

AUTUMN BUDGET 2026

SUMMARY,
CHANGES &
IMPACT.



JACQUELYN KIMBER
TAX PARTNER

An experienced advisor to individuals and businesses on a range of tax matters, Jacquelyn's work includes structuring share incentive schemes, reorganisations and succession planning.

BACKGROUND A Budget for 'Breathing Space' is how John Healey introduced his first Budget, in recognition of the financial pressures faced by many within the UK.

The Chancellor was keen to point to 'global storms' such as the ongoing war in Ukraine and conflict in the Middle East as the source of cost pressures for business and individuals alike.

With such limited financial headroom, tax cuts or giveaways were always unlikely. Nonetheless, the Chancellor pointed to the UK's strong position compared to its G7 peers, emphasising the importance of entrepreneurship in securing long-term success and growth.

THE COST OF ENERGY has been a constant in the headlines, and the Chancellor announced a £100 Household Energy Payment for households in England in council tax bands A to D. Somewhat predictably, the gov.uk council band checker couldn't cope with the demand generated by this announcement and swiftly went offline!

The temporary 5p cut in VAT on energy price is also extend to July 2027.

Business entrepreneurs will welcome the introduction of a new 'founder's relief' giving a 10% capital gains tax rate on

up to £10m of gains on shares in 'innovative companies' in which the shareholder has a 25% interest. This comes partly at the expense of business asset disposal relief though, which is reduced from £1m to £500,000 of gains.

The government issued a consultation document in June 2026 concerning the modernisation of distributions from companies and repayments of capital. There is to be a further technical consultation on these changes with a view to revised rules applying from 6 April 2028.

A PARTICULAR FOCUS is shareholders who arrange to extract accumulated profits by way of capital (for example, exchanging shares for loan notes in a new holding company) where there is not a genuine commercial rationale for the transaction.

The Chancellor will no doubt face criticism for not having been bolder in his first Budget and there was no customary 'rabbit out of the hat' moment, but there was plenty of detail to absorb.

We have summarised the most important announcements in the following pages.

OCTOBER 2026



SHILPA SHAH-DAVE
SENIOR TAX MANAGER

Shilpa's role involves helping individuals, owner-managed businesses, and trustees meet their compliance filing obligations. She builds strong relationships and advises clients on tax planning matters, including capital gains tax, inheritance tax, succession planning, and arranging their tax affairs to minimise liabilities and ensure reliefs are maximised.

KEY INCOME TAX & CAPITAL GAINS TAX CHANGES

The Chancellor's 2026 Budget introduced targeted adjustments to investment and business taxes whilst broadly holding steady on headline personal tax rates.

THRESHOLDS FROZEN, INVESTMENT RATES HIKED

The main rates of income tax on regular salaries remain unchanged, however, fiscal drag will continue to impact taxpayers.

The Personal Allowance stays frozen at £12,570 and the Higher Rate (40%) threshold remains at £50,270 until 2031.

KEY CHANGES FROM APRIL 2027

- Savings and Property Income Tax: tax rates on income generated from savings and property will increase by 4% (2% more than previously announced). From 6 April 2027, the basic rate rises to 24%, the higher rate to 44%, and the additional rate to 49%.

- Trading Allowance: the tax-free Trading Allowance will triple from £1,000 to £3,000 from 6 April 2027.

- Pension Tax Allowance: a new Pension Tax Allowance (PTA) is introduced to ensure that low-income pensioners whose total annual income is at or below the full new State Pension will not pay income tax.

From 6 April 2027, the new state pension will be £13,036 and PTA will equal this amount, tapering away where income exceeds this threshold.

- The annual ISA allowance will remain at £20,000 for all savers, removing the previously planned cut to the Cash ISA limit for under 65s.

