Budget 2025: Reforming for growth?

Our quick round up of the key tax measures in the Autumn Budget.

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Businesses

Tax increases were widely expected in the Budget, and for business these have mainly come in the form of a reduction in the writing down allowances available for (mainly historical) capital expenditure, changes to gambling duty targeting online betting, and amendments to the VAT rules applicable to private hire vehicle operators. Tax giveaways are unsurprisingly more limited, with the most significant proposal being planned business rate changes – primarily benefitting small businesses and those operating in the retail, hospitality and leisure sectors, in part funded by increases on high value properties.

For businesses generally, however, the Budget contained little by way of sweeping changes, preferring smaller targeted measures. These include changes intended to support investment (for example, increasing access to Enterprise Investment Scheme/Venture Capital Trust funding and providing a temporary exemption from Stamp Duty Reserve Tax for businesses listing in the UK), provide greater certainty (for example, advance clearances for research and development tax reliefs and major investments), and address stakeholder concerns (for example, with amendments to the corporate interest restriction regime and to the UK's implementation of 'Pillar 2').

Corporation tax rate

The Government confirmed that there will be no change to the corporate tax rate of 25 percent.

Capital Allowances

The writing down allowance (WDA) on the main pool of plant and machinery will be reduced from 18 to 14 percent from 1 April 2026. The main rate does not apply to qualifying expenditure specifically categorised as special rate where the WDA will remain at 6 percent.

A new 40 percent first-year allowance (FYA) will be introduced from 1 January 2026 for main rate expenditure, with reduced restrictions compared to other FYAs. There are no changes to the existing annual investment allowance and full expensing regimes. This new 40 percent FYA should benefit lessors of new plant and machinery as these businesses do not currently qualify for 100 percent full expensing. There was consultation in 2023/24 on extending full expensing to leasing companies and this 40 percent FYA appears to be a partial implementation of those proposals. The new incentive is targeted at leases to UK companies only, whilst cars and second-hand assets will be specifically excluded from the relief. We expect that there may now be some resurgence of interest in UK lease finance particularly where lessees themselves are not currently able to utilise tax reliefs.

The existing FYAs for zero-emission cars and for electric vehicle charge points will be extended by 12 months to 31 March 2027.

Corporation tax late filing penalties

The Government has announced a doubling of the automatic penalties for late filing of corporation tax returns. The basic penalty will increase from £100 to £200, rising to £400 if more than three months late. For three successive failures, these penalties will increase to £1,000 and £2,000 respectively.

International Controlled Transactions Schedule

The Government has confirmed that the International Controlled Transactions Schedule (ICTS) will be implemented through the Finance Bill 2025-2026, granting HMRC the power to require certain taxpayers to file an annual ICTS. This filing will capture standardised information on cross-border related party transactions and will be used for automated risk profiling and manual risk assessments. The government estimates around 75,000 businesses under the UK transfer pricing, permanent establishment and foreign permanent establishment legislation may have a filing obligation. A technical consultation on the detailed design is planned for Spring 2026, with regulations expected after Royal Assent of Finance Bill 2025-2026. The filing obligation will be confirmed when the final regulations are issued but it is anticipated to apply to accounting periods starting on or after 1 January 2027, with the first submissions likely due in 2028 alongside corporation tax return deadlines.

Business rates

The Government announced permanent lower business rates for certain retail, hospitality and leisure properties and a support package to cap increases in certain sectors. The Government has also announced that the 40 percent business rates relief for film studios will be maintained for ten years until 2034.

Stamp Duty Reserve Tax – UK listing relief

The Government has announced the introduction of an exemption from the 0.5 percent Stamp Duty Reserve Tax (SDRT) charge on agreements to transfer securities of a company whose shares are newly listed on a UK regulated market on or after 27 November 2025.

The exemption will apply for a three-year period from the listing of the company’s shares. The exemption will apply to all of the company’s securities once in the post-listing period, not just shares. The exemption will also apply to depositary interests over a company’s securities where the depositary interests are newly listed.

Relief will not apply to the 1.5 percent SDRT higher rate charge (in respect of transfers to depositary receipt systems or unelected clearance services), or where the transfer forms part of a merger or takeover where there is a change of control.

Enterprise Incentive Scheme (EIS) and Venture Capital Trusts (VCT) limits

The Government has announced changes to EIS and VCT rules to increase the limits with the aim to increase support to growing business. The specific measures are:

- The gross assets requirement that a company must not exceed for the EIS and VCT will be increased to £30 million (from £15 million) immediately before the issue of the shares or securities, and £35 million (from £16 million) immediately after the issue;
- The annual investment limit that companies can raise will be increased to £10 million (from £5 million) and for knowledge-intensive companies to £20 million (from £10 million); and
- The company's lifetime investment limit will increase to £24 million (from £12 million) and for knowledge-intensive companies to £40 million (from £20 million).

In addition to the increases in limits, the income tax relief that can be claimed by an individual investing in VCT will be reduced to 20 percent from the current rate of 30 percent, in order to more align VCT with EIS.

The increases to the annual, lifetime and gross asset limits apply only to qualifying companies that are not registered in Northern Ireland trading in goods or the generation, transmission, distribution, supply, wholesale trade or cross-border exchange of electricity. These companies will remain eligible for the current scheme limits.

Transfer Pricing – medium sized enterprises

Following a consultation earlier in 2025, the Government has decided not to proceed with a proposal to amend the current exemption from transfer pricing for small and medium-sized enterprises (SMEs) that would have brought medium-sized enterprises into scope of transfer pricing. This decision has been taken to avoid imposing additional administrative burdens on SMEs in line with government industrial strategy to back firms to start, scale, and stay in the UK.

The reform of transfer pricing, permanent establishment and Diverted Profits Tax

The Government has continued to move forward with the reform of UK law in relation to transfer pricing, permanent establishment and Diverted Profits Tax following the technical consultation on draft legislation which ran earlier this year. The Summary consultation of responses has been published and some refinements are being made to the draft legislation based on this feedback. Additionally, HMRC have identified a number of areas where specific guidance will be published to support interpretation of the new legislation. The final legislation relating to these reforms will be included in Finance Bill 2025-2026 and, in general, these changes will take effect for chargeable periods beginning on or after 1 January 2026.

