

THE BUDGET, 28 OCTOBER 2026

Budget 2026

The measures most likely to affect
owner-managed businesses, employers, landlords
and their families.

Summary

The Budget leaves the headline rates of income tax, National Insurance and VAT unchanged and keeps the main rate of corporation tax at 25%, so the day-to-day tax position of most trading businesses changes little. The measures that owners will want to consider first concern the sale of a business and the tax on income from property and savings.

The lifetime limit for Business Asset Disposal Relief, which reduces the capital gains tax payable on the sale of a qualifying business, is to fall from £1 million to £500,000 for disposals made on or after 6 April 2027. From the same date the income tax rates on savings income, and on rental profits in England, Wales and Northern Ireland, are to rise by a further two percentage points, to 24%, 44% and 49%, in addition to the increase announced in 2025.

Employers should allow for the National Living Wage rising to £13.21 an hour from 1 April 2027, and the tax-free mileage rates for those who use their own car or van for work have been increased permanently. Retail, hospitality and leisure businesses in England should see their business rates frozen in real terms, reduced or removed from April 2027. Businesses buying plant and machinery should receive a larger first-year allowance from 1 January 2027, although the annual allowance on the remaining cost falls from April 2027.

Several administrative changes follow later, including mandatory electronic VAT invoicing and more frequent self assessment payments from April 2029. Many of the measures still require legislation in the Finance Bill, the new Founders' Relief is under consultation, and draft legislation for the reform of how company distributions (dividends and other payments by a company to its shareholders) are taxed is not expected until 2027, so the dates and conditions given in this briefing should be treated as provisional until the legislation is published.

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Which pages are most relevant to you

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Buying plant or equipment, or claiming research and development relief	5
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Selling a business: BADR and Founders' Relief

The lower Business Asset Disposal Relief limit will affect owners whose lifetime qualifying gains exceed £500,000, although the Treasury expects three-quarters of claimants still to receive relief on their entire gain. Founders' Relief is aimed at a much smaller group of fast-growing companies.

EXISTING RELIEF, REDUCED

Business Asset Disposal Relief

£500,000

Business Asset Disposal Relief (BADR) charges capital gains tax (CGT) at 18% on gains from selling a qualifying business, or shares in a qualifying trading company, up to a lifetime limit. That limit is to fall from £1 million to £500,000 for disposals made on or after 6 April 2027, and gains above it are taxed at the ordinary CGT rates of 18% and 24%.

Special provisions are to apply to contracts entered into before 6 April 2027 that have not been completed by that date.

PROPOSED NEW RELIEF

Founders' Relief

10%

Founders' Relief is proposed to charge CGT at 10% on up to £10 million of lifetime gains for qualifying founders of high-growth, innovative companies, and for certain significant early investors, on disposals made on or after 6 April 2027.

The conditions are the subject of a technical consultation that closes on 30 November 2026, and they may change before the relief is legislated.

ILLUSTRATION: A £1 MILLION GAIN QUALIFYING FOR BADR

Disposal before 6 April 2027: £1 million at 18%	£180,000
Disposal on or after 6 April 2027: £500,000 at 18% and £500,000 at 24%	£210,000
Additional CGT	£30,000

Assumes the whole gain qualifies, none of the lifetime limit has been used and the excess is taxed at 24%, ignoring the annual exempt amount and losses. At current rates, £30,000 is the most the lower limit can add to one individual's tax.

PROPOSED CONDITIONS FOR FOUNDERS' RELIEF

Under the consultation, the individual would need to have held at least 25% of the company's ordinary shares, with the matching votes and rights to profits and to assets on a winding up, at the point when the trade or the preparation for it began, to have held the shares for at least five years, and to have been UK resident for at least five consecutive tax years before the disposal. In the accounting period before the disposal the company would need turnover of at least £10 million and at least 15 qualifying full-time employees, and it would also need to pass two of three tests: average turnover growth of 25% a year over three consecutive accounting periods within the ten years before the disposal, starting from turnover of at least £10 million; average headcount growth of 25% a year over three such periods, starting from at least 15 full-time employees; or at least £1.5 million of research and development expenditure on which relief has been claimed for periods ending within the three years before the disposal. Any BADR or Investors' Relief claimed from 6 April 2027 would reduce the £10 million limit.

PLANNING POINTS

For an owner discussing a sale or a transfer to the next generation, the date on which a binding contract is entered into is now significant, and we would recommend reviewing the share ownership, any share options and the relief conditions before heads of terms (the outline agreement that precedes the formal contract) are signed. On the proposed conditions most established owner-managed companies would not qualify for Founders' Relief, and planning should not assume it.

Employers: minimum wage, mileage rates and payroll

Employers should allow for a further increase in the minimum wage from April 2027 and for the reporting of benefits in kind through payroll, which, as previously announced, begins in the same month.

Hourly rate	From 1 April 2026	From 1 April 2027
National Living Wage, age 21 and over	£12.71	£13.21
National Minimum Wage, age 18 to 20	£10.85	£11.27
Age 16 to 17 and eligible apprentices	£8.00	£8.31

Each rate rises by 3.9%, and the rates from 1 April 2026 shown for comparison were set in the 2025 Budget.

