ATHOLL SCOTT ACCOUNTANCY

Tax Budget Update

October 2026

Welcome to the Budget 2026 edition of Tax E-News. On 28 October 2026, Chancellor John Healey presented his first Budget to Parliament. Billed as giving families and businesses 'breathing space' from rising costs, it left the rates of VAT and National Insurance unchanged, alongside static Income Tax rates for wages and self-employed income. Even so, the government's own figures show its tax measures raising around £7 billion a year by 2031-32.

Headlines included:

- A further 2 percentage point rise in Income Tax on savings and property income from 6 April 2027, on top of the previously announced increases.
- Plans to halve the Business Asset Disposal Relief limit to £500,000 and introduce a 10% Founders' Relief from 6 April 2027.
- Plans to reform how capital company distributions are taxed from April 2028.
- Increases and decreases to plant and machinery capital allowances.
- A more generous Trading Allowance from 6 April 2027.
- The cash ISA limit kept at £20,000, and a new First Time Buyer ISA from April 2029.
- A 3.9% rise in the National Living Wage to £13.21 an hour from 1 April 2027.
- A £100 Household Energy Payment for Council Tax bands A to D in England from January 2027.

The Chancellor returned to the phrase “breathing space” throughout his speech, and it is worth noting that this is temporary. Tax increases for savers, landlords and business owners begin in April 2027, with further reforms in 2028 and 2029.

Now is the time to plan, as acting before April 2027 may make a real difference.

Further Budget announcements will be made on 17 November and 3 December 2026 in relation to taxes unique to Wales and Scotland respectively.

TAXES ON INCOME - INDIVIDUALS

Your Personal Allowance

Your tax-free Personal Allowance will remain at £12,570 in 2027-28. The Personal Allowance is partially withdrawn if your income is over £100,000 and then fully withdrawn if your income is over £125,140.

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Income Tax rates and allowances

For 2027-28, while Income Tax rates for dividend and 'other' income remain unchanged, the Income Tax rates on savings and property income will be four percentage points higher than in 2026-27. The first two points were announced at Budget 2025, and a further two points were announced at this Budget. Both increases take effect from 6 April 2027.

This means that, after your tax-free Personal Allowance has been deducted, your remaining income will be taxed in bands in 2027-28 as follows:

		'Other income' (for England, Wales and Northern Ireland)	**Savings income (applicable across the UK)**	**Property income (for England, Wales and Northern Ireland)**	**Dividend income (applicable across the UK)**
2027-28					
Basic rate	£1 - £37,700	20%	24%	24%	10.75%
Higher rate	£37,701 - £125,140	40%	44%	44%	35.75%
Additional rate	Over £125,140	45%	49%	49%	39.35%
2026-27					
Basic rate	£1 - £37,700	20%	20%	Included within 'Other income'	10.75%
Higher rate	£37,701 - £125,140	40%	40%		35.75%
Additional rate	Over £125,140	45%	45%		39.35%

'Other income' means income other than from savings, property or dividends. This includes salaries, bonuses, profits made by a sole trader or a partner in a business, pension income and various other income types.

Different rates of Income Tax apply to your 'other income' and property income if you are classed as a 'Scottish taxpayer'. The 2027-28 rates have not been released at the time this document was created. They will likely be announced at the Scottish Budget on 3 December 2026.

You will continue to be taxed at 0% within your Personal Savings Allowance and Dividend Allowance. The Personal Savings Allowance continues to be set at £1,000 for a basic rate taxpayer, £500 for a higher rate taxpayer, and not offered to additional rate taxpayers. The Dividend Allowance continues to be set at £500.

If your other income is low, the starting rate for savings may let you receive up to £5,000 of savings interest at 0%, on top of your Personal Savings Allowance. The £5,000 band is unchanged for 2027-28, and with tax on savings rising, it is worth more than it was.

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Pension Tax Allowance

A Pension Tax Allowance will be introduced for 2027-28 and will remain available for the following two tax years. The allowance will ensure pensioners do not pay Income Tax if their total income, regardless of where that income comes from, is below the value of the full new State Pension. For 2027-28, the full annual value of the new State Pension will be £13,036.40.

HMRC will apply the allowance automatically for anyone who is above State Pension age, or who reaches State Pension age during the tax year. The allowance will provide a reduction in the individual's Income Tax bill equal to 20% of the difference between the full new State Pension and the Personal Allowance. This is worth up to £94 a year.

For individuals with total income exceeding the full new State Pension, the allowance will be reduced by £1 for every £3 of income above that threshold. This means that for 2027-28, pensioners whose income is less than £13,319 will still get some benefit from the Pension Tax Allowance.

Increase to the Trading Allowance

From 6 April 2027, the Trading Allowance will be increased from £1,000 to £3,000. At the same time, the trading income reporting threshold for Self-Assessment will also be increased to £3,000.

These adjustments mean that you can receive up to £3,000 in trading and miscellaneous income and will not have to declare or pay tax on that income.

Where your gross trading income is more than £3,000, you can instead deduct the £3,000 allowance from your income in place of your actual expenses.

But no increase to the Property Allowance

The separate Property Allowance, which works in a similar way for income from land and property, remains at £1,000.

Married Couple's Allowance and Marriage Allowance

These two allowances sound alike, but they work and apply very differently.

Married Couple's Allowance is only available where one spouse or civil partner was born before 6 April 1935. The government has announced that it will increase from 6 April 2027. For 2027-28, the maximum amount rises from £11,700 to £12,110, the minimum from £4,530 to £4,690, and the income limit from £39,200 to £40,600. Relief is given at 10%, so the allowance reduces your tax bill rather than your taxable income.

Marriage Allowance is the one most couples will be thinking of. It remains at £1,260 for 2027-28. Where one of you does not use all of your Personal Allowance, you can transfer £1,260 of it to your spouse or civil partner, provided they are a basic rate taxpayer. It is available regardless of age.

Self-employed National Insurance Contributions (NICs)

Self-employed individuals pay 'Class 4' NICs in addition to their Income Tax liability. The Class 4 NIC rates and thresholds for 2027-28 remain unchanged at 6% on profits between £12,570 and £50,270 and 2% on profits thereafter.