Multinational and domestic top-up tax (Pillar 2)

Various updates to the Multinational Top-up Tax and Domestic Top-up Tax, being the UK's implementation of the G20-OECD Global Minimum Tax initiative, are being made to bring the UK legislation in line with the administrative guidance on the OECD's Global Anti-Base Erosion Model Rules and reflect feedback from stakeholder consultations. The policy paper, Pillar 2: Further amendments to Multinational Top-up Tax and Domestic Top-up Tax, details the full list of amendments.

The majority of the provisions will take effect for accounting periods beginning on or after 31 December 2025, although some may also be elected in to for earlier periods as well. However, the change to the treatment of pre-regime deferred tax assets will come in for accounting periods ending on or after 21 July 2025.

Digital Services Tax Review

The Government released a review of the performance and administration of the Digital Services Tax (DST) alongside the Budget to mark five years from its introduction. The document notes it still envisages the longer-term solution will be a reform of the international tax framework, but in the meantime DST remains as an interim measure. The revenue raised from the tax was estimated to be £380 million in its year of introduction in 2021-22 increasing each year to £808 million in 2024-25.

Corporate Interest Restriction

Two aspects of the Corporate Interest Restriction (CIR) regime will be updated.

The first is the administrative rules around appointing a reporting company. Most notably, for periods ending on or after 31 March 2026, CIR groups will no longer be required to appoint a reporting company 'by notice' to

HMRC within 12 months of the end of the period of account. Instead, details of the reporting company appointed will be included in the group's interest restriction return. The 12-month time limit has also been removed. Among other changes, authorisation of the reporting company will be required by over 50 percent of the group and must be renewed annually, with a potential £1,000 penalty for submitting an interest restriction return without doing so.

The second aspect of the rules to be updated is in relation to how taxable earnings (tax-EBITDA) are calculated for certain businesses. This will exclude capital expenditure deducted by virtue of specific reliefs for waste disposal site preparation and restoration, cemeteries and crematoria, and flood and coastal erosion risk management projects to avoid a UK only group suffering a mismatch that would have otherwise arisen. These changes will take effect for periods ending on or after 31 December 2021. Under the CIR rules groups have three years from the end of a period of account to amend their CIR return if they are subject to an interest restriction (or five years if there is no interest restriction), and it is unclear at this stage if any extension to the normal time limits will be made in respect of this change.

Creative Industries and Research and Development Expenditure Credits

The Government has clarified that payments made for the surrender by another group company of Research & Development Expenditure Credits (RDEC), Audio-Visual Expenditure Credits (AVEC) or Video Games Expenditure Credits (VGEC) are to be ignored for corporation tax purposes provided they do not exceed the credit surrendered. The Government has also confirmed a couple of administrative changes to the VGEC calculation for those companies transitioning from Video Games Tax Relief and the calculation of special credit for visual effects (VFX). These changes have effect for accounting periods beginning on or after 26 November 2025.

Research and development tax (R&D) relief advance clearances

The Government has published a response to its consultation on the use of advance clearances for R&D tax reliefs. A limited pilot of a new targeted advance assurance service for small and medium sized enterprises will be launched by HMRC in Spring 2026. Applicants will be able to apply for assurance around:

1. Whether the project meets the definition of R&D for tax purposes;
2. Whether overseas expenditure qualifies for relief;
3. Which party is able to claim relief for contracted-out expenditure; and
4. Whether the company qualifies for exemption from the PAYE/NICs cap

While the pilot runs, the existing advance assurance regime will continue.

Advance tax certainty for major projects

In July 2026 the Government will launch an advance tax certainty service for major investment projects in the UK, which will provide confirmation of how certain taxes will be applied to a project if it proceeds as planned. This is in response to its previous consultation on the provision of advance tax certainty for major investment projects.

The service will be available to any entity, both UK and non-UK resident, investing in a 'major project' with expenditure above a threshold of £1 billion. A 'major project' is, broadly, new investment planned on a specified project in the UK which is not a continuation of ordinary spending.

Betting and gaming duties

Following consultation, the Government will not proceed with a single tax on remote betting and gaming. Instead several changes will be made to Gambling Duty. From 1 April 2026 Remote Gaming Duty will be increased from 21 percent to 40 percent and Bingo Duty will be abolished. From 1 April 2027 a new Remote Betting Duty rate will be introduced at 25 percent within General Betting Duty. This new rate will not apply to self-service betting terminals, spread betting or pool betting.

Remote bets on horseracing will remain taxed at 15 percent in line with land-based betting in recognition that operators contribute 10 percent towards the statutory Horserace Betting Levy. The Gross Gaming Yield bandings for gaming duty will be frozen from 1 April 2026 until 31 March 2027.

Private Hire Vehicle Operators (PHVOs) – the 'Taxi Tax'

Following a number of non-VAT related judgments including the Upper Tribunal decision in Bolt Services Ltd and one VAT case that is ongoing, a number of PHVOs that act as principals for VAT accounting purposes have applied the Tour Operators' Margin Scheme (TOMS) to account for VAT only on their margin after paying the non-VAT registered driver and not the full fare.

Business Brief 8/25 has confirmed from 2 January 2026 PHVOs will be excluded from TOMS. Legislation will be introduced to exclude suppliers of private hire and taxi journeys from TOMS except where these journeys are supplied in conjunction with, and are ancillary to, certain other travel services. The change does not impact journeys where PHVOs or taxi operators act as a disclosed agent or journeys provided directly by the driver to the passenger. The legislation is not intended to change the rules to 'traditional' tour operators. Exceptions and ancillary services may include accommodation or other passenger transport services.

Behavioural penalties reform

The Government has published its response to the consultation on the modernisation of HMRC's penalties for inaccuracies and failures to notify. It is intended that draft legislation will be developed to reduce the complexity of behavioural penalties and improve their role in supporting compliance by not penalising those "seeking to do the right thing" and strengthening penalties where taxpayers fail to take reasonable steps to correct issues once they are aware of them. At this stage no timeline has been provided for this legislation. The Government will also consult in 2026 on the introduction of a new 'recklessness' criminal offence for fraudulently evading direct taxes, to align with existing indirect tax offences.

Oil and gas sector

The Government has confirmed the details of a new Oil and Gas Price Mechanism (OGPM), a permanent windfall tax that applies when the Energy Profits Levy (EPL) ends. The OGPM will apply an additional tax rate of 35 percent on revenues above price thresholds of $90/barrel for oil and 90p/therm for gas (to be adjusted annually in line with inflation).