FROM 1 APRIL 2027

Cost of the increase

HM Treasury estimates that the new National Living Wage adds £910 a year to the gross pay of a full-time worker. Employer National Insurance and pension contributions are payable on that pay as well, so the cost to the employer is higher than the increase in wages alone.

FROM 6 APRIL 2027

Mileage rates

The tax-free rate for business journeys in your own car or van is 55p a mile for the first 10,000 business miles in a tax year, a rate which has applied since 6 April 2026 and is now permanent. Above 10,000 miles the rate is to rise from 25p to 35p a mile from 6 April 2027, and both rates apply to employees and to the self-employed.

1 Benefits in kind through payroll

Employers will be required to report and tax company cars, vans, fuel and medical benefits through payroll from 6 April 2027, with the remaining benefits in kind following from 6 April 2028.

2 Employment expenses

The £2,500 limit above which employees must use self assessment to claim relief for unreimbursed employment expenses is removed from 6 April 2028, so more claims will be made through PAYE and will need supporting evidence before relief is given.

3 National Insurance and fuel duty

There is no change to the headline rates of National Insurance contributions, and the temporary 5p a litre cut in fuel duty and the freeze in the rate are extended to 1 July 2027.

4 Non-compete clauses

The government intends to legislate to restrict non-compete clauses in employment contracts across the economy and will set out its detailed position in early 2027. Existing clauses should be unaffected until legislation is passed.

PLANNING POINTS

We would suggest updating the payroll budget from April 2027, checking which employees will move into a higher age band during the year, and confirming that payroll software will be ready to report benefits in kind and that expense systems will apply the 35p rate from 6 April 2027.

Capital allowances and research and development

Capital allowances are the tax relief given for spending on plant and machinery, and the Budget increases the relief available in the year of purchase while reducing the relief given on the remaining cost in later years.

50%

Main-rate first-year allowance

Rises from 40% for qualifying expenditure incurred on or after 1 January 2027.

12%

Main-rate writing-down allowance

Falls from 14% from 1 April 2027 for companies and from 6 April 2027 for sole traders and partnerships.

A first-year allowance gives relief on a percentage of the cost of qualifying plant and machinery in the period in which it is bought. The balance of the cost is relieved through writing-down allowances, which give relief each year on a reducing balance, so the reduction to 12% slows the relief on older expenditure and on any cost not covered by another allowance.

How the allowances fit together

Allowance	Available to	Relief
Annual Investment Allowance (AIA)	Companies and unincorporated businesses	100% of qualifying expenditure, up to £1 million a year
Full expensing	Companies	100% of qualifying new main-rate plant and machinery, without limit
Main-rate first-year allowance	Companies and unincorporated businesses	40%, rising to 50% for expenditure on or after 1 January 2027
Main-rate writing-down allowance	All businesses	14%, falling to 12% from April 2027, on the remaining balance each year

The AIA, full expensing and the 40% first-year allowance are existing reliefs. The government has said that it is maintaining full expensing and the 25% cap on the main rate of corporation tax.

For most purchases the AIA or full expensing will give more relief than a 50% first-year allowance. The first-year allowance is likely to matter mainly where an unincorporated business, which cannot claim full expensing, spends more than the £1 million AIA in a year, or where a company buys plant for leasing, which full expensing does not cover.

RESEARCH AND DEVELOPMENT CLAIMS

The advance Claim Notification Form, which some companies must file before making a research and development (R&D) claim, is removed from 1 April 2027, and HMRC intends to simplify the Additional Information Form from autumn 2027. The conditions for relief, and the need for evidence of the qualifying work, are unchanged.

PLANNING POINTS

Where a significant purchase is planned around 1 January 2027 or April 2027, it would be sensible to include it in the tax forecast before the order is placed, because the date of the expenditure and the allowance claimed will affect when relief is given.

Business rates for retail, hospitality and leisure premises in England

From April 2027, retail, hospitality and leisure (RHL) businesses in England should see their business rates either frozen in real terms, reduced or removed, depending on the size and use of their premises.

Business rates are charged on a property's rateable value, which is the Valuation Office Agency's estimate of the annual rent it could command. Small business rates relief (SBRR) removes or reduces the bill for smaller properties, and the Budget raises the thresholds for qualifying RHL properties. The government expects a further 70,000 RHL businesses to pay no business rates as a result.

£18,000

Full relief up to this rateable value

Rises from £12,000 for qualifying RHL properties from 1 April 2027.

£21,000

Tapered relief up to this rateable value

Rises from £15,000, with relief reducing gradually between the two thresholds.

Increases limited to inflation for two years

For other qualifying RHL properties, increases in business rates bills are to be capped at the rate of inflation, measured by the Consumer Prices Index, in 2027/28 and 2028/29. The cap does not apply to increases in rateable value caused by improvements, or to the loss of other reliefs such as improvement relief or hardship relief after 1 April 2026.

Pubs, social clubs and live music venues

Relief for pubs, social clubs and live music venues rises from 15% to 35% from 1 April 2027. Live music venues with a rateable value of £1 million or more do not receive the increase, but keep the 15% relief in 2026/27 and the real-terms freeze in the following two years.

1 Other changes from April 2027

The 2026 Supporting Small Business scheme is extended for one year to businesses that received the 2023 scheme, and the 1p Transitional Relief Supplement continues for two years. Vape shops lose the RHL multipliers and SBRR, and adult gaming centres lose the RHL multipliers.