As with the Income Tax thresholds, the above Class 4 NIC thresholds will remain frozen until 2030-31.

Voluntary National Insurance Contributions (NICs)

You need a certain number of qualifying years on your National Insurance record to receive the full new State Pension. Where a year would otherwise not qualify, you can usually pay voluntary contributions to fill the gap. Class 2 NICs is the cheaper route and is available to the self-employed whose profits fall below the Small Profits Threshold. That threshold rises from £7,105 to £7,355 for 2027-28. From 6 April 2027, the Class 2 rate rises from £3.65 to £3.80 a week.

Class 3 NICs is the only other route, including for employees with gaps in their record and people who have spent time abroad or out of work. From 6 April 2027, the rate rises from £18.40 to £19.05 a week.

Class 1 NICs for employees and employers are covered in the Employment Taxes section.

Individual Savings Accounts (ISAs)

Income received within an ISA product is exempt from Income Tax. This includes both cash and stocks and shares ISAs. There is a limit on how much you can save into ISAs.

Plans to restrict the annual cash ISA limit for savers under 65 have been scrapped. For 2027-28, the cash ISA limit remains at £20,000 for all savers over 18 years old.

<u>First Time Buyer ISA</u>

From April 2029, a new First Time Buyer ISA (FTB ISA) will be introduced to help those saving to buy their first home. The FTB ISA will replace the Lifetime ISA (LISA) for new savers, but existing LISA holders can continue to use their accounts under the current rules.

Contributions of up to £4,000 per tax year will be allowed, with contributions counting towards the annual £20,000 ISA allowance. A 25% government bonus on the final account balance, subject to an overall maximum of £20,000, will be paid when the saver makes a withdrawal to buy their first home.

The FTB ISA will be available to UK residents over the age of 18, with no upper age limit.

Conditions apply, including that the home must be valued at no more than £450,000 and purchased with a legal mortgage.

For LISA holders, the government has also announced that, with effect from 29 October 2026, the withdrawal charge for purchases above the property cap will be reduced from 25% to 20%. The charge for other unauthorised withdrawals remains at 25%.

It will not be possible to transfer from a LISA to an FTB ISA, but it will be possible to hold both a LISA and an FTB ISA and use them both towards the same house purchase.

Child Benefit and the High-Income Child Benefit Charge (HICBC)

You may have to pay the HICBC if your income exceeds £60,000 and Child Benefit is being paid in relation to a child that lives with you, regardless of whether you are a parent of that child. If you are living with another person in a marriage, civil partnership or long-term relationship, you will only be liable for the HICBC if you are the higher earner of the two of you.

For 2027-28, the HICBC continues to be calculated at 1% of the Child Benefit received for every £200 of income above £60,000. This means that Child Benefit is fully clawed back where income exceeds £80,000.

In some instances, an overpayment of Child Benefit can lead to an excess HICBC. In these circumstances, HMRC must recover the overpaid Child Benefit and the individual who paid the HICBC must separately request a refund of the overpaid tax.

The government is also introducing legislation that will offset Child Benefit overpayments against HICBC payments made in relation to that overpayment. This measure will have retrospective effect from HICBC's introduction in January 2013.

Lump sum death benefits paid to beneficiaries

Where someone dies before the age of 75, and a pension lump sum death benefit is paid above their available lump sum and death benefit allowance (normally £1,073,100), the excess is taxable on the person who receives it.

The government is making some changes to reduce complications. The excess will still be taxed at the recipient's marginal rate, but it will no longer count as part of their income for any other purpose, meaning allowances, benefits or other entitlements are not affected. HMRC will continue to calculate the tax and tell the recipient what is due, and it does not go on a tax return.

The change will apply to certain payments made on or after 6 April 2023, so it may help with cases that are still unresolved.

DIGITAL RECORD KEEPING AND QUARTERLY REPORTING REQUIREMENTS FOR TRADERS AND LANDLORDS ("MTD")

The phased rollout of HMRC's 'Making Tax Digital for Income Tax' ('MTD for IT') initiative will continue in 2027-28. From 6 April 2027, it will begin to apply to sole traders and property landlords who generated gross trade and rental income ('qualifying income') of more than £30,000 in the 2025-26 tax year.

The MTD for IT rules are mandatory and, if affected, you will be required to use 'MTD-compatible software' to maintain digital records and send a quarterly summary of your business and/or property income and expenses to HMRC, along with your end-of-year tax return.

The government has confirmed that late penalty points will not apply to late quarterly updates by individuals who are required to join MTD for IT in April 2027. Quarterly updates will still need to be sent before the year-end tax return can be submitted.

Exemptions

The government has confirmed that those eligible for qualifying care relief, non-UK resident foreign entertainers and sportspeople, and expected non-resident taxpayers are exempt from MTD for IT until further notice.

EMPLOYMENT TAXES AND MINIMUM WAGE RATES

The government has announced that all the minimum wage rates will rise by 3.9% on 1 April 2027, after accepting the Low Pay Commission's recommendations in full. For a full-time worker on the National Living Wage, that is worth around £910 a year in gross pay.

If you provide living accommodation to staff, the accommodation offset will also rise by 3.9%, from £11.10 to £11.53 per day.

Getting minimum wage payments wrong, even by accident, can mean back pay, penalties and enforcement action.

If you would like help making sure that your payroll and minimum wage payments are compliant, please get in touch.

	1 April 2027 – 31 March 2028	1 April 2026 – 31 March 2027
National Living Wage (workers aged 21 and over)	£13.21	£12.71
National Minimum Wage (workers aged 18 to 20)	£11.27	£10.85
National Minimum Wage (workers aged 16 to 17 and eligible apprentices)	£8.31	£8.00

National Insurance Contributions (NICs)

The rates of employee and employer NICs, and the main thresholds, will stay the same in 2027-28. This means pay rises will bring more earnings into NICs, which is often referred to as 'fiscal drag'.

The Lower Earnings Limit (LEL) will rise from £129 to £133 a week (£6,916 a year). If you are a company director paying yourself a small salary, check that it exceeds the LEL amount so that 2027-28 still counts towards your State Pension entitlement.