Current price forecasts suggest that oil and gas prices are expected to be close to triggering the Energy Security Investment Mechanism (ESIM) price floor within the next few years. If average oil and gas prices fall under the ESIM thresholds, the EPL will end immediately and the new OGPM will come into effect. This will return the tax rate to the 40 percent headline rate in the permanent regime and the OGPM will only apply when prices exceed the price threshold. The EPL will end by March 2030 if the ESIM is not triggered prior to this date, and will be replaced by the OGPM. The Government will commence engagement immediately on the draft legislation and implementation.

Cross border VAT grouping amendment

The Budget 2025 report states (at 5.5) that "the Government will clarify the rules relating to operating cross border VAT grouping from 26 November 2025 by reverting to the UK's previous position". HMRC have now published Revenue and Customs Brief 7 (2025): Revised VAT grouping rules and the Skandia judgment explaining their revised position on the UK VAT treatment of intra-entity services.

The Brief replaces RCB 2 (2015), RCB 18 (2015) and RCB 23 (2015) which set out HMRC's revised position following the Court of Justice of the European Union's (CJEU) judgment in Skandia (C-7/13), under which UK businesses were required to account for VAT under the reverse charge mechanism on intra-group services provided by overseas establishments that are VAT-grouped in a member state that operates similar 'establishment only' grouping provisions to Sweden. This 'post-Skandia' position has now been reviewed and is no longer effective i.e. an overseas establishment of a business VAT grouped in the UK should be treated as part of that VAT group (such that intra-group charges would be outside the scope of VAT), even when located in an EU member state that does not operate whole entity VAT grouping. Although the Brief states the 'post-Skandia' position is no longer effective from 26 November 2025, suggesting the change is prospective only, it also invites VAT groups that have over accounted for VAT under the reverse charge mechanism in line with HMRC's previous policy to submit an error correction notification to reclaim any overpaid VAT, but taking account of the anti-avoidance provisions of s43 2A VATA.

Cryptoasset Reporting Framework- extension to UK residents

The Cryptoasset Reporting Framework (CARF) enables cross-border exchanges of information between tax authorities. There is currently no obligation on UK reporters under the framework to collect information on cryptoasset activity undertaken by UK residents. The new measure will now require UK reporters to collect information on UK residents or have controlling persons who are UK resident.

Modernisation of the Stamp Taxes on shares framework

The Government will legislate in Finance Bill 2025-26 to introduce a power allowing regulations that enable the testing of the new digital service for the Securities Transfer Charge, which will replace Stamp Duty and Stamp Duty Reserve Tax as part of the modernisation of the Stamp Taxes on Shares framework.

Local Government Pension Scheme Reform: Stamp Duty Land Tax relief

The Government will amend Stamp Duty Land Tax (SDLT) rules so property transferred within Local Government Pension Schemes will be subject to an SDLT relief. This will be legislated in Finance Bill 2026-27.

Interest on reversed controlled foreign company (CFC) state aid recoveries

The Government will legislate in the Finance Bill 2025-26 to require interest to be applied to interest amounts returned to taxpayers following the reversal of the CFC state aid recovery. Current law provides for the repayment of tax and interest amounts but only provides for interest to be applied to the repayment of tax. This measure will operate alongside the Controlled Foreign Companies (Reversal of State Aid Recovery) Regulations 2024 and is intended to take effect from 2 December 2025. It is targeted at UK-resident groups and multinational groups previously subject to state aid recoveries in respect of the CFC rules.

Carbon Border Adjustment Mechanism (CBAM)

CBAM will be introduced from 1 January 2027. The inclusion of indirect emissions within the scope of CBAM will be delayed until 2029.

Low Value Imports (LVI) relief

The Government defines LVIs as individual consignments with a value of £135 or less, sent by a business from a country or territory outside of the UK to a recipient within the UK. LVIs can be imported into the UK without paying customs duty. The government will remove the relief and introduce new LVI customs arrangements from March 2029 at the latest.

A consultation has been launched covering the design of the new arrangements, whether to apply an additional fee on LVIs to fund administration and potential changes to VAT collection. Sellers, and operators of online marketplaces where they facilitate the sale, will be required to pay customs duty on LVIs to HMRC.

The Government is also considering the introduction of a fee on LVIs in addition to the tariffs that LVIs will be subject to. Sellers and operators of online marketplaces where they facilitate the sale will be responsible for paying this charge.

Soft Drinks Industry Levy (SDIL)

The scope of the SDIL will be expanded from 1 January 2028. The current lower threshold will be reduced from five grams of total sugar per 100 millilitres to 4.5 grams of total sugar per 100 millilitres. The exemptions for milk-based drinks and milk substitute drinks with added sugar will be removed. This will bring plant-based drinks with added sugar into the scope of the SDIL. ‘Open-cup’ milkshakes prepared in cafes and bars etc., plain cow’s milk and other milk drinks without added sugar will remain out of scope.

Annual Tax on Enveloped Dwellings (ATED)

The ATED is an annual charge on dwellings owned by companies which have a value in excess of £500,000. A measure has been announced which will increase the time limit for companies (or collective investment schemes, and partnerships with company members - collectively referred to as ‘non-natural persons’) to claim relief when the actual tax charge is found to be less than the initial amount charged. The measure will have effect as if it had always been in force.

Fuel duty

The current fuel duty freeze will be extended for five months from March 2026 to September 2026. The 5p cut to fuel duty will then be reversed in a staggered approach from September 2026. From April 2027 fuel duty rates will then be uprated annually by the retail price index (RPI).

Air Passenger Duty

All rates of Air Passenger Duty (APD) will be uprated in line with RPI from 1 April 2027. These rates will be rounded to the nearest penny. In addition, at Autumn Budget 2024, the Government announced plans to extend the higher APD rate to private jets over 5.7 tonnes. Following consultation, the government will proceed with this change and has published a summary of consultation responses.

Climate Change Levy (CCL)

The main rates of CCL for gas, electricity and solid fuels will be uprated in line with retail price index from 1 April 2027. The main rate for liquefied petroleum gas will continue to be frozen. The reduced rates will remain at an unchanged fixed percentage of the main rates.