2 Appeal fees abolished

The £150 and £300 fees charged by the Valuation Tribunal for England for business rates appeals are abolished for the 2026 rating list and future lists, and fees already paid on appeals against the 2026 list are to be refunded.

WHO THE NEW THRESHOLDS APPLY TO

The £18,000 and £21,000 thresholds apply only to qualifying RHL properties in England, because Scotland, Wales and Northern Ireland operate their own business rates systems, and the usual SBRR conditions continue to apply. A business close to the new thresholds may wish to check its rateable value on the Valuation Office Agency's list before April 2027.

VAT: electronic invoicing, online marketplaces and services bought from overseas

The standard rate of VAT and the £90,000 registration threshold are unchanged, but three measures change how VAT is charged or collected for many smaller businesses.

1 Mandatory electronic invoicing from 1 April 2029

VAT invoices will have to be issued in a specified electronic format. HMRC has published an implementation roadmap and expects to provide full details of the policy and technical design by April 2028. The requirement is for structured invoice data, and an invoice sent as a PDF attachment is unlikely to meet it.

2 Online marketplaces collecting VAT from 1 October 2027

Online marketplaces will become responsible for collecting VAT on sales made through them by UK VAT-registered businesses, and by other UK businesses with sales of £90,000 or more a year on that platform, a test applied to each platform separately and distinct from the VAT registration threshold. Personal sales, second-hand goods and sales between businesses are excluded. The government is using the revenue to fund the business rates support described on page 6.

3 Services bought from overseas from April 2027

A UK business buying services from an overseas supplier currently accounts for any VAT itself under the reverse charge. From April 2027 the reverse charge will be restricted to VAT-registered businesses, and overseas suppliers will have to charge UK VAT to UK businesses that are not registered. Because an unregistered business cannot recover VAT, this is likely to increase the cost of overseas software subscriptions, online advertising and similar services.

ILLUSTRATION: OVERSEAS SERVICES BOUGHT BY A BUSINESS THAT IS NOT VAT REGISTERED

Software and advertising bought from overseas suppliers in a year	£12,000
The same services from April 2027, with VAT at 20% added by the suppliers	£14,400
Additional annual cost, which the business cannot recover	£2,400

Assumes the services are subject to VAT at the standard rate and that the suppliers add VAT to their existing prices.

PLANNING POINTS

Businesses that invoice from spreadsheets or older billing software should ask their software provider whether it will support the required format before 2029. Sellers on online platforms may wish to reconcile their sales by platform before October 2027, and businesses that are not VAT registered should expect VAT to appear on invoices from overseas service providers from April 2027.

Paying tax and dealing with HMRC

Most of these changes take effect between 2027 and 2029, and together they mean that more tax will be collected during the year and by direct debit, and that HMRC will have stronger powers where returns are wrong or tax goes unpaid.

1 More frequent payments on account from April 2029

Self assessment taxpayers whose tax is not fully collected at source, including the self-employed, landlords and many company directors with dividend income, usually pay income tax in two advance instalments, known as payments on account, on 31 January and 31 July. From April 2029 those who make payments on account will be required to make smaller and more regular payments during the year, although the details have not yet been set out.

2 Direct debits for VAT and PAYE from April 2029

Businesses will need a direct debit instruction in place for VAT liabilities from 1 April 2029 and for PAYE from 6 April 2029. Other payment methods can still be used before a cut-off date, and the direct debit will collect any balance that remains unpaid.

3 Making Tax Digital for income tax

Making Tax Digital (MTD) requires quarterly digital updates to HMRC. Those who join in April 2027 will not receive penalty points for late submission of their first four quarterly updates for 2027/28, and the extension of MTD to several other groups of taxpayers is deferred until further notice.

4 A duty to correct errors from 1 April 2028

Taxpayers will be required to correct tax returns and other documents once they become aware that they contain an inaccuracy, under legislation to be included in the Finance Bill.

5 Enforcement

HMRC is to recruit a further 670 compliance officers by 2029/30, in addition to the 5,500 already committed. From July 2029 it will also be able to recover lower-value tax debts in instalments directly from the bank accounts of individuals and companies who can afford to pay but repeatedly fail to do so, subject to a code of practice that is still to be developed.

REPORTING OF PAYMENTS TO PARTICIPATORS: NOT PROCEEDING

The government consulted on new reporting requirements for payments made by close companies to their participators. A close company is broadly one controlled by five or fewer shareholders or by its directors, which includes most owner-managed companies, and participators are its shareholders and certain others with an interest in it. The government has decided not to introduce the new requirements at this time.

PLANNING POINTS

Self assessment taxpayers whose income varies from year to year, including many landlords and the self-employed, may find it helpful to set money aside for tax each month well before April 2029. Businesses should also make sure that direct debit instructions for VAT and PAYE are in place by the relevant dates.

Start-ups, share options and finance for growth companies

The higher trading allowance should help individuals with small amounts of business income, while the remaining measures, published alongside the Treasury's prospectus *Entrepreneurship in the UK: Start. Scale. Stay.*, are aimed at companies that are raising finance or using share options to recruit and keep staff.

£3,000**Trading allowance**

Up from £1,000 from 6 April 2027.