As a reminder, Budget 2025 announced that the NICs treatment of Salary Sacrifice pension contributions will change from 6 April 2029. Employee and employer NICs will apply to contributions exceeding £2,000 a year.

Approved Mileage Allowance Payments (AMAP)

In May 2026, the government announced that from 6 April 2026, the Approved Mileage Allowance Payment (AMAP) rate for employees using their own cars or vans for business travel would increase to 55p per mile, from 45p per mile, for the first 10,000 business miles travelled per year.

From 6 April 2027, the rate for business miles above 10,000 will also rise from 25p to 35p. The Simplified Mileage Rate that can be used by the Self-Employed is uplifted by the same amount.

Where you reimburse staff at less than the approved rates, they can claim tax relief on the difference. The government estimates that, in 2027-28, a basic rate taxpayer claiming this relief on 6,000 business miles will save an extra £120 a year, and someone claiming it on 15,000 business miles will save up to £300. You may wish to review your mileage policy.

Mandatory payrolling of benefits

The move to payrolling Benefits In Kind (BIK) will now happen in two stages.

From 6 April 2027, employers will have to report and pay Income Tax through payroll on:

- Company cars and vans.
- Car and van fuel.
- Medical benefits.

All other BIK and taxable expenses will follow from 6 April 2028, except employment-related loans and employer-provided living accommodation, which will stay outside mandatory payrolling. The government will legislate for these changes in Finance Bill 2026-27.

If you provide company vehicles or medical cover, April 2027 is only months away. Please talk to us now about getting your payroll processes ready.

Van and fuel benefit charges

The van benefit charge and the car and van fuel benefit charges will rise in line with the September Consumer Prices Index rate of 3.5% from 6 April 2027.

For 2027-28:

- The car fuel benefit charge multiplier will be £30,200.
- The van fuel benefit charge will be £825.
- The van benefit charge will be £4,310.

Company car tax

Benefits for company cars are based on bandings of CO_2 emissions and, if applicable, their electric range. For 2027-28, each band will rise by 1 percentage point compared with 2026-27. For example, the percentage for zero-emission cars will rise from 4% to 5%. For cars emitting 1 to 50g CO_2/km with an electric range of less than 30 miles, it will rise from 15% to 16%.

Percentages for 2030-31 were announced in Budget 2026, and they show that there will be steep increases to company car benefits over the next few years. Using the example above of cars emitting 1 to 50g CO_2/km, their percentage for 2030-31 will have increased to 20%.

Now may be a good time to review your company vehicles to ensure that they remain a tax-efficient method of rewarding employees.

Visa sponsorship costs

The government will introduce legislation so that employees will not be charged Income Tax where their employer pays a certificate of sponsorship fee or an immigration skills charge. These are costs that must be met by employers sponsoring a worker under the Skilled Worker route. The changes will apply to payments made on or after 28 October 2026.

Employee share schemes: EMI2 (formerly CSOP)

From 6 April 2027, changes will be made to the Company Share Option Plan (CSOP) and Enterprise Management Incentives (EMI) schemes.

- The CSOP individual option limit will double from £60,000 to £120,000.
- CSOP will be renamed Enterprise Management Incentives 2 (EMI2), which reflects its role for growing companies that have moved beyond, or are not eligible for, EMI.
- The interaction between the CSOP and EMI individual option limits will be removed.
- The CSOP exercise period will increase from 10 to 15 years.
- The period for certain tax-advantaged and non-tax advantaged shares and share options reserved by third parties to be excepted from the disguised remuneration rules will also be extended to 15 years.

- The exception for Employee Ownership Trusts (EOTs) in the EMI rules will be extended to companies arranging to become controlled by an EOT.

- The EMI exercise window following disqualifying events will be extended from 90 to 180 days.

For EMI options granted on or after 6 April 2027, there will no longer be a requirement to submit a grant of EMI option to HMRC separately. Instead, they will be reported through the end-of-year return.

Share schemes can be a valuable way to attract and retain key staff. Please talk to us if you are considering one.

Travel and subsistence scale rates

From 6 April 2028, the Benchmark Scale Rates will be modernised. These are the rates employers can use to reimburse subsistence on business travel without needing to check receipts. The new rates will be:

- £20 for periods of travel over five hours.
- £60 for periods of travel over 10 hours.
- £75 for periods of travel over 24 hours.

The 200-plus destination-specific overseas rates will be replaced by a simpler tiered system linked to the new benchmark rates.

Claiming tax relief for employment expenses

From 6 April 2028, the government plans to remove the £2,500 threshold that forces claims larger than this to be made through Self-Assessment. Employees whose only reason for filing a tax return is to claim unreimbursed employment expenses will have the option to claim through PAYE instead. The government says this will ensure more tax relief claims are subject to evidence before relief is given.

Using this PAYE route will be voluntary, but the government will keep under review whether to make it compulsory. It says the change will make it easier for around 160,000 employees to claim.

Image rights payments

The government has confirmed that image rights payments that are related to an employment will be treated as taxable employment income and subject to Income Tax and NICs.

However, for anyone affected by this change, there is a welcome reprieve. The changes will not take effect until 6 April 2028 rather than 6 April 2027 as previously announced.

CAPITAL GAINS TAX (CGT)

The government has not changed the headline rates of CGT in this Budget. As such, for most sales of capital assets, after an annual exemption of £3,000, CGT will apply at 18% for basic rate taxpayers and 24% otherwise. However, changes have been made to the rules and reliefs that surround CGT.

Selling your business at the low 18% rate

Business Asset Disposal Relief (BADR) potentially reduces the rate of CGT from 24% to 18% when you sell all or part of your business. There has been no change to the 18% rate, but there has been a reduction in the amount to which it will apply.

At present, the first £1 million of qualifying business disposal gains across your lifetime attracts the relief. For business disposals made on or after 6 April 2027, that lifetime limit falls to £500,000. For a higher rate taxpayer with a £1 million gain, that is £30,000 of additional tax (ignoring use of the annual exempt amount).