In addition, following the consultation at Spring Statement 2025, both electricity used in electrolysis to produce hydrogen and natural gas used as a source of carbon dioxide in the production of sodium bicarbonate will be made exempt from CCL. Subject to parliamentary approval, these amendments will be in force by Spring 2026.

Landfill Tax

The Government has published a summary of responses to the consultation on Landfill Tax reform setting out its decisions on the proposals included in the consultation. It will not proceed with transitioning to a single rate of tax by 2030 but will prevent the gap between two rates widening and will retain the exemption for quarries with disposal permits.

The standard rate of Landfill Tax for 2026/27 will be uprated by retail price index and the lower rate by the cash amount of the increase in the standard rate, maintaining the differential between the two rates in cash terms.

Alcohol Duty

All Alcohol Duty rates will increase in line with retail price index inflation. The Small Producer Relief discounts will also be uprated so eligible small producers receive relative duty reductions. These changes will take effect from 1 February 2026.

Tobacco Duty

Duty rates on all tobacco products will increase by retail price index inflation (RPI) plus two percentage points. These changes will take effect from 6pm on 26 November 2025. The one-off increase of £2.20 per 100 cigarettes or 50 grams of other tobacco products and annual uprating of tobacco duty by RPI plus two percentage points next year will take effect from 1 October 2026 and will be included in Finance Bill 2025-26.

Deposit Return Schemes (DRS)

The requirement for individual producers to account for VAT on unreturned deposits will be removed and will be administered by the Deposit Management Organisation.

VAT Charity Tax Relief

A VAT relief will be introduced from 1 April 2026 for business donations of goods to charity for distribution to those in need or use in the delivery of charitable services.

Promoters of Tax Avoidance Schemes

A number of measures are proposed to target those who promote or enable marketed tax avoidance. These measures include changes to the existing civil penalty regimes under the Disclosure of Tax Avoidance Schemes (DOTAS) and Disclosure of Tax Avoidance Schemes for VAT and other indirect taxes (DASVOIT) to remove the requirement for HMRC to seek tribunal approval for penalties. Existing HMRC powers will also be widened to allow HMRC to take targeted action against legal professionals who facilitate the promotion of tax avoidance.

The measures include:

- Universal Stop Regulations (USRs), which would prohibit the promotion of avoidance arrangements which have no real prospect of success, with a potential range of sanctions including publication, financial penalties, and criminal prosecution;
- Promoter Action Notices (PANs), which would require businesses such as financial institutions, insurance companies, and social media companies to stop providing goods or services to promoters of tax avoidance where those goods or services are used in the promotion of tax avoidance, and the promoter is in breach of a USR or stop notice. Certain legal and audit services and internet access services would be excluded. Failure to comply with a PAN would attract a range of sanctions such as publication, financial penalties, or being reported to representative bodies or regulators; and
- Anti-avoidance information notices (AAINs) would enable HMRC to issue targeted notices to persons that HMRC reasonably suspect are connected to the promotion of a marketed avoidance scheme. Recipients would be required to provide relevant information including documents. Civil penalties, and potentially criminal prosecution in serious cases, are also proposed. In addition, notices may be issued to financial institutions, with Tribunal approval, to gain access to promoters' financial or banking data.

Securitisation anti-avoidance

A tax main purpose anti-avoidance rule has been announced in respect of securitisation transfers (broadly, where financial assets are transferred to a securitisation vehicle which issues debt secured on the financial assets). The anti-avoidance rule is relevant where i) the transferor or other group company (including a connected company) would still recognise the transferred assets on its balance sheet, ii) a group company recognises a liability relating to the transfer and iii) a deduction is recognised that relates to the liability.

Economic crime levy

The Government has announced changes to the Economic Crime (Anti-Money Laundering) Levy from financial year beginning April 2026 onwards. It affects entities that are both regulated for anti-money laundering purposes and have UK revenue over £10.2 million each year.

This measure splits the previous bands into the following four bands, with increased levies applicable in Bands A and D:

- Band A for entities with UK revenue of more than £10.2 million but not more than £36 million, with Economic Crime Levy payable of £10,200;
- Band B for entities with UK revenue of more than £36 million but not more than £500 million, with Economic Crime Levy payable of £36,000;
- Band C for entities with UK revenue of more than £500 million but not more than £1 billion, with Economic Crime Levy payable of £500,000; and
- Band D for entities with UK revenue in excess of £1 billion, with Economic Crime Levy payable of £1 million

The changes will apply from the financial year 2026 to 2027 (based on UK revenue for an accounting period ending in that financial year). The first payments following the rate changes will be due after the end of the financial year and before 30 September 2027. The Government has confirmed its intention to undertake a review of the levy by the end of 2027.

Changes to charity tax rules

Three changes to charity compliance rules have been announced by the Government that will take effect from April 2026. These are changes to previously published draft legislation:

- The definition of a tainted donation will be changed such that the outcome of the transaction will be considered alongside the motivation of the donor when determining whether a donation is tainted or not. Additionally, the Government will seek to lower the bar for establishing whether a transaction is tainted by replacing the test of 'financial advantage' with 'financial assistance'.
- Currently there are 12 investment types recognised by the Government as qualifying investments for charitable tax relief purposes, but only one is subject to an anti-avoidance requirement. Legislation will be introduced to extend this requirement to all 12 categories.

- A charity or community amateur sports club may receive legacies that have been subject to considerable Inheritance Tax relief. Legislation will be introduced to bring legacies into the definition of 'attributable income' meaning that the legacy must be spent on the charity's charitable purpose, otherwise it will be subject to a tax charge. As the residual value of an estate is treated as attributable income, this will also have the effect of equalising the treatment of income from an estate in the hands of the charity.

HMRC are also working on changes to guidance that would improve the powers of HMRC to encourage charities to meet their tax obligations by introducing sanctions for trustees and charity managers who do not comply.

Overnight Visitor Levy

The Overnight Visitor Levy has already been announced in certain cities in Wales and Scotland. Devolved powers will be provided to 'Mayoral Strategic Authorities' in England to create local Overnight Visitor Levies. Each City will need to consider its approach on completion of the consultation in February 2026.

The consultation is seeking views on the design of the new powers. All types of commercially let short term accommodation are expected to be within the scope of the Levy. It is currently under consideration if there should a minimum threshold above which providers become liable for the Levy. The rate structure is currently being considered which would either be a percentage of accommodation cost (the currently preferred choice by the Government), or a flat rate charge (either per person or per room, per night). Accommodation providers rather than the end customer would be liable for the Levy and will be able to decide whether to pass on levy costs to visitors as part of the cost of accommodation which will be subject to VAT.