£120,000**EMI2 option limit per employee**

Up from £60,000 from 6 April 2027.

£370,000**Total across EMI and EMI2**

The £250,000 combined limit is to be removed.

Trading allowance

The trading allowance lets an individual receive up to £3,000 a year of trading and miscellaneous income tax-free from 6 April 2027, and the threshold at which trading income must be reported through self assessment rises to £3,000 at the same time. Someone who claims the allowance cannot also deduct their actual expenses, so it will mainly help those with low costs.

Share options for employees

Enterprise Management Incentives (EMI) allow smaller trading companies to grant employees tax-advantaged options over their shares. The Company Share Option Plan (CSOP), which is used mainly by companies that do not qualify for EMI or have outgrown it, is to be renamed EMI2. Its individual limit doubles to £120,000, its exercise period extends from 10 to 15 years, and EMI2 options are no longer to count towards the EMI limit, so an employee may hold up to £250,000 of EMI options and £120,000 of EMI2 options.

From 6 April 2027 employees will also have 180 days instead of 90 to exercise EMI options after a disqualifying event, companies moving into an employee ownership trust will keep access to EMI, and separate notification of EMI grants will be replaced by reporting in the annual return.

Finance and support

The British Business Bank's financial capacity is increased by £5 billion to £30.6 billion, including £1.4 billion for equity funds backing high-growth businesses and £450 million for a new venture debt product. UK Export Finance is widening access to its working capital guarantees, with a new export finance scheme for smaller loans to small and medium-sized businesses from 2027.

SCALE UK CONNECT PILOT, INCLUDING GREATER MANCHESTER

A new pilot will give 200 high-growth firms across the UK expert advice, investor connections and international opportunities. It is to be delivered by local partners in Greater Manchester, the West Midlands, Scotland, Yorkshire and the South West.

PLANNING POINTS

Companies planning to grant share options during 2027 may wish to review whether EMI or EMI2 suits them better under the new limits, and to consider the timing of grants around 6 April 2027, when the changes take effect.

Tax on property income, savings income and dividends

Income tax rates on earnings are unchanged, but the rates on rental profits and savings income are to rise by a further two percentage points from 6 April 2027, in addition to the two-point increase announced in 2025. The government estimates that 84% of income taxpayers will be unaffected.

Income	Basic, higher and additional rates for 2026/27	From 6 April 2027
Property income England, Wales and Northern Ireland	20%, 40%, 45%	24%, 44%, 49%
Savings income Throughout the UK	20%, 40%, 45%	24%, 44%, 49%
Dividends Throughout the UK	10.75%, 35.75%, 39.35%	No change announced

The 2026/27 basic and higher dividend rates were set in the 2025 Budget, and the additional rate and the £500 dividend allowance are unchanged from earlier years. Different arrangements may apply to property income of Scottish taxpayers.

Effect on a landlord

A landlord with £20,000 of taxable rental profit falling within the higher-rate band pays £8,000 of tax at 40% in 2026/27 and £8,800 at 44% from 2027/28, an increase of £800 a year. Half of that increase results from the 2025 Budget and half from this Budget.

Holding property in a company

The higher rates do not on their own make it worthwhile to move properties into a company, because the finance costs, the capital gains tax and stamp duty land tax on the transfer, and the tax on drawing profits out of the company all need to be weighed together.

Taxation of company distributions: reform from April 2028

The government intends to reform the tax treatment of distributions from companies to individual shareholders so that similar transactions are taxed consistently, whatever their legal form or structure, and so that there are fewer opportunities to arrange how profits are taken out of a company to obtain a more favourable treatment. It states that the reforms are designed to protect capital treatment for genuine changes of ownership, including families passing down a business, and that in some cases relief for demergers will become more generous.

Draft legislation is to be published for technical consultation in 2027, with the changes taking effect from April 2028.

PLANNING POINTS

Landlords with significant rental profits may wish to update their forecasts for 2027/28. Owners considering a purchase of their own shares by the company, a reorganisation or a demerger should take advice before April 2028, when the new rules are expected to apply.

ISAs, pensions, inheritance tax and the family home

Three of these changes took effect on Budget day or the day after, so they are worth reviewing now even though most of the Budget's measures begin in 2027 or later.

FROM 28 OCTOBER 2026

Inheritance tax and trusts

The rules on when debts relating to trust property reduce the value of assets for inheritance tax are being tightened, and the anti-avoidance provisions strengthened, for deaths and other chargeable events on or after 28 October 2026. Trustees and families with loans or other liabilities connected with trust property should have the position reviewed.

FROM 28 OCTOBER 2026

Pension death benefits

Beneficiaries will no longer be taxed solely because tax-free pension and lump sum death benefits are paid more than two years after the member's death, for payments made on or after 28 October 2026.

VARIOUS DATES

ISAs

The planned cut in the cash ISA limit will not go ahead, so the limit remains £20,000. A First Time Buyer ISA will replace the Lifetime ISA for new savers from April 2029, with a 25% bonus of up to £20,000 towards a first home worth up to £450,000. For existing Lifetime ISA holders buying above that price, the withdrawal charge falls from 25% to 20% from 29 October 2026.

FROM 6 APRIL 2027

Pension Tax Allowance

Pensioners whose total income does not exceed the full new State Pension should not have to pay small amounts of income tax from 6 April 2027 to 5 April 2030, with the allowance tapered away for incomes just above that level.