The date therefore matters if you are already thinking about selling or retiring and are likely to have lifetime business gains of more than £500,000. Be aware, though, that the government has included special provisions for contracts entered into before 6 April 2027 that have not completed, and for certain share reorganisations. A contract signed in haste will not automatically protect the £1 million limit. Please speak to us before you commit to anything.

A new lower 10% relief for founders

The government has announced a new 'Founders' Relief' which applies to shares in a company. While still under consultation, this is designed to support founders and early investors who have made a significant long-term contribution to the creation and development of the UK's most high-growth and innovative companies, generating revenues of at least £10 million a year before sale.

The government intends to apply a new low 10% rate of CGT to qualifying sales of shares, on or after 6 April 2027. Like with BADR, there is a lifetime limit for Founders' Relief. This varies based on circumstances but can be up to £10 million.

The 10% rate is attractive, but it must be noted that this is aimed at a narrow group. Under the proposals, you would need to have:

1. operated your business through a company;
2. held at least 25% of the company's shares when the business commenced;
3. held your shares for at least five years; and
4. been a UK resident for at least five years.

Further, the company would need to be a trading company with a substantial UK presence, turnover of at least £10 million, and at least 15 full-time employees. It would also need to pass separate tests on growth and on innovation.

Selling residential property

If you sell a UK residential property other than your main home, there is usually a 60-day deadline for reporting the disposal, backed up by late filing penalties. The government plans to correct a quirk in the current legislation to ensure late filing penalties stop accruing once you report the sale on your Self-Assessment return. This will be effective from 28 October 2026.

Cryptoassets

As the use of cryptoassets becomes more mainstream, the government continues to review their tax treatment.

Stablecoins are a type of cryptocurrency designed to maintain a stable value relative to a state-backed currency such as the US dollar. They are currently taxed in the same way as other cryptoassets. Namely, for most disposals or exchanges of cryptoassets, a capital gain or loss is deemed to arise. From April 2027, eligible stablecoins will be treated more like money for tax purposes. Individuals and trustees will be exempt from CGT on disposals of eligible stablecoins. Instead, any interest-like payments that are received will be treated as savings income for Income Tax, and withholding taxes may apply.

Also from 6 April 2027, individuals and trustees who transfer cryptoassets into or out of qualifying lending arrangements or liquidity pools will be treated as making neither a capital gain nor a loss at that point. Tax will instead arise when the holder genuinely sells or exchanges the cryptoassets.

INHERITANCE TAX (IHT)

Inheritance Tax (IHT) can apply to certain lifetime transfers/gifts and also to the value of an individual's estate at the time of death.

The IHT nil rate band has been frozen until 2031 and remains at £325,000 for 2027-28. An additional £175,000 'residence nil rate band' remains available in some cases for leaving the family home to direct descendants. There is no change to the maximum IHT rate, which remains at 40%. A reduced rate of 36% may apply to some or all of the taxable estate when part of it is left to charity.

The residence nil rate band continues to be withdrawn where an estate has a net value over £2 million. The residence nil rate band is tapered away at a rate of £1 for every £2 above £2 million.

Where there has been no restriction on the residence nil rate band, a married couple will continue to have a combined IHT allowance of £1 million.

If you own a business or farmland, the combined allowance giving 100% agricultural property relief and business property relief remains at £2.5 million for 2027-28, with relief at 50% on qualifying value above that.

Pension funds

From April 2027, most unused pension funds and pension death benefits will be included in an individual's estate at death, regardless of whether they are written in trust. Personal Representatives (PRs) of the estate will be liable for reporting and paying any IHT due.

Bringing pensions into the estate may also negatively affect the residence nil rate band. As described above, that relief is tapered down if the estate exceeds £2 million. An estate currently below that threshold could be pushed above it once a pension is included.

Any IHT due on a pension will need to be paid within six months of the end of the month in which the person died, otherwise interest will be charged. To help facilitate this, a change was announced at Budget 2026 that should allow prospective Personal Representatives to direct the pension scheme administrator to pay the IHT due to HMRC when certain conditions are met.

A further change announced was that those administering an estate will now be able to decide whether notional pension property sits in the 'general' component of the estate or as a separate component. This will make a difference in being able to use the reduced 36% rate of IHT when part of the estate is left to charity.

For clarity, pension funds and death benefits passing to a surviving spouse or civil partner, or to a registered charity, will continue to be exempt.

If you would like advice on how these changes could affect your pension and estate planning, we would be happy to help.

Trust debts

The government is tightening the IHT rules on trust debts with effect from 28 October 2026. Debts that trustees take on properly will generally still reduce the tax due, but some debts will now be excluded, particularly those where the money behind the debt came from someone entitled to the income or use of the trust.

HMRC expects the change to apply to only a small number of people, but please talk to us if you are concerned that your trust may be affected.

LAND AND PROPERTY

Besides the new property Income Tax rates detailed in the Income Tax section, the government is continuing its plans to introduce the High Value Council Tax Surcharge (HVCTS) in April 2028 for properties in England worth £2 million or more.

The Valuation Office will carry out a targeted valuation exercise to identify properties subject to the charge. Properties will then be placed into one of four bands, with owners charged as follows:

Band	Property value	Charge
1	£2 million - £2.5 million	£2,500
2	£2.5 million - £3.5 million	£3,500
3	£3.5 million - £5 million	£5,000
4	£5 million or more	£7,500

The government has said that it plans to introduce a deferral scheme. Where property owners have a household income of £35,000 or less, savings of £16,000 or less, or where a member of the household meets disability criteria, it will be possible to defer payment of HVCTS until there is a change of ownership of the property.

Some properties providing certain services will be exempted from HVCTS. Others will be given a discount, including farmhouses and associated farmworkers' accommodation on working farms, and properties owned by charities where a charitable purpose test is met. However, for properties that are substantially unfurnished and unoccupied for 12 months or more, a 100% premium will apply.

STAMP DUTY LAND TAX

England and Northern Ireland

There are no changes to Stamp Duty Land Tax (SDLT) rates and thresholds for 2027-28. The main threshold above which you start to pay SDLT remains at £125,000, and you will still pay the higher rate of SDLT on additional dwellings you buy, such as second homes. Higher rates apply to certain non-UK residents.