The Government proposes that local leaders should have the power to set levy rates within their areas, potentially within certain limits subject to views in response to this consultation.

Electric vehicles

The Electric Vehicle Excise Duty (eVED), a new mileage-based charge on electric cars, will be introduced in April 2028 in addition to the current vehicle excise duty (VED). For fully electric cars this will be levied at £0.03 per mile and £0.015 per mile for plug in hybrid cars. The Government has published a consultation on the introduction of eVED setting out further detail on how it will work and seeking views on its implementation.

Motability scheme

HMRC have now published Motability Scheme: reforming tax reliefs confirming that VAT relief for top up payments to lease more expensive cars will be removed in respect of new leases from July 2026. The scope of the Insurance Premium Tax (IPT) exemption for insurance on vehicles leased through qualifying motor vehicle leasing schemes will be restricted and, from 1 July 2026, the exemption will only apply in relation to vehicles that are substantially and permanently adapted for wheelchair or stretcher users, or originally designed for their use – IPT will apply at the standard rate to Insurance contracts on relating to other vehicles provided through qualifying schemes.

VAT treatment of land intended for social housing

The Government will shortly consult on the reform of VAT rules to incentivise the development of land intended for social housing.

Vaping Products Duty (VPD)

Vaping Products Duty is a new excise duty on vaping products and will be introduced from 1 October 2026. VPD will be charged on vaping products that are produced in or imported into the United Kingdom. VPD will be charged at a flat rate of £2.20 per 10 millilitres of vaping liquid regardless of how much nicotine is contained in the product.

Plastic Packaging Tax (PPT)

The PPT rate for 2026-27 will increase in line with consumer price index inflation.

Following the introduction of PPT in April 2022 advancements have been made in chemical recycling technology which enable hard to recycle plastics to be recycled. In July 2023 a consultation was launched to introduce a mass balance approach (MBA) for calculating the recycled content in packaging made from chemically recycled plastic waste. The consultation also considered the use of certification schemes to track recycled content through the plastics value chain.

The legislation will be revised to allow the MBA and to amend the definition of recycled plastic. To claim PPT relief, UK manufacturers and importers of plastic packaging that incorporates chemically recycled plastic will be required to demonstrate that the supply chain for the recycled material from waste to the finished plastic packaging component is covered by a commercial certification scheme that is compliant with the PPT MBA standards.

A consultation will be launched in early 2026 on the introduction of mandatory certification for mechanically recycled plastic packaging for businesses to claim an exemption from PPT.

Penalty reform – Updates to the penalty regime for VAT

Late payment penalties will be increased from 1 April 2027 for VAT and this will be legislated for via secondary legislation.

Electronic invoicing

Following consultation the Government has confirmed it will introduce mandatory e-invoicing for all VAT invoices from April 2029. All VAT invoices will be required to be issued and received electronically. In January 2026 the Government will launch a period of collaboration with stakeholders to design and develop the UK's e-invoicing regime. This will include the software sector and Making Tax Digital providers to ensure there is a range of e-invoicing solutions. An implementation roadmap will be published at Budget 2026.

Refunds of VAT for Combined County Authorities

The refund scheme provided by section 33 of the Value Added Tax Act 1994 ensures that what would otherwise be irrecoverable VAT incurred on purchases of goods and services made to support the statutory non-business activities of local government bodies does not become a cost borne out of local taxation. This measure will add Combined County Authorities to the list of bodies eligible for refunds under section 33, with effect from the date of Royal Assent to Finance Bill 2025-26 in relation to purchases and imports taking place on and after 1 December 2025.

Vehicle Excise Duty

Vehicle Excise Duty (VED) for cars, vans and motorcycles will be uprated in line with retail price index from 1 April 2026. VED for heavy goods vehicles (HGVs) will be uprated in line with RPI from 1 April 2026. The HGV Levy will also be uprated in line with RPI from 1 April 2026.

Expansion of tax conditionality to granting licences to new sectors

Following the publication of a response to its consultation, the Government will extend tax conditionality to the granting of licences to the waste sector, animal welfare licensing (including breeding, boarding and pet selling) and additional transport licences, including taxi/private hire and pedicabs. The Government intends to implement the changes by primary legislation, allowing stakeholder scrutiny of draft legislation in advance. Draft legislation is expected in 2026.

Other measures- consultations

A number of consultations on administrative and reporting measures are planned in 2026, including consultations on:

- Delivery timescales and enforcement for prescribing the content and tagging of the Corporation Tax computation;
- New requirements to report transactions between close companies and their shareholders to HMRC; and
- Enhancement to the existing notification regime for uncertain tax treatments.

Other measures targeting tax evasion

A number of other measures have been proposed to target tax evasion:

- A new dedicated small business evasion and enforcement team will be established and HMRC criminal investigators will be deployed to target the most serious fraud and evasion by small businesses;
- Rewards of up to 30 percent of the value of the additional tax collected on high-value tax fraud, where this exceeds £1.5 million, will be offered to informants who provide HMRC with high-value information; and
- The framework for how HMRC publishes the details of deliberate tax defaulters will be strengthened.

Other measures of potential interest

- The Government will work with industry stakeholders to explore targeted legislative changes aimed at ensuring the Qualifying Asset Holding Companies (QAHC) regime continues to operate effectively.
- A Tax Update event is expected in early 2026 at which further changes to simplify and improve tax and customs administration are expected.

Employers

The main measures affecting employers were the widely trailed cap on NIC free pension contributions under salary sacrifice, which will take effect from April 2029, and the pre-Budget announcement of a 4.1 percent increase in the National Living Wage.

Other announcements for employers include easements to certain benefit-in-kind rules, increased limits for tax-advantaged Enterprise Management Incentives share options, and further information on the mandatory payrolling of benefits-in-kind from April 2027.

A more detailed summary of key measures is set out below.

Employer pension contributions under salary sacrifice arrangements

From 6 April 2029, pension contributions made under salary sacrifice arrangements (i.e., the amounts sacrificed by employees in return for an equal amount of employer pension contribution), will be subject to both employee's and employer's NIC to the extent they exceed £2,000 per annum.