CAPITAL GAINS CHANGES (CGT)

There are no changes to CGT rates, and the basic CGT rate remains at 18% and higher rate 24%. Changes from 6 April 2027 include:

- New 'Founder's Relief': A 10% capital gains rate will apply to lifetime gains of up to £10 million for qualifying founders of high-growth, innovative companies;
- Business Asset Disposal Relief (BADR) will see its lifetime limit halved to £500,000; and
- Stricter anti-avoidance rules will stop company owners from using Members' Voluntary Liquidations to convert regular company profits into lower-taxed capital gains

ADMINISTRATION

Making Tax Digital (MTD) for Income Tax

- Late filing penalties for MTD for Income Tax will not be imposed from 6 April 2027 for taxpayers required to join MTD from 6 April 2027.

Residential Property CGT Returns

- Late filing penalties will no longer accrue on UK property returns once the disposal has been reported on a Self-Assessment return.



HANNAH POWE
TAX MANAGER

Hannah specialises in IHT and trust taxation, and is experienced in providing advice to both UK and non-UK resident trustees and beneficiaries. She also advises clients on IHT and succession planning to maximise the legacies they can pass through generations.

Her client base ranges from sole traders and Owner Managed Businesses (OMBs) to high-net-worth individuals and non-residents.

TRUST INCOME TAX

Trustee tax rates will rise alongside savings and property income tax rates from 6 April 2027 (see our income tax and capital gains tax update).

From 6 April 2027, trusts taxed at the basic rate, including interest in possession trusts, will pay 24% on savings and property income. Trusts taxed at the additional rate, including discretionary trusts, will pay income tax at 49%.

TRUST CAPITAL GAINS TAX MIGRATION CHARGES

Capital gains tax 'exit charges' will not apply where a trust becomes UK tax resident because one trustee becomes UK resident, then ceases UK residence in the same or following tax year.

INHERTANCE TAX ON PENSIONS

From 6 April 2027, most unused pension funds will fall within inheritance tax. Personal representatives may direct pension schemes to pay any inheritance tax due directly out of the pot and decide whether unused pots are included when calculating the reduced IHT rate for charitable legacies.

INHERTANCE TAX - DEDUCTIONS FOR LIABILITIES IN TRUSTS

For deaths and other chargeable events from 28 October 2026, trustees' inheritance tax allowable debt deductions will be aligned with existing restrictions for individuals.

Anti-avoidance rules will restrict deductions where a debt was funded by value originating from a beneficiary.

ERRORS ON PERSONAL TAX RETURNS

HMRC will gain powers to require corrections to inaccurate returns and documents.

A Customer Correction Notice can now be issued which will require taxpayers to correct the inaccuracy or explain why no correction is needed.

EMPLOYMENT EXPENSES

These are no longer a requirement for Self Assessment. From April 2028, employees who file Self Assessment only to claim relief on unreimbursed employment expenses above £2,500 may claim online instead. However, claims will now face stronger evidence requirements.

PAYMENTS FOR SELF ASSESSMENT

From April 2029, Self Assessment taxpayers making Payments on Account will make more frequent automated instalments. Eligible PAYE taxpayers may choose to pay through PAYE; further details will follow in the government's Summary of Responses.

OTHER

Share Schemes: From 6 April 2027, the CSOP-EMI interaction will be removed. The CSOP exercise period will increase from 10 to 15 years, and the option value limit will double to £120,000.

For EMIs, the period for retaining favourable treatment will rise from 90 to 180 days, EMI rules will extend to companies becoming Employee Ownership Trusts. In-year grant notifications of EMI options will also move to the end-of-year return.



VIKKI EMERY
TAX & ACCOUNTS MANAGER

Vikki specialises in VAT and Corporation Tax. This breadth of knowledge allows her to provide a personalised and focused service. She regularly assists clients with cash flow forecasting and other unique assignments. Her portfolio of clients ranges from sole traders to limited companies in industry as well as specialised areas like healthcare professionals and Community Amateur Sports Clubs (CASCs).

BUSINESS TAX

Headline tax rates and thresholds remain frozen. The main points for business owners are investment, employment costs, day-to-day support and planning for a future sale or succession.