If you are a first-time buyer, you are still eligible for additional relief from SDLT on your property purchase. No SDLT is payable up to £300,000 for first-time buyers, with 5% SDLT payable on the part of the price between £300,000 and £500,000.
Group Relief
SDLT Group Relief relieves SDLT on property transfers between companies in the same group, but the relief is clawed back if the buying company leaves the group within three years.

Until now, if the selling company had already been wound up, the buying company could leave the group within the three years without the relief being clawed back. With effect from 29 October 2026, the relief will be clawed back in these circumstances.

Scotland and Wales

Property purchasers in Scotland and Wales do not pay SDLT. Rather, if you buy a property in Scotland, you pay Land and Buildings Transaction Tax, and in Wales, you pay Land Transaction Tax. The Scottish and Welsh governments will announce any changes to these rates at their forthcoming Budgets.

OVERSEAS AND RESIDENCE

Temporary Repatriation Facility (TRF)

Until April 2025, some individuals who were not domiciled in the UK could claim the remittance basis of taxation. This meant they paid UK tax on overseas income and gains only when they remitted (brought) the money to the UK.

If you claimed the remittance basis prior to 2025-26, you may still hold overseas income and gains that have never been brought to the UK. The Temporary Repatriation Facility (TRF) allows you to pay a reduced rate of tax on these amounts by designating them. Once designated, the funds will not be taxed further when you bring those funds into the UK.

For 2027-28, the TRF rate will increase from 12% to 15%. This means 2026-27 is the last tax year in which the 12% rate is available.

If you are considering bringing overseas income and gains to the UK, please get in touch. We would be happy to help you develop a personalised plan for the best time to do so.

CAPITAL ALLOWANCES

For 2027-28, the Annual Investment Allowance (AIA) will remain at £1 million, and the full expensing regime will continue to be available for companies. This allows most expenditure on qualifying plant and machinery to be tax-relieved at 100% in the year the expenditure is incurred.

Reduction in Writing Down Allowances

Where a business has expenditure on plant and machinery that has not yet been fully relieved, Writing Down Allowances (WDAs) provide an annual tax relief on the unrelieved element. This has been at 14% for the ‘main’ pool of assets, with a lower 6% rate applying to ‘special rate’ assets, including features integral to a commercial property.

The main rate of WDA will reduce to 12% from 1 April 2027 for companies and 6 April 2027 for individuals. This will slow the rate of tax relief available on some business assets.

Increase in First Year Allowances

On a more positive note, some businesses that cannot relieve their new plant and machinery expenditure at 100% have, since 1 January 2026, been able to make use of a 40% First Year Allowance. This will increase to 50% for expenditure incurred on or after 1 January 2027.

This allowance can be particularly useful to mixed partnerships, where there are both corporate and non-corporate partners. Such partnerships cannot claim the AIA or full expensing but are eligible to claim this First Year Allowance.

Cars

Cars continue to be treated separately from other items of plant and machinery. In particular, they are not eligible for the 100% AIA or full expensing. Instead, WDAs are given based on the carbon dioxide emissions of the vehicle. Cars emitting up to 50g/km are given WDAs in the main rate pool, and those emitting more than 50g/km are relieved in the special rate pool.

There are currently rules that allow a 100% first-year allowance on zero-emission cars. However, the 100% rule only applies to qualifying vehicles acquired on or before 31 March 2027 for companies and 5 April 2027 for individuals. Despite hopes to the contrary, this does not appear to have been extended in Budget 2026. It would therefore seem electric cars acquired after these dates will only receive the 12% WDA on an annual basis.

If you are thinking of investing in these assets, time will be of the essence, so please speak with us for advice.

Costs incurred before a development begins

Following some high-profile cases in the tax courts, HMRC have pledged to improve their guidance on when capital allowances may be claimed on expenditure incurred before the construction or installation of an asset. This can include expenditure on project feasibility, regulatory approvals, site investigations, and design and engineering work. Please do speak with us if you have any such expenditure planned.

VAT

From 1 April 2027, the VAT registration and deregistration thresholds will remain at £90,000 and £88,000 respectively. There have been no changes to the rates of VAT, and the standard rate continues to be set at 20%.

Because the threshold is frozen rather than rising with inflation, more businesses cross it each year without any real growth in trade. If your turnover is approaching £90,000, please speak to us about the timing of registration and how it will affect your prices.

Behind the unchanged headline figures are several changes that will affect how VAT is collected.

Selling through online marketplaces

From October 2027, online marketplaces such as eBay, Amazon and Vinted will become responsible for collecting the VAT on sales made through their sites by certain UK businesses. This is an extension of a rule that already applies to overseas businesses.

The rules will apply to you if your business is VAT registered, or if your sales on an individual marketplace platform exceed £90,000 a year. The rules will not apply to personal sales of your own belongings, sales of second-hand goods, or sales to other businesses.

If your business is caught, the marketplace will account for any VAT due on sales you make on their platform. This means that they will withhold VAT at the appropriate rate, currently 0% to 20%, from income you generate on their platform and pay it directly to HMRC. At present, if you are VAT registered, you receive income from the platform inclusive of any VAT, which you then account for and pay over to HMRC on your next VAT return. There will therefore be cash flow, accounting and administration aspects to consider before these rules start to apply.

HMRC have said they will publish detailed guidance during 2027. If you are affected, we will work with you to make the process as streamlined as possible.

Buying services from overseas

If you are a business that is not registered for VAT and you buy services from an overseas supplier, the current rules require you to account for the UK VAT under what is known as the 'reverse charge'. From April 2027, the overseas supplier will become responsible for the VAT instead.

The reverse charge will continue to apply if you are VAT registered.

Private hire vehicle operators

The government intends to change the VAT treatment of taxi and private hire journeys booked through large operators. Where the measure applies, the operator rather than the driver will be treated as making the supply and will charge VAT on the full fare. This means a larger proportion of the fare will need to be paid to HMRC, likely increasing the price to the customer.