Other employer pension contributions will remain exempt from NIC and salary sacrifice will continue to be effective to retain access to tax free childcare and/or child benefit. HMRC will engage with stakeholders and publish guidance before April 2029.

National Minimum Wage (NMW) and National Living Wage (NLW)

As announced prior to the Budget, the Government has accepted the Low Pay Commission's recommendations in full. From 1 April 2026 the NLW for employees aged 21 and over will increase from £12.21 to £12.71 per hour. Increases to the NMW will also apply to those aged 18 – 20 (from £10.00 to £10.85 per hour) and 16 – 17 (from £7.55 to £8.00 per hour). The accommodation offset rate will also increase (from £10.66 to £11.10 per day, or £74.62 to £77.70 per week).

Mandatory payrolling of benefits-in-kind: interim guidance and draft legislation published

HMRC have published interim guidance and draft legislation to help employers prepare for mandatory payrolling of benefits-in-kind from April 2027. HMRC continue to engage with stakeholders on how the new reporting process will operate, and this interim guidance will be updated continuously as design decisions are made. Official guidance will be published from Autumn 2026.

Employer's National Insurance Contributions (NIC)

Employer's NIC (secondary Class 1, Class 1A, and Class 1B) will remain at 15 percent from 6 April 2026.

The earnings threshold above which employer's NIC is due will remain frozen at £417 per month (or £5,000 on an annualised basis) to 2030/31.

Benefits-in-kind: easement for plug-in hybrid electric vehicles

When an employer makes a company car available for private use there is a benefit-in-kind Income tax charge on the employee, and an employer National Insurance contributions charge. The charge is calculated using CO_2 emissions and, where relevant, the electric mileage range of the vehicle.

The Government has introduced a temporary easement to address the increased benefit-in-kind tax liabilities for plug-in hybrid electric vehicle (PHEV) company cars due to new emission standards. This measure, announced in Budget 2025, applies retrospectively from 1 January 2025 to 5 April 2028, with transitional arrangements for certain PHEVS until 5 April 2031. It aims to mitigate the impact of higher CO_2 emissions observed under new EU and UN standards, which affect the tax charges on PHEVs. During the easement, certain PHEVs will have a nominal CO_2 emission figure for tax purposes, reducing the benefit-in-kind charge. Employees affected by the retrospective element of the easement will be able to claim a repayment made on the system used to report the benefit through their employer.

Changes to Employee Car Ownership Schemes (ECOS) deferred

Changes were announced at the 2024 Budget to bring ECOS arrangements within the company car benefit-in-kind rules if, in summary, at least one of the following conditions is met: private use of the vehicle is restricted; someone other than the employee (or a member of their family or household) is the registered keeper of the vehicle; and/or the vehicle may be sold for an amount determined in accordance with the ECOS's rules. These new rules were originally to apply from 6 October 2026 but will now apply to cars made available under a relevant ECOS on or after 6 April 2030. This deferral allows time for employers to review alternative arrangements. Individuals still receiving a vehicle through ECOS after 6 April 2030, subject to the transitional arrangements, may need to pay the appropriate benefit-in-kind charge.

Income tax exemption for certain employer reimbursed employee benefits

The current exemptions from income tax on employer provided eye tests, home working equipment, and 'flu' vaccines apply only where the employer provides the benefit directly. However, in a welcome simplification, from 6 April 2026 the tax and NIC treatment of reimbursing employees for the cost of obtaining these benefits themselves will be brought into line with that of employer provided benefits.

Tackling Construction Industry Scheme (CIS) fraud

Further measures, first announced at Budget 2025, to tackle CIS fraud will come into effect from 6 April 2026. Where HMRC can demonstrate that a business knew or should have known that it entered into a transaction connected with the evasion of tax: Gross Payment Status (GPS) may be immediately cancelled; that business may be liable for the lost tax; and that business and its directors (and other connected persons) may be liable to a penalty equal to 30 percent of the lost tax. Where GPS has been immediately removed under these measures, the time limit for reapplication will increase from one year to five years.

Aligning PAYE and Overseas Workday Relief (OWR)

With effect from 6 April 2025, qualifying new resident individuals can claim OWR, allowing them to exclude the portion of their income that relates to non-UK workdays from UK income tax. The OWR that can be claimed is restricted to the lower of £300,000 or 30 percent of an individual's total employment income for the year.

If an employee qualifies for OWR, their employer can make an application to HMRC to limit the tax withheld on their income to a defined percentage (a 's690 application'). The effect of the new measure is to require the employer to check and limit the relief claimed through the s690 application to 30 percent, to help ensure that relief is not over-claimed through the payroll.

There are transitional rules in place for individuals who claimed the remittance basis under the pre-6 April 2025 regime and who are still within their first four years of UK tax residence. As these individuals are not subject to the OWR cap, it is not yet clear whether this measure will impact them.

Enterprise Management Incentives (EMI) employee share options

From 6 April 2026, most companies that meet all other qualifying conditions will be able to grant tax-advantaged EMI share options if they have fewer than 500 (currently 250) full time equivalent employees and gross assets that do not exceed £120 million (currently £30 million). Additionally, the overall limit on the total value of shares that can be subject to unexercised EMI options will increase to £6 million (currently £3 million) and the limit on the exercise period that must apply to EMI options will increase from 10 years to 15 years. Provided certain requirements are met, subsisting EMI options granted prior to 6 April 2026 may be amended retrospectively to extend the exercise period to 15 years without losing their tax advantages. However, the current EMI conditions will continue to apply to 'specified Northern Ireland companies'.

Tax-advantaged 'all employee' share plans call for evidence

In 2023, a call for evidence was launched by the previous Government on how tax-advantaged 'all employee' share plans - the Save As You Earn (SAYE) share option plan and the Share Incentive Plan (SIP) - could be improved and simplified. A summary of responses to the call for evidence has now been published. The Government will now consider whether to make any changes to the SAYE or SIP regimes in light of the consultation responses as part of its future tax policy decisions. HMRC will also review their guidance for these schemes and make any necessary changes.

Unlocking Defined Benefit (DB) pension scheme surpluses

The Government continues to make changes to make it easier to access DB pension scheme surpluses. In this latest change, the Government appears to be allowing pension schemes to make one-off lump sum payments to members from DB pension scheme surpluses without incurring a penal tax charge. This is a modest change, but one which should make it easier for companies and trustees to reach agreement on how their DB pension scheme surpluses should be used.