Property and vehicles

The high value council tax surcharge on homes in England, announced in 2025, will apply from 1 April 2028. The government has confirmed a deferral scheme, a series of discounts and exemptions, and a 100% premium on properties left empty and unoccupied for 12 months or more. The mileage-based Electric Vehicle Excise Duty for electric and plug-in hybrid cars, also announced in 2025, is still due to begin in April 2028.

MEASURES ANNOUNCED EARLIER THAT CONTINUE TO APPLY

This Budget does not change the inheritance tax nil-rate bands or the agricultural and business property reliefs, and most unused pension funds and death benefits are still due to come within the scope of inheritance tax from 6 April 2027, under a change announced in 2024. The income tax personal allowance of £12,570 and the main thresholds remain frozen under decisions taken in earlier Budgets, so rising incomes will continue to bring more people into higher bands. National Insurance relief on pension contributions made through salary sacrifice is to be limited to the first £2,000 a year from April 2029, as announced in 2025.

Key dates, October 2026 to July 2029

These are the dates given by the government, and most remain subject to the Finance Bill and to detailed guidance.

Date	Measure	Page
28 October 2026	Inheritance tax rules on trust liabilities; pension death benefits two-year rule removed; Founders' Relief consultation opens	3, 11
29 October 2026	Lifetime ISA withdrawal charge for homes above £450,000 falls to 20%	11
30 November 2026	Founders' Relief consultation closes	3
1 January 2027	Main-rate first-year allowance rises to 50%	5
1 April 2027	New minimum wage rates; business rates changes for RHL properties in England; main-rate writing-down allowance falls to 12% for companies; R&D Claim Notification Form removed	4, 5, 6
April 2027	Reverse charge on services from overseas restricted to VAT-registered businesses	7
6 April 2027	BADR limit falls to £500,000; Founders' Relief (proposed); property and savings income rates rise to 24%, 44% and 49%; trading allowance £3,000; EMI2 and EMI changes; 35p mileage rate above 10,000 miles; writing-down allowance falls to 12% for sole traders and partnerships; payrolling of car, van, fuel and medical benefits; Pension Tax Allowance	3 to 5, 9 to 11
1 July 2027	Temporary 5p fuel duty cut and freeze end	4
1 October 2027	Online marketplaces begin collecting VAT for UK sellers	7
Autumn 2027	R&D Additional Information Form simplified	5
1 April 2028	Duty to correct errors in returns; high value council tax surcharge (England)	8, 11
April 2028	Reform of the taxation of company distributions; remaining benefits in kind payrolled; £2,500 employment expenses threshold removed; Electric Vehicle Excise Duty begins	4, 10, 11
April 2029	Mandatory electronic VAT invoicing (1 April); direct debits for VAT (1 April) and PAYE (6 April); more regular payments on account; First Time Buyer ISA; salary sacrifice limit	7, 8, 11
July 2029	HMRC power to recover lower-value debts from bank accounts	8

Before 6 April 2027

- Review the timing of any planned sale against the BADR change.
- Update payroll budgets and payroll software.
- Plan significant equipment purchases around 1 January and April 2027.
- Check rateable values for shop, pub and leisure premises.

Before April 2028 and April 2029

- Confirm that invoicing software will support electronic VAT invoices.
- Prepare for more regular payments on account and for direct debits for VAT and PAYE.
- Take advice on any planned reorganisation before the distributions reform in April 2028.

Summary of rates and allowances

Each figure is shown with the Budget that set it and whether it is final or still proposed. Fuller tax tables for 2026/27 and 2027/28 follow on pages 14 to 16.

Measure	Current	Change	Status
BADR lifetime limit	£1 million	£500,000 from 6 April 2027	Budget 2026
Founders' Relief	None	10% on up to £10 million of lifetime gains from 6 April 2027	Proposed, under consultation
Property income rates (basic, higher, additional)	20%, 40%, 45%	24%, 44%, 49% from 6 April 2027	2025 and 2026 Budgets
Savings income rates (basic, higher, additional)	20%, 40%, 45%	24%, 44%, 49% from 6 April 2027	2025 and 2026 Budgets
Dividend rates (basic, higher, additional)	10.75%, 35.75%, 39.35%	No change	Unchanged
National Living Wage, age 21 and over	£12.71 an hour	£13.21 from 1 April 2027	Budget 2026
Mileage rate, first 10,000 business miles	55p (temporary)	55p made permanent	Budget 2026
Mileage rate above 10,000 business miles	25p	35p from 6 April 2027	Budget 2026
Main-rate first-year allowance	40%	50% from 1 January 2027	Budget 2026
Main-rate writing-down allowance	14%	12% from April 2027	Budget 2026
Annual Investment Allowance	£1 million	No change	Unchanged
SBRR full relief, RHL in England (rateable value)	£12,000	£18,000 from 1 April 2027	Budget 2026
SBRR tapered relief, RHL in England (rateable value)	£15,000	£21,000 from 1 April 2027	Budget 2026
Trading allowance	£1,000	£3,000 from 6 April 2027	Budget 2026
EMI2 (formerly CSOP) limit per employee	£60,000	£120,000 from 6 April 2027	Budget 2026
Cash ISA annual limit	£20,000	Remains £20,000	Planned cut reversed
Corporation tax, small profits and main rates	19%, 25%	No change, confirmed for the year from 1 April 2028	Unchanged
VAT registration threshold	£90,000	No change	Unchanged

NOT CHANGED AT THIS BUDGET

The Budget makes no change to the headline rates of income tax on earnings, National Insurance contributions or VAT, to the main rates of capital gains tax (18% and 24%), to the inheritance tax nil-rate bands and reliefs, or to the frozen income tax thresholds. The property income rates apply in England, Wales and Northern Ireland, and all figures assume that the relevant conditions are met.