The change is expected to take effect from 2 January 2028, and the government will consult on the definition of a 'large operator' beforehand. Large operators are expected to be those with annual fare turnover of more than £50 million. Smaller operators are not expected to be affected, and this may grant them some competitive advantage, albeit not until 2028.

A review of VAT on travel services

The government has opened a review of the Tour Operators' Margin Scheme, which sets out how VAT is calculated on travel services such as transport and accommodation. This could affect any business that buys in travel services and sells them on, including those arranging conferences, events, hospitality and employee business trips, sometimes for a single occasion. The review is open until 31 January 2027.

Medical services

A number of changes have been announced in relation to VAT and the medical sector. This includes removing the VAT exemption for the supply of a deputy for a registered medical practitioner from 1 May 2027.

Deputising services will continue to receive the medical exemption where they are primarily providing medical care. This is a specialist area, so please contact us if you require more information.

COMPANIES

Rates of Corporation Tax

There are no changes to Corporation Tax rates and thresholds. Until at least 31 March 2029, these are intended to stay at 25% for companies with profits over £250,000 and 19% for companies with profits below £50,000. An effective 'marginal rate' of 26.5% continues to apply to profits between the limits. If a company is part of a group or has associated companies, the profit limits are divided equally between them.

Roadmap

The government has confirmed it is maintaining the 'Corporate Tax Roadmap' published in 2024. For most companies, this Budget changes how profits are extracted and how quickly relief is given, rather than how much tax is charged.

ATHOLL SCOTT ACCOUNTANCY

Taking profits out of your company

Directors' loans and other payments to shareholders: HMRC are watching

The government consulted earlier this year on requiring certain small companies to report much more detail about transactions between the company and its shareholders, including in relation to directors' loan accounts. The consultation attracted over 1,000 responses, and the clear message was that many small companies are already struggling with their existing reporting obligations. As such, the government has decided not to apply additional reporting requirements.

This is a reprieve rather than a reversal. The existing rules on directors' loans and payments to shareholders have not changed, and HMRC have made clear that compliance in this area concerns them, with a small company tax gap of more than £17 billion for 2024-25. Separately, the rules on loans to shareholders are themselves being considered as part of the wider reform of distributions described below, and a new charge will apply to loans from overseas companies.

When you take money out of your company, it must be properly accounted for as a salary, bonus, dividend, benefit, loan or other arrangement, with the correct tax rule applied to each category. We can help you make sure your company records are in order and create a plan to efficiently and lawfully extract your profits.

More complex arrangements

The government is looking at situations where shareholders can control how profits are paid out. Particular emphasis has been placed on profit distributions to shareholders that give rise to lower Capital Gains Tax (CGT) rates, rather than Income Tax. This could include, for example, setting up a new holding company and then buying back shares.

"The government's example: Olivia and Tom

- *Olivia owns a furniture business. She wants to take £200,000 of accumulated profits out of the company. She takes the money out in the usual way, as a dividend, and pays dividend income tax.*

- *Tom owns a similar business and wants to take out £200,000 of accumulated profits. As part of an earlier restructuring, Tom was advised to consider a more complex arrangement where a new holding company is introduced, and Tom swaps his existing shares for shares in the holding company. The holding company then buys back some of his shares for £200,000, allowing Tom to pay CGT rather than dividend income tax under the current rules.*

- *In substance, Olivia and Tom have both taken £200,000 of profits out of the business. Tom isn't avoiding tax, but his tax planning lets him access a lower tax rate on his profits."*

Note - this government example is illustrative and existing anti-avoidance rules may already catch Tom's arrangement.

New rules will ensure that such transactions are subject to Income Tax, creating consistency with other profit extraction methods.

The new rules will not apply to listed companies, which have more complex capital structures and are already subject to greater regulation.

Family succession arrangements will be protected and not necessarily forced into the higher Income Tax rates, provided there is a genuine change in ownership. The rules that apply when a company is split into separate businesses, known as a demerger, are also being reformed. One of the routes commonly used in practice, a capital reduction demerger, will end or be severely restricted, but the statutory demerger route will be widened to compensate.

The new rules will also not affect genuine business disposals. In the government's example above, if Tom was genuinely selling his business to a third party, he would pay CGT on that disposal.

The detailed application of the rules will be subject to technical consultation, and they are then expected to affect transactions taking place in or after April 2028. The Budget costings show this raising £800 million in 2029-30, so it is not a minor adjustment.

We will continue to monitor this area closely. If you are part way through a group reorganisation, or planning one, please speak to us before taking the next step.

Changes to Corporation Tax submissions

Computations

Corporation Tax computations are part of the Company Tax return, alongside the CT600 and the company accounts. Corporation Tax computations are currently submitted in a free-format structure. Flexibility in the current approach has resulted in significant variations in data submitted, and HMRC have concerns about compliance requirements being met.

HMRC are now developing a prescribed format for Corporation Tax computations. Following consultation, the implementation timetable has been extended, with time allowed for further testing before requirements are confirmed.

We are monitoring the changes closely and will continue to support you in ensuring your Corporation Tax submissions are compliant.

Amendments to filed Corporation Tax returns

Amendments to Corporation Tax returns already filed with HMRC will have to be made online from 1 April 2028. This change had been planned for 1 April 2027 but more time is now being allowed for implementation.

Research and Development (R&D) tax relief

Two welcome administrative improvements are being made for companies claiming R&D tax relief. Firstly, from 1 April 2027, companies will no longer need to submit a Claim Notification Form before making an R&D claim. Then, from autumn 2027, the information required in the Additional Information Form will be simplified and reduced.

Raising investment through venture capital schemes

The Seed Enterprise Investment Scheme (SEIS), the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCTs) give tax relief to the individuals who invest in your company rather than to the company itself. Your company must still qualify, and the conditions are detailed.

Advance Assurance is the process by which HMRC confirm, before any money is raised, that they expect your company to meet those conditions. Investors frequently ask to see it before they commit.

The government has said it will work with the sector on improving Advance Assurance, alongside clearer guidance from HMRC. It is also making technical corrections to all three schemes, largely taking effect from 6 April 2027.

If a funding round is on your horizon, please talk to us early.

