Budget 2026: The route to regeneration?

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

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Businesses

Rates and incentives

The Government has confirmed that there will be no changes to the corporation tax rates for the financial year beginning 1 April 2028 and will maintain the main rate at 25 percent and the small profits rate at 19 percent.

An increase in the savings income tax rate was announced which will impact withholding tax charged on interest paid by UK companies in certain cases. The increase will raise the rate from 20 percent to 24 percent from 6 April 2027.

The Government has announced two changes to the capital allowance rates. Firstly, a reduction to the main rate writing-down allowance from 14 percent to 12 percent taking effect from 1 April 2027. Secondly, there will be an increase in the main rate first-year allowance from 40 percent to 50 percent for expenditure incurred on or after 1 January 2027.

Following the Government's recently published summary of responses to the call for evidence on predevelopment costs, it has announced today that its next steps will include exploring changes to guidance to clarify the tax treatment and make the rules easier to apply. Additionally, the Government wants to consider wider challenges for infrastructure investment, specifically, large-scale, capital-intensive investment and agricultural infrastructure, under the capital allowances regime.

A reduction to the entry threshold for the Advance Tax Certainty Service was announced lowering it from £1 billion to £300 million from 4 November 2026. A few other changes relating to the procedure for further changes to the definition of 'qualifying investment projects' and penalties around failure to provide information were also announced. The Government notes that the service will be kept under review with a view to developing it further in the future.

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The Government announced a number of measures aimed at simplifying the Research and Development (R&D) claims process. Firstly, the Claim Notification Form for R&D claims made on or after 1 April 2027 will no longer be required and there will be a simplification and rationalisation of the information required in the Additional Information Form from Autumn 2027. Additionally, following recent stakeholder feedback, the Government wants to consider a number of areas further with stakeholders, including specific areas to simplify the R&D legislation and administration of the relief.

The Government has also announced exploring simplifications within the Patent Box calculation (specifically the Routine Return and income streaming requirement) and also welcomes views on a number of points within the Intangible fixed assets regime which may create complexity or uncertainty, including applying the regime to partnerships and the licensing of intellectual property.

Banking and financial services

The Government has announced that it will introduce legislation in Finance Bill 2026-27 to increase the rate of the banking surcharge to 6 percent for a limited period. The temporary increase will apply from 1 January 2027 to 31 March 2028, after which the surcharge rate will revert to 3 percent.

Following previous consultation on the introduction of Securities Transfer Tax, the legislation will be introduced in the Finance Bill. Securities Transfer Tax will replace Stamp Duty and Stamp Duty Reserve Tax from late 2027.

A number of wider measures were announced which will be relevant to the sector. These include changes to the income tax rates on property and savings, and the reversal of the planned reduction in the subscription limit for cash Individual Savings Accounts (ISAs) which will now remain at £20,000.

International tax and transfer pricing

The Government has announced several consultations, most notably a consultation on corporate tax simplification for business investment in the UK which sits alongside a call for evidence on modernising the administration of corporation tax. One issue to be addressed by the call for evidence is how large companies and complex groups manage the interaction of their corporation tax obligations with their transfer pricing and their international reporting obligations.

The consultation on corporate tax simplification covers various aspects of the UK's corporate tax regime about which stakeholders have expressed concern, particularly given the duplication created by the UK's multinational top-up tax. Some of this builds on existing consultations, including on simplifying the process for obtaining treaty relief from withholding tax. Other aspects of the consultation look at concerns about the complexity of the UK's controlled foreign companies (CFC) regime, anti-hybrid rules, and corporate interest restriction (CIR) (including the overlap between CIR and the unallowable purpose rule), and the uncertainty caused by the unallowable purpose rule.

This consultation also suggests the removal of the specific reporting regime for international movements of capital and mentions some relaxations to the requirement to file an international controlled transactions schedule (ICTS) in response to ongoing consultation on ICTSs.

No specific legislative changes are proposed yet and rather than setting a fixed date for consultation responses, the Government is embarking on a three-stage process (involving stakeholder working groups) to refine policy concerns, before developing detailed proposals for the highest priority areas (which is to be followed by a final round of technical consultation).

At the same time as consulting on these measures, the Government has reduced, to £300 million, the threshold for the new advance tax certainty regime. It has also extended, by two years (until 2031), the period over which it plans to phase out the regime for recovering any remaining surplus advance corporation tax balances. That regime is also to be extended to companies owned by non-UK companies.

Another consultation is on a statutory regime for the direct tax treatment of those with sovereign tax status, which is to take