Individuals

It was widely anticipated that there would be a smorgasbord of measures affecting individuals in the Autumn Budget and that did turn out to be the case. Whilst lots of these were tax increases, or effective increases in the form of frozen allowances, there were also announcements that will be more welcome for some, including some scaling back of last year's so called 'non-dom' changes. The headlines, trailed as possibilities over recent weeks, are perhaps the new high-value property tax on residential property worth £2 million or more and the cap on pension contributions made under salary sacrifice schemes. Other speculated changes did not come to fruition, including a possible capital gains tax 'exit charge' for individuals leaving the UK and restrictions on lifetime inheritance tax free gifts. A more detailed summary of the Budget measures affecting individuals is set out below:

Income Tax and National Insurance Rates and Thresholds

The income tax personal allowance, the higher and additional rate thresholds and relevant National Insurance thresholds will remain frozen for an additional three years until April 2031 (previously frozen until 2028).

From April 2026 income tax rates for dividend income will be increased by 2 percent for basic and higher tax rates, increasing them to 10.75 and 35.75 percent.

From April 2027 income tax rates for savings and property income will be increased by 2 percent for basic, higher and additional tax rates, increasing them to 22, 42 and 47 percent.

For individuals who pay tax on relevant income at the Scottish or Welsh rates (i.e., on income other than savings income and dividends), the rates and, for Scottish taxpayers, bands for 2026/27 will be confirmed as part of the relevant devolved budget process.

National Insurance Changes for Partners

No changes were made to the National Insurance (NI) position for Partners. Despite recent press speculation and recommendations from the think tanks CenTax and the Resolution Foundation there were no announcements from the Chancellor.

Pensions and salary sacrifice

From 6 April 2029, employer pension contributions made under salary sacrifice arrangements will be subject to both employee's and employer's NIC to the extent they exceed £2,000 per annum. Other employer pension contributions will remain exempt from NIC and salary sacrifice will continue to be effective to retain access to tax free childcare and/or child benefit. HMRC will engage with stakeholders and publish guidance before April 2029.

There was no change to the tax-free lump sum from pensions on retirement.

Property Taxes

From April 2028 a new annual High Value Council Tax Surcharge (HVCTS) will be charged on homeowners (rather than occupiers) of residential property in England that is worth £2 million or more in 2026.

This will be in addition to existing council tax charges and will be collected by local authorities on behalf of central government. Once the Valuation Office has identified properties above the £2 million threshold and carried out an initial valuation, revaluations will be conducted every five years.

The 2028/29 charging structure creates four bands based on properties valued from £2 million - £2.5 million, £2.5 million - £3.5 million, £3.5 million - £5 million and £5 million plus, with respective annual charges of £2,500, £3,500, £5,000 and a maximum of £7,500. Charges will increase in line with the consumer prices index annually.

A consultation on details of the surcharge will be held in early 2026 and the Government has stated that there will be a support scheme in place for those who may struggle to pay the charge, which will form part of the consultation. Reliefs, exemptions and how the rules will apply to complex ownership structures including trusts and companies will also be covered by the consultation.

The Annual Tax on Enveloped Dwellings (ATED) legislation will be updated to reflect the policy intent that relief from ATED is available to companies holding property for qualifying commercial purposes. This includes relief claims within late ATED returns, which remain subject to robust late filing penalties.

Employee Ownership Trusts (EOTs): Capital Gains Tax (CGT) relief reduced to 50 percent

The CGT free gain on qualifying disposals of shares to EOTs on or after 26 November 2025 will reduce from 100 percent to 50 percent of the gain. Where a claim for CGT relief on a qualifying disposal to an EOT has been made, neither Business Asset Disposal Relief nor Investors' Relief may be claimed in respect of the chargeable part of the gain. This means that a sale to an EOT will now be subject to an effective CGT rate of 12 percent (not 0 percent). Further information is awaited on the detail of this change including, in particular, information relevant to the payment date of the CGT.

Update to GCT anti avoidance

Changes to the anti-avoidance provisions applicable to the share exchange and share reconstruction rules have been published. Grandfathering provisions apply to taxpayers who had submitted advance clearance to HMRC for a share exchange or reorganisation before 26 November 2025. These transitional rules will only apply if the transaction is implemented before 26 January 2026, or within 60 days of receiving the clearance response from HMRC if later. Anyone who has submitted a clearance prior to the Budget date should consider their position urgently to ensure they are aware of how the time limits may apply to their scenario.

Capital Gains Tax and Incorporation Relief

From April 2026 there will be a change to the way in which rollover relief on incorporation of a business is made available, with a claim being necessary via Self-Assessment.

Inheritance Tax: business and agricultural property relief

The changes announced in Budget 2024 to business property relief (BPR) and agricultural property relief (APR) from inheritance tax (IHT) will proceed. Assets which currently qualify for 100 percent relief from IHT under the BPR or APR rules will, from 6 April 2026, qualify for relief at the reduced rate of 50 percent. An individual or trust will have a 100 percent relief allowance of up to £1 million. This amount will be frozen until April 2031 (was April 2030) before it starts to increase in line with the consumer prices index.

The Government announced in Autumn Budget 2025 that any unused 100 percent relief allowance will be transferrable to a surviving spouse or civil partner, including where the first death was before 6 April 2026. This is welcome and was something that professionals had been repeatedly suggesting since the initial announcement was made.

The Government has announced that it will introduce legislation with effect from 6 April 2026 to ensure UK agricultural property held via non-UK entities is treated as UK-situated for inheritance tax purposes, preventing Trustees from holding UK agricultural property via a non-UK company and therefore not being subject to the relevant property charges.

Inheritance tax: Nil rate bands

The IHT nil rate band will be frozen at £325,000 and the residence nil-rate band at £175,000 for a further year until April 2031. The £2 million threshold at which the residence nil-rate band starts to taper will similarly remain unchanged until April 2031. It had previously been announced that these would be frozen until April 2030.

Inheritance tax: Lifetime gifting

It is noteworthy that no announcement has been made in relation to capping the cumulative value of IHT-free lifetime gifts to individuals that a taxpayer can make and that such gifts, being potentially exempt transfers (PETs), remain subject to a seven-year survival period.