Stablecoins

As seen in the Capital Gains Tax section, there are some upcoming changes in relation to stablecoins. From April 2027, eligible stablecoins will be treated as a money debt for Corporation Tax purposes. This means that eligible stablecoins and transactions involving the lending of eligible stablecoins will effectively be treated as cash and brought into the loan relationship rules. This should simplify accounting for stablecoins for many companies.

Annual Tax on Enveloped Dwellings (ATED)

If your company owns UK residential property worth more than £500,000, you may be liable for the ATED charge, unless a relief applies. Reliefs are available for property held for genuine commercial purposes, such as letting to unconnected tenants or property development. The charges will increase by 3.5% from 1 April 2027.

An ATED return is due by 30 April each year, even where a relief removes the charge entirely. Missing the deadline can trigger penalties, even if no tax is due.

Larger and specialist companies

Several measures apply to specific sectors or to larger groups. These include:

- The Corporation Tax surcharge on banking companies will increase from 3% to 6% between 1 January 2027 and 31 March 2028.
- The foreign permanent establishment exemption regime will become mandatory for accounting periods beginning on or after 1 January 2027.
- Amendments are being made to the ‘Pillar 2’ rules for multinational groups.
- The ‘Advance Tax Certainty Service’ will be available for more UK investment projects. From 4 November 2026, eligible projects require £300 million of qualifying lifetime expenditure, down from £1 billion.
- From 1 January 2027, the calculation of taxable earnings for Corporate Interest Restriction will exclude Audio-Visual Expenditure Credits and Video Games Expenditure Credits.

Looking ahead

Building on the ‘Corporate Tax Roadmap’, the government has published a programme of work on simplifying corporate tax. This is mainly aimed at larger companies and covers treaty relief from withholding tax on interest, controlled foreign companies, anti-hybrid mismatch rules, interest deductibility and the Corporate Interest Restriction and the administration of reliefs, including in relation to R&D and intangible fixed assets.

The government has also announced that the remaining Advance Corporation Tax (ACT) regime will be abolished from 1 April 2031. Any unrelieved surplus balances still held at that point will be extinguished.

The future of Corporation Tax administration

HMRC have launched a call for evidence on how Corporation Tax administration should work in the longer term. It will look at the processes companies follow, the software they use, and how they deal with HMRC. This review will set the future direction for Corporation Tax administration.

BUSINESS MATTERS

Business rates

The government has announced several changes to business rates in England from 1 April 2027, mostly aimed at the high street:

- Pubs, social clubs and most live music venues will get a further 20 percentage points of relief, taking their total relief to 35%.
- For Retail, Hospitality and Leisure (RHL) properties, 100% Small Business Rates Relief (SBRR) will apply up to a rateable value of £18,000 (up from £12,000), with tapered relief up to £21,000 (up from £15,000).
- Bills for qualifying RHL properties will be frozen in real terms in 2027-28 and 2028-29, so they will not rise faster than inflation.
- Businesses that received 2023 Supporting Small Business Relief will keep that protection for a further year, through an extension of the 2026 scheme.
- The £150 and £300 fees for appeals to the Valuation Tribunal will be abolished, and fees already paid for appeals on the 2026 list will be refunded.

The government expects half of all RHL properties in England to pay no business rates as a result. However, vape shops and adult gaming centres will lose access to the RHL multipliers, and vape shops will also lose SBRR. The 1p Transitional Relief Supplement, which helps fund the real-terms freeze for RHL properties, will also continue for a further two years from 1 April 2027. It is paid by ratepayers whose bills would otherwise rise by less than the Transitional Relief and Supporting Small Business caps, including those whose bills have fallen.

Please talk to us if you would like us to check what your business should be paying.

Mandatory e-invoicing from April 2029

As expected, the government has now published its roadmap for electronic invoicing (e-invoicing). From 1 April 2029, VAT-registered businesses (including public sector bodies) will need to be able to issue and receive VAT invoices as e-invoices, unless a specific exemption applies.

Invoices will need to be created, sent and received in a structured, machine-readable format that software can process automatically. Full details of the technical requirements will be published by April 2028.

A separate consultation on wider uses of invoice data, including possible digital reporting to HMRC, runs until 20 January 2027.

Most businesses will need to check that their accounting software can cope. With less than two and a half years to go, it is worth raising with your purchase and sales ledger software providers now. We can help with this review and the implementation of any new systems, if required.

New standards for till systems

To tackle 'till fraud', or electronic sales suppression, the government plans to introduce mandatory software standards for electronic and mobile point of sale systems. HMRC will publish a technical consultation in summer 2027, and no start date has been set yet.

If you run a shop, café or other business that takes payments through an electronic till, it is worth asking your till provider how it plans to meet the new standards.

Connecting business software

Following a call for evidence, the government will work with industry to test practical ways of linking up the different systems that businesses use. Take-up will be voluntary, and the aim is to reduce administration and improve the accuracy of records.

Tackling tax avoidance

The government will shortly consult on a package of measures to tackle the promotion and use of tax avoidance schemes. Proposals include:

- New powers to deal with serious and serial users of avoidance schemes.
- Earlier recovery of tax owed by promoters and certain individuals.
- A stronger regime for those who promote avoidance schemes.

If you are offered a scheme that promises to cut your tax bill and sounds too good to be true, please talk to us before signing up.

COST OF LIVING

Fuel Duty

The temporary 5p per litre cut in Fuel Duty, first introduced in March 2022, was due to end on 31 December 2026. The government has announced that it will continue until 30 June 2027, and that the planned inflation increase has been put back to 1 July 2027.

On 1 July 2027, Fuel Duty will return to its pre-March 2022 level, increased in line with inflation. For petrol and diesel, that takes the duty from 52.95p to 60.59p per litre, a rise of 7.64p.

The 3.7p per litre cut to red diesel, which took the rate down to 6.48p per litre from 15 June 2026, will also continue until 30 June 2027. On 1 July 2027, the red diesel rate will rise to 11.65p per litre.

Fuel is a major cost for many businesses, so the July 2027 rise is worth building into budgets now.

