2028 will include most other Benefits In Kind except beneficial loans and living accommodation. These will continue to be voluntary.

Further guidance is expected by July 2026.

If you need any help with the mandatory payrolling changes, please give us a call. We would be happy to help you.

Watch out, watch out, HMRC's about

"Owners of dodgy shops that are evading tax: we are coming for you," said Dan Tomlinson, Exchequer Secretary to the Treasury, as he announced that HMRC will make 30,000 high-street 'interventions' in the coming year as part of an initiative to tackle tax fraud and illegal activity.

Effectively, it is an aggressive campaign against vape shops, barbers, sweet shops and convenience stores from being used as fronts for criminal activity.

"Too many high streets have been blighted by illegal activity that harms local communities and undercuts honest businesses, and we're determined to fix this. This is a sustained, nationwide effort, and HMRC and its partners will use every power available to dismantle these criminal networks," added Mr. Tomlinson.

The new 350-strong team of criminal investigators to tackle evasion by small businesses, announced during the Autumn Budget 2025, has now been recruited.

To illustrate the work this team is carrying out, unannounced visits were made to six souvenir shops in central London last week involving representatives from HMRC, Home Office Immigration Enforcement, Westminster Council Trading Standards and the Metropolitan Police.

As a result, HMRC will continue tax compliance enquiries, the Home Office made three arrests for immigration-related offences and Trading Standards seized goods worth £5,433.

Businesses and activities that are being targeted include:

- Cash-intensive businesses that may be associated with illegal activity.
- Businesses engaged in money laundering and in breach of National Minimum Wage rules.
- Businesses selling illicit goods such as vapes and tobacco.
- Rogue directors who repeatedly shut businesses and reopen elsewhere (phenoxism).
- Providers and users of electronic tools that manipulate sales records to launder money or suppress sales at the till.

HSE plans guidance for robotics in the workplace

The Health and Safety Executive (HSE) and the Regulatory Innovation Office (RIO) have begun work on the safe and responsible adoption of robotics in the workplace.

Announced at London Tech Week, the project has been co-designed with industry to clarify regulatory requirements and support businesses in increasing the use of robotics.

HSE will work with Automate UK and the Manufacturing Technology Centre (MTC) on guidance on how collaborative robots (cobots) can safely work alongside humans.

The first stage, launching this summer, will deliver regulatory clarity for cobots. It will give industry confidence in how they can ensure robots can work safely alongside humans.

Andrew Curran CBE, Director of Science and Chief Scientific Adviser at the HSE, said, "We understand that despite there being no barrier to adoption in health and safety law, there is a fear of non-compliance, which is limiting adoption. Therefore, we are committed to working with the Regulatory Innovation Office and industry partners to deliver the first joint HSE and industry guidance on the use of cobots to address this barrier and improve business confidence."

High energy bills force a quarter of UK manufacturers abroad

One in four of Britain's manufacturers has moved production abroad or is seriously considering it, according to research by Make UK, formerly the Engineering Employers' Federation.

The manufacturers' lobby group said high energy costs have prompted this shift in production, with UK kilowatt-hour charges nearly double those in comparable industrialised countries.

The survey also found that one in ten companies were outsourcing more production, especially to Southeast Asia, and a further 16% were considering it.

Make UK estimates the average British manufacturer pays around 27p per kilowatt-hour for electricity. It was around 16p for other developed nations, while in the United States, it was as low as 6p.

"A year ago, the big trend was onshoring and bringing back supply chains to the UK. Now companies can't use UK suppliers because they're too expensive, so they're going overseas. We are seeing quite a flight from UK manufacturing because we're uncompetitive," said Stephen Phipson, chief executive of Make UK.

He pointed out that on top of the high kilowatt-hour charge, manufacturers also had to pay other levies, the most expensive of which was the climate charge, making them even less competitive than foreign rivals.

The government has introduced the British Industry Supercharger policy, allowing about 450 energy-intensive businesses relief from four of those levies and the British Industrial Competitiveness Scheme (BICS) that will provide relief to a further 10,000 companies on three of the levies, but not until 2027.

Make UK wants BICS to be introduced immediately and to all manufacturers.

Only 20% of small businesses use AI regularly

A new report has revealed that only one in five small businesses use Artificial Intelligence on a regular basis. Of those that did, they were dominated by telecom and technology companies.

Based on a survey of 1,320 'micro' and small businesses, the 'UK SME Digital and AI Adoption: The state of play in 2026' report found that only six per cent have embedded AI into their daily work.

The report was compiled by Enterprise Nation's Tech Hub in partnership with Google, Sage, Dell Technologies and Square.

How the technology was viewed varied across geographic areas and the size of the company. It also offered contradictory data. Although only 21% of those surveyed used AI regularly, 57% described themselves as highly or moderately digital.

In terms of sector, 74% of information and communication businesses used AI to some degree, while only four and one per cent, respectively, for the construction and agricultural sectors.

Of those firms that had adopted AI early, 65% said their use increased in the past year. The report concluded that early adopters were likely to pull ahead of competitors.

The report warned that the smallest businesses were at the greatest risk of being left behind, with only 34% of one-person businesses using AI at all. Sixty-eight per cent of companies with 50-249 employees, on the other hand, did use AI.

When asked about what held them back from adopting AI:

- 53% said cost.
- 46% cited lack of skills.
- 38% had concerns about privacy and data.
- 37% had a lack of time.

In geographic terms, 30% of London and 27% of Scotland's Small to Medium-sized Enterprises (SMEs) used AI regularly, compared to only 10% in the North East of England and 6% in Northern Ireland.

Shockingly, the report found that 22% of SMEs in the North East were digitally excluded, with 22% of them mostly offline.

A PDF copy of the report can be found at

<https://a.storyblok.com/f/102007/x/ec83d6c6a3/digital-and-ai-adoption-among-uk-smes.pdf>