Inheritance tax: Pensions

The proposals to bring certain unused pension pots within the charge to IHT on death will go ahead from 6 April 2027. The deceased member's personal representatives will be able to direct the pension scheme administrators to withhold 50 percent of taxable benefits for up to 15 months and to pay any inheritance tax due in certain circumstances.

Inheritance tax: ten yearly and exit charges capped for former excluded property trusts

The Government has announced retrospective grandfathering provisions with effect from 6 April 2025 in respect of trusts settled pre-30 October 2024 by settlors who were non-UK domiciled at the time of settlement, i.e. former excluded property trusts. These trusts will have the inheritance tax 6 percent ten-year anniversary charge and 6 percent exit charge capped at a maximum of £5 million in respect of the value of property per trust every 10 years for the lifetime of the trust. These rules apply where the trust was:

- Settled before 30 October 2024;
- Excluded property immediately before 30 October 2024; and
- Immediately before the ten-year or exit charge, the trust assets are situated outside the UK (and are not a UK residential property interest).

This will impact trusts created by former non-domiciled individuals who settled excluded property into trust prior to 30 October 2024, where the value derived from excluded property in trust exceeds approximately £83.33 million.

Personal tax anti-avoidance legislation: stakeholder engagement on reforms

The Government has reiterated its commitment to "ambitious reform and substantial simplification" of the offshore anti-avoidance legislation in relation to personal taxation, following its call for evidence in 2024/25.

Representative bodies will be invited to collaborate with HMRC in designing potential new policy and modernised legislation in this area of tax.

Residence based tax-regime (withdrawal of non-dom rules) – Technical changes only

Draft legislation has been released to make technical amendments to the residence-based tax regime announced in the 2024 Budget as part of the withdrawal of the non-dom rules and which came into effect from 6 April 2025. These measures will make minor corrective amendments to the broader residence-based tax regime to ensure it operates as originally intended and will apply retrospectively from 6 April 2025.

Temporary non-residence rules: post departure trade profits

With effect from 6 April 2026, the concept of 'post departure trade profits' within a relevant company being outside the scope of the temporary non-residence (TNR) rules will be removed. Currently, under the TNR rules, there is no charge to tax if distributions or dividends are made from profits that accrue to a close-company (or would be close if it were UK tax resident) after the individual has ceased to be UK tax resident.

Non-Resident Capital Gains Tax – amendments affecting cell companies and collective investment schemes

The Government has announced two specific non-resident capital gains tax (NRCGT) changes for non-UK tax residents who invest in UK land / property. These changes are:

- For disposals on or after 26 November 2025, a protected cell company's (PCC) assessment of its property richness for NRCGT will now be determined on cell-by-cell basis, rather than the PCC as a whole; and
- An Extra Statutory Concession will be formalised, which exempts non-UK resident individuals from the need to make a double taxation treaty claim when having invested via a Collective Investment Scheme.

Tax Support for Entrepreneurs

A Call for Evidence has been published on Tax Support for Entrepreneurs, seeking views on the effectiveness of existing tax incentives and the wider tax system for business founders and growing firms.

Enterprise Incentive Scheme (EIS) and Venture Capital Trusts (VCT) limits

The Government has announced changes to EIS and VCT rules to increase the limits with the aim to increase support to growing business. The specific measures are:

- The gross assets requirement that a company must not exceed for the EIS and VCT will be increased to £30 million (from £15 million) immediately before the issue of the shares or securities, and £35 million (from £16 million) immediately after the issue;
- The annual investment limit that companies can raise will be increased to £10 million (from £5 million) and for knowledge-intensive companies to £20 million (from £10 million); and
- The company's lifetime investment limit will increase to £24 million (from £12 million) and for knowledge-intensive companies to £40 million (from £20 million).

In addition to the increases in limits, the income tax relief that can be claimed by an individual investing in VCT will be reduced to 20 percent from the current rate of 30 percent, in order to more align VCT with EIS.

The increases to the annual, lifetime and gross asset limits apply only to qualifying companies that are not registered in Northern Ireland trading in goods or the generation, transmission, distribution, supply, wholesale trade or cross-border exchange of electricity. These companies will remain eligible for the current scheme limits.

Individual Savings Account

The Individual Savings Account (ISA) allowance of £20,000 will be retained. From April 2027, £8,000 will be designated exclusively for stocks and shares ISAs, limiting the Cash ISA allowance to £12,000; this will not apply to those over the age of 65.

Private Jet - Air Passenger Duty Reforms

The scope of the higher rate of Air Passenger Duty (APD) will be extended to cover all private jets above 5.7 tonnes from 1 April 2027.

Stamp Taxes on Shares

The Government will legislate in Finance Bill 2025-26 to introduce a power allowing regulations that enable the testing of the new digital service for the Securities Transfer Charge, which will replace Stamp Duty and Stamp Duty Reserve Tax as part of the modernisation of the Stamp Taxes on Shares framework.

Taking effect from 27 November 2025, transfers of a company's securities will be subject to relief from the 0.5 percent Stamp Duty Reserve Tax charge for three years from the point the company lists on a UK regulated market.

Tax administration, compliance and debt management

The Government is continuing its commitment to ensuring a fairly administered tax system by implementing a substantial package of HMRC administration, compliance, and debt collection measures, aiming to generate an additional £2.3 billion by 2029-30. This initiative is designed to tackle various facets of the tax gap (the difference between the theoretical tax liability and what is actually reported), which was estimated at 5.3 percent in 2023-24 and has seen a significant portion (60 percent) attributed to small businesses.

Key strategies include targeting specific areas of non-compliance such as multinational company transfer pricing, fraud within the construction industry, and the activities of non-compliant tax advisors. The measures also address late filers and the use of image rights to avoid employment income. To bolster enforcement, a reward scheme for informants will be introduced which will seek to pay up to 30 percent of amounts collected of high value tax recoveries over £1.5million. HMRC also confirm their access to and utilisation of data will be strengthened to enhance compliance efficiency with initiatives such as the Crypto Asset Reporting Framework coming into force early next year.

Furthermore, the Government is intensifying efforts in tax debt collection. This involves increasing the volume of debt placed with debt collection agencies (DCAs) by 2030-31, expanding the use of DCAs for older tax debts, and boosting HMRC's debt management staff.

The cumulative effect of compliance and debt policies announced since the March 2023 Budget is estimated to reduce the tax gap by 0.7 percentage points by 2030-31.

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