VAT on household electricity

The temporary cut in VAT on domestic electricity, from 5% to 0%, began on 1 October 2026 and was due to end on 31 March 2027. The government has announced that it will be extended to 30 June 2027. It expects this to take around £50 off the annual Ofgem price cap in April 2027.

The zero rate applies to electricity that would otherwise qualify for the 5% rate. It currently covers Great Britain and is expected to apply in Northern Ireland from April 2027.

VAT on energy-saving materials

The temporary 0% rate of VAT on installing energy-saving materials in homes and charity buildings ends on 31 March 2027, when the rate returns to 5% as planned. From 1 April 2027, the government also plans to add heat batteries to the relief, at the 5% rate.

If you are planning energy-saving work on your home, it may be worth talking to your installer about timing before April 2027.

£100 Household Energy Payment

Households in England in Council Tax bands A to D will receive a £100 Household Energy Payment, delivered through the Council Tax system from January 2027. The government expects up to 20 million households to benefit.

Local authorities in England will also get a further £100 million to help other households hit hardest by rising energy bills, including those outside of Council Tax bands A to D. The devolved governments will receive their share of this funding, enabling them to provide similar support.

STAMP TAXES

The government confirmed that the new Securities Transfer Tax (STT) will be introduced from late 2027. The STT will replace Stamp Duty and Stamp Duty Reserve Tax, which relate to share transactions.

The new tax aims to modernise how tax on securities transactions is reported and paid, replacing paper forms with a fully digital system.

DEALING WITH HMRC

Correcting mistakes in tax returns

From 1 April 2028, taxpayers will be under a general legal obligation to correct inaccurate tax returns and documents when the errors are identified. HMRC will also be able to issue a Customer Correction Notice where they have reason to suspect an inaccuracy.

If you receive one, you will need to check your tax affairs and either correct the mistake or explain why no correction is needed. If you think something in a past return may be wrong, it is better to talk to us now than to wait for HMRC to raise it.

Paying Self-Assessment tax during the year

If you make payments on account under Self-Assessment, the government has announced that the way you pay will change from April 2029. You will make smaller, more regular payments during the tax year, collected automatically, for example by Direct Debit. Payments will still be based on the tax you owed for the previous year, and you will be able to update this online if your circumstances change. If you have enough PAYE income from employment or a private pension, you will be able to choose to pay through PAYE instead.

The change will bring tax payments forward for many self-employed people and landlords. 2029-30 will be a transition year, in which you will make your final payment for 2028-29 while starting the new in-year payments, so it is worth planning for now. The government expects to share more detail in 2027, and we will keep you updated.

Direct Debit for VAT and PAYE

The government consulted this summer on requiring businesses to pay VAT and PAYE by Direct Debit and has now announced a softer version. From April 2029, businesses just need a Direct Debit instruction in place, subject to some exceptions that are still to be defined.

You can still pay by other methods, but HMRC will utilise the Direct Debit instruction for anything unpaid by a set cut-off date. It is a good time to check that your cash flow can cover VAT and PAYE bills on their due dates.

Collecting smaller tax debts from bank accounts

The government plans to give HMRC a new power to recover smaller tax debts directly from the bank accounts of individuals and companies who can afford to pay but repeatedly fail to do so. Debts will be collected through regular instalments, with safeguards to be set out in a Code of Practice before the power starts to apply in 2029.

If you are struggling to pay a tax bill, talking to HMRC early remains the best approach.

HMRC's information powers

HMRC's powers to request information are being updated for a digital tax system. Changes include new rules for information notices about deceased taxpayers, and allowing HMRC to request information from cryptoasset service providers in the same way as from other financial institutions. The changes are expected to take effect next Spring.

Naming deliberate tax defaulters

HMRC will be able to publish more detail about the deliberate non-compliance behind a decision to name an individual or business. They will also be able to publish details of Personal Liability Notices, which transfer a company's penalty for deliberate non-compliance to a company officer.

Company directors should be aware that they can be made personally liable for penalties where a company deliberately gets its tax wrong. The changes are expected to take effect next Spring.

Director disqualification

Directors face a further risk. For offences committed on or after 1 April 2027, a court will be able to consider disqualifying someone convicted under HMRC's tax security rules from acting as a company director for up to five years.

IN CONCLUSION

This was a Budget of many small measures rather than a few large ones. The Chancellor spoke repeatedly of giving families and businesses "breathing space", and there is genuine help here: support with energy bills, a more generous Trading Allowance, a higher minimum wage and no change to the headline rates of Income Tax, National Insurance or VAT.

But breathing space is not the same as standing still. Almost every measure in this report has a date attached, and most of those dates fall in April 2027 or later.

There are three planning points worth considering before April 2027:

1. **If you own a business you may sell** within the next few years, look at the Business Asset Disposal Relief change now. The lifetime limit halves on 6 April 2027 and rushing a contract in March will not necessarily protect the current position.

2. **If you have savings outside an ISA, or you let property**, work out what the higher Income Tax rates will cost you and whether you want to revisit your savings and property portfolio plans.

3. **If you employ people**, check that your payroll is ready for a range of benefits going through the payroll from 6 April 2027.

Much of what was announced still has to pass through Parliament, and some of it is still out for consultation. The detail may change, **but the direction is clear, and the best time to plan is while you have the room to do it.**

Please get in touch if you would like to talk any of this through.

DIARY OF MAIN TAX EVENTS
DECEMBER 2026 / JANUARY 2027

Date	What's Due
1 December	Corporation Tax for year to 28/02/2026, unless quarterly instalments apply
19 December	PAYE & NIC deductions, and CIS return and tax, for month to 05/12/2026 (due 22/12 if you pay electronically)
30 December	Deadline for filing 2025/26 tax return online if you wish to request that HMRC collect outstanding tax via your PAYE tax code.
1 January	Corporation Tax for year to 31/03/2026, unless quarterly instalments apply
19 January	PAYE & NIC deductions, and CIS return and tax, for month to 05/01/2027 (due 22/01 if you pay electronically)
31 January	Deadline for filing 2025/26 self-assessment tax return online and paying your outstanding tax for 2025/26 and first payment on account of 2026/27 tax.

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