WHAT THIS BUDGET MEANS FOR YOUR BUSINESS

- Investing in your business:
- Corporation tax remains at 25%, with a 19% rate for profits up to £50,000.
 - First-year allowances will increase from 40% to 50% from January 2027.
 - For Standard pool expenditure, the rate of writing down allowance falls from 14% to 12% from April 2027.

CLAIMING R&D RELIEF

The R&D claims process should become easier for eligible businesses. From April 2027, it will no longer be necessary to submit a claim notification form and the “additional information” form will be simplified in autumn 2027.

EMPLOYMENT COSTS

- Employer NIC remains at 15% on earnings above £5,000, so will continue to be a significant cost.
- A 3.9% rise in the National Minimum Wage and National Living Wage will add further pressure to payroll budgets.
- From April 2027, mandatory payrolling of certain benefits will also mean more administration for employers.

SUPPORT WITH EVERYDAY COSTS

- Business rates relief rises from £12,000 to £18,000 for retail, hospitality and leisure businesses. Around 70,000 businesses may stop paying rates altogether.
- The existing 5p fuel duty cut will continue until July 2027.
- Help with electricity costs will be available through the British Industrial Competitiveness Scheme.

THE BOTTOM LINE

There is useful support for investment and a simpler R&D process, but employment costs remain high. A timely review of your plans and available reliefs could help you make the most of the changes.

**BRENT GOODWIN**VAT & ACCOUNTS
SENIOR MANAGER

VAT is a complex, challenging and ever-moving tax. As our VAT specialist, Brent provides advice to clients on a broad range of matters across a number of business sectors.

VAT - KEY POINTS

Domestic electricity: The temporary removal of 5% VAT from domestic electricity bills in Great Britain has been extended to July 2027.

Direct Debits for VAT and PAYE: From April 2029, taxpayers must set up Direct Debit instructions for VAT and PAYE return liabilities.

Energy-saving materials VAT relief: From April 2027, VAT relief will include heat batteries installed in UK residential accommodation or charity buildings.

VAT and climate change levy on EV charging: From 1 November 2026, electricity supplied through publicly accessible electric vehicle charging points will be standard-rated for VAT and will not qualify as domestic use for Climate Change Levy purposes.

Online marketplaces: From October 2027, online platforms will collect and account for UK VAT on qualifying sales by UK businesses, helping to prevent evasion and create a more level playing field for high-street businesses.

Private hire operators: Larger minicab and taxi operators will be required to account consistently for VAT on full passenger fares, closing a tax loophole while protecting smaller local firms. No definition of “large” has yet been provided.

Social housing land: A new zero rate for social housing land sales should simplify transactions for housing associations. Currently, social housing providers can disapply a vendor’s option to tax, making the sale VAT-exempt and potentially causing the vendor to lose input VAT; the change removes this risk.

Healthcare and medicine: Beginning June 2026, a new VAT zero-rating applies to donated medicines distributed free of charge for clinical trials and NHS treatments. Conversely, from May 2027, the VAT exemption for medical practitioner deputies is removed, subjecting standard deputising services to the standard 20% rate.

Reverse charge: From April 2027, the VAT reverse charge on B2B services from overseas will only apply if the receiving UK business is VAT-registered. This change means that where a UK business is not VAT registered, the overseas supplier will be required to charge and account for UK VAT. This feels a significant change and will impact on a number of businesses in different ways and in some cases remove the need for VAT registration.

VAT: Deposit return scheme: From October 2027 the requirement for individual producers to account for VAT on unreturned deposits will be removed.

AUDIT & ACCOUNTING
BUSINESS TAX
CHARITIES & NOT-FOR-PROFIT
CLOUD ACCOUNTING
FEE PROTECTION
MAKING TAX DIGITAL
PAYROLL & BOOKKEEPING
PRIVATE CLIENT TAX
TRUSTS & ESTATES
VAT
VALUATIONS

FOLLOW-UP

If you have any queries following this budget, our team of experts would be happy to listen to your position over an initial phone call, and then follow up with a way forward.

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