Tax tables: income tax and National Insurance

Rates and allowances for 2026/27 and 2027/28. Figures that change in 2027/28 are shown in bold.

Income tax bands of taxable income

Band	2026/27	2027/28
Basic rate	£1 to £37,700	£1 to £37,700
Higher rate	£37,701 to £125,140	£37,701 to £125,140
Additional rate	Over £125,140	Over £125,140

Income tax rates (basic, higher, additional)

Type of income	2026/27	2027/28
Earnings, pensions, trading and other income	20%, 40%, 45%	20%, 40%, 45%
Property income	20%, 40%, 45%	24%, 44%, 49%
Savings income	20%, 40%, 45%	24%, 44%, 49%
Dividends	10.75%, 35.75%, 39.35%	10.75%, 35.75%, 39.35%
Starting rate for savings, on savings income up to £5,000	0%	0%

Income tax allowances

Allowance	2026/27	2027/28
Personal allowance	£12,570	£12,570
Income above which the personal allowance is withdrawn (£1 for every £2)	£100,000	£100,000
Marriage allowance (transferable)	£1,260	£1,260
Blind person's allowance	£3,250	£3,370
Dividend allowance	£500	£500
Personal savings allowance: basic rate taxpayer	£1,000	£1,000
Personal savings allowance: higher rate taxpayer	£500	£500
Trading allowance	£1,000	£3,000

Class 1 National Insurance thresholds (a week)

Threshold	2026/27	2027/28
Lower earnings limit	£129	£133
Primary threshold (employees)	£242	£242
Secondary threshold (employers)	£96	£96
Upper earnings limit	£967	£967
Upper secondary threshold, employees under 21 and apprentices under 25	£967	£967

Class 1 National Insurance rates

Earnings	2026/27	2027/28
Employee, primary threshold to upper earnings limit	8%	8%
Employee, above upper earnings limit	2%	2%
Employer, above secondary threshold	15%	15%
Employment allowance, per eligible employer a year	£10,500	£10,500

Self-employed and voluntary contributions

Contribution	2026/27	2027/28
Class 4 lower profits limit (a year)	£12,570	£12,570
Class 4 upper profits limit (a year)	£50,270	£50,270
Class 4 rate, between the limits	6%	6%
Class 4 rate, above the upper profits limit	2%	2%
Class 2 small profits threshold (a year)	£7,105	£7,355
Class 2 voluntary rate (a week)	£3.65	£3.80
Class 3 voluntary rate (a week)	£18.40	£19.05

The property income rates for 2027/28 apply in England, Wales and Northern Ireland, although the Scottish and Welsh governments can set their own property income rates, and the savings and dividend rates apply throughout the UK. Scottish taxpayers pay income tax on earnings, pensions and trading profits at rates and bands set by the Scottish Parliament, which are not shown. The trading allowance increase is to be legislated in Finance Bill 2026-27.

Tax tables: capital taxes, property and VAT

Figures that change in 2027/28 are shown in bold.

Capital gains tax

Rate or allowance	2026/27	2027/28
Rate on gains, basic rate taxpayer	18%	18%
Rate on gains, higher and additional rate taxpayer	24%	24%
Rate for trustees and personal representatives	24%	24%
Annual exempt amount: individuals and personal representatives	£3,000	£3,000
Annual exempt amount: most trustees	£1,500	£1,500
Business Asset Disposal Relief: rate	18%	18%
Business Asset Disposal Relief: lifetime limit	£1 million	£500,000
Investors' Relief: rate	18%	18%
Investors' Relief: lifetime limit	£1 million	£1 million
Founders' Relief (proposed): rate	Not available	10%
Founders' Relief (proposed): lifetime limit	Not available	£10 million

Inheritance tax

Rate or allowance	2026/27	2027/28
Nil-rate band	£325,000	£325,000
Residence nil-rate band	£175,000	£175,000
Estate value above which the residence nil-rate band is withdrawn (£1 for every £2)	£2 million	£2 million
Allowance for 100% agricultural and business property relief	£2.5 million	£2.5 million
Rate on death	40%	40%
Rate on death where 10% or more of the estate is left to charity	36%	36%
Rate on chargeable lifetime transfers	20%	20%

VAT

Rate or threshold	2026/27	2027/28
Standard rate, reduced rate	20%, 5%	20%, 5%
Registration threshold	£90,000	£90,000
Deregistration threshold	£88,000	£88,000

Pensions

Allowance	2026/27	2027/28
Annual allowance	£60,000	£60,000
Money purchase annual allowance	£10,000	£10,000
Adjusted income above which the annual allowance is tapered	£260,000	£260,000
Lump sum allowance	£268,275	£268,275
Lump sum and death benefit allowance	£1,073,100	£1,073,100

ISAs and Child Benefit

Limit or rate	2026/27	2027/28
ISA annual subscription limit	£20,000	£20,000
Junior ISA annual subscription limit	£9,000	£9,000
Child Benefit, eldest or only child (a week)	£27.05	£28.00
Child Benefit, each other child (a week)	£17.90	£18.55

Stamp duty land tax, residential (both years)

Portion of the price	Main rate	Additional dwellings
Up to £125,000	0%	5%
£125,001 to £250,000	2%	7%
£250,001 to £925,000	5%	10%
£925,001 to £1.5 million	10%	15%
Over £1.5 million	12%	17%

Stamp duty land tax, other purchases (both years)

Purchase	Rates on each portion of the price
First-time buyers, price up to £500,000	0% up to £300,000, then 5%
Non-residential and mixed-use property	0% up to £150,000, 2% up to £250,000, then 5%

Founders' Relief is subject to a technical consultation that closes on 30 November 2026, and any Business Asset Disposal Relief or Investors' Relief claimed from 6 April 2027 reduces its £10 million limit. The lower Business Asset Disposal Relief limit applies to disposals on or after 6 April 2027. Stamp duty land tax applies in England and Northern Ireland; purchases by certain non-UK residents pay a further 2%. Scotland and Wales have their own land transaction taxes.

Tax tables: businesses and employers

Figures that change in 2027/28 are shown in bold. Corporation tax and business rates follow financial years beginning on 1 April.

Corporation tax

Rate or limit	FY 2026	FY 2027
Main rate, profits over £250,000	25%	25%
Small profits rate, profits up to £50,000	19%	19%
Marginal relief fraction, profits between the limits	3/200	3/200

Capital allowances and R&D

Allowance or relief	2026/27	2027/28
Annual Investment Allowance	£1 million	£1 million
Full expensing, companies, new main-rate plant	100%	100%
Main-rate first-year allowance	40%, 50% from 1 Jan 2027	50%
Special-rate first-year allowance, companies	50%	50%
Writing-down allowance, main pool	14%	12%
Writing-down allowance, special-rate pool	6%	6%
Structures and buildings allowance	3%	3%
R&D expenditure credit	20%	20%
R&D intensive support: payable credit rate	14.5%	14.5%

Business rates multipliers, England (pence per £)

Multiplier	2026/27	2027/28
Small business, rateable value under £51,000	43.2p	44.7p
Standard, £51,000 to £499,999	48p	49.7p
Retail, hospitality and leisure, under £51,000	38.2p	39.7p
Retail, hospitality and leisure, £51,000 to £499,999	43p	44.7p
High-value, £500,000 and above	50.8p	52.5p

Minimum wage (an hour, from 1 April)

Age	2026/27	2027/28
National Living Wage, 21 and over	£12.71	£13.21
18 to 20	£10.85	£11.27
16 and 17, and apprentices	£8.00	£8.31

Tax-free mileage rates, own car or van

Business miles in the tax year	2026/27	2027/28
First 10,000 miles	55p	55p
Above 10,000 miles	25p	35p

Company cars: percentage of list price taxed

CO ₂ emissions (g/km) and electric range	2026/27	2027/28
0 (fully electric)	4%	5%
1 to 50, range over 130 miles	4%	5%
1 to 50, range 70 to 129 miles	7%	8%
1 to 50, range 40 to 69 miles	11%	12%
1 to 50, range 30 to 39 miles	13%	14%
1 to 50, range under 30 miles	15%	16%
51 to 54	16%	17%
55 to 59	17%	18%
60 to 64	18%	19%
65 to 69	19%	20%
70 to 79	20%	20%
80 and above: 21% at 80 to 84, rising by one point for each 5 g/km	Up to 37%	Up to 37%

Vans and fuel benefit (a year)

Charge	2026/27	2027/28
Van benefit charge	£4,170	£4,310
Van fuel benefit charge	£798	£825
Car fuel benefit multiplier (applied to the company car percentage)	£29,200	£30,200

For diesel cars that do not meet the RDE2 emissions standard, 4 percentage points are added to the company car percentage, subject to the 37% maximum. The higher first-year allowance applies to expenditure incurred on or after 1 January 2027; the lower main-pool writing-down allowance applies from 1 April 2027 for companies and 6 April 2027 for income tax. The mileage rates apply to employees and the self-employed. Retail, hospitality and leisure premises in England with a rateable value up to £18,000 are to receive full small business rates relief from 1 April 2027, tapering to nil at £21,000.

Glossary

Annual exempt amount

The amount of gains each individual can make free of capital gains tax each year.

Benefits in kind

Non-cash benefits provided to employees, such as a company car or private medical insurance.

Capital gains tax (CGT)

Tax on the gain made when an asset, such as a property or shares, is sold or given away.

Demerger

The division of a company's businesses between separate companies owned by the same shareholders.

Employee ownership trust

A trust that holds a controlling interest in a company on behalf of its employees.

Full expensing

Relief for companies for 100% of the cost of qualifying new main-rate plant and machinery, without limit.

Nil-rate band

The part of an estate on which no inheritance tax is payable.

Payments on account

Advance instalments of income tax paid by many self assessment taxpayers, currently on 31 January and 31 July.

Retail, hospitality and leisure (RHL)

Properties such as shops, pubs, restaurants, cafés, hotels and gyms that qualify for the RHL business rates reliefs.

Salary sacrifice

An arrangement in which an employee gives up part of their salary in return for a benefit, such as an employer pension contribution.

Unincorporated business

A business carried on by a sole trader or a partnership, as opposed to a company.

Annual Investment Allowance (AIA)

Relief for 100% of the cost of qualifying plant and machinery, up to £1 million a year.

Business Asset Disposal Relief (BADR)

An 18% rate of capital gains tax on qualifying gains from selling a business or shares in a trading company, up to a lifetime limit.

Close company

Broadly, a company controlled by five or fewer shareholders or by its directors.

EMI and EMI2

Enterprise Management Incentives, a tax-advantaged share option scheme for smaller companies. EMI2 is the new name for the Company Share Option Plan (CSOP).

First-year allowance

Relief for a percentage of the cost of qualifying plant and machinery in the period in which it is bought.

Making Tax Digital (MTD)

HMRC's requirement to keep digital records and send quarterly updates through compatible software.

PAYE

Pay As You Earn, the system through which employers deduct income tax and National Insurance from pay.

Rateable value

The Valuation Office Agency's estimate of the annual rent a business property could command, on which business rates are based.

Reverse charge

A rule under which the business buying certain services accounts for the VAT, instead of the overseas supplier.

Small business rates relief (SBRR)

Relief that removes or reduces business rates for smaller properties, based on rateable value.

Writing-down allowance

Annual relief on the remaining cost of plant and machinery, calculated on a reducing balance.

CONTACTS

Discussing how the Budget affects you

If any of the measures in this briefing are relevant to your plans, please contact your usual Jack Ross partner, or the partner named below, who will be glad to discuss how they apply to your circumstances.

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Important notice

This briefing is a general summary of selected announcements made in the Budget on 28 October 2026 and in documents published by HM Treasury and HMRC on the same day. Many of the measures are proposals that may change before they become law, and some remain subject to consultation. The briefing does not cover every measure announced and is not advice on any individual's or business's circumstances. Advice should be taken before acting, or refraining from acting, on anything in it, and Jack Ross Chartered Accountants accepts no responsibility for any loss arising from action taken or not taken in reliance on it. The information is stated as at 28 October 2026.

Sources

HM Treasury, Budget 2026: Breathing Space for Today, Fresh Hope for the Future (HC 726, 28 October 2026), cited by paragraph: page 3, paragraphs 2.53, 4.97, 6.257 and 6.261; page 4, paragraphs 2.29, 3.14, 3.18, 6.93, 6.128, 6.146, 6.211 and 6.213 and Table 6.1 (rows 5 and 94); page 5, paragraphs 2.54, 6.251 and 6.253; page 6, paragraphs 3.22, 6.189 to 6.195 and the executive summary; page 7, paragraphs 2.44, 6.145, 6.154 and 6.183 and Table 6.3; page 8, paragraphs 2.33, 6.147 to 6.149, 6.151, 6.152, 6.159 and 6.171 and Table 6.3; page 9, paragraphs 4.46, 4.101, 6.82, 6.89, 6.254, 6.255, 6.258 and 6.260; page 10, paragraphs 2.36, 2.37, 2.50, 6.181, 6.246 and 6.247; page 11, paragraphs 2.38, 6.182, 6.234, 6.239, 6.240, 6.243, 6.245 and 6.248.

HM Treasury, Entrepreneurship in the UK: Start. Scale. Stay. Prospectus (October 2026), paragraphs 3.13, 3.20, 3.35 and 4.8.

HM Treasury, CGT Founders' Relief: technical consultation (October 2026), paragraphs 1.2, 1.4, 2.4, 2.5 and 2.7, chapter 3 and paragraph 5.1.

HMRC, Budget 2026: overview of tax legislation and rates (28 October 2026), paragraphs 1.5 (trading income reporting threshold), 1.33 (BADR contracts entered into before 6 April 2027) and 1.38 (corporation tax rates for the year from 1 April 2028).

HMRC, Budget 2026: overview of tax legislation and rates, Annex A: rates and allowances (28 October 2026), for the tax tables on pages 14 to 16, with HC 726 paragraphs 3.14, 6.128, 6.189 to 6.195, 6.213 and 6.254 for the minimum wage, mileage, business rates relief and trading allowance figures, paragraph 2.6 of the same HMRC overview for the 2027/28 van and fuel benefit charges, and the HMRC policy paper *Van benefit charge and fuel benefit charges for cars and vans for tax year 2026 to 2027* (3 December 2025).

Earlier Budgets and HMRC published rates for figures not changed at this Budget: the 2026/27 minimum wage rates, the 2026/27 basic and higher dividend rates, the first two-point increase in the property and savings income rates, the cash ISA reduction that has now been reversed, the salary sacrifice limit and the high value council tax surcharge (2025 Budget); the CGT rates of 18% and 24% and the inclusion of pensions in estates for inheritance tax (2024 Budget); the dividend allowance (Autumn Statement 2022); the personal allowance, the Annual Investment Allowance, the 40% first-year allowance, the VAT registration threshold and the small profits rate of corporation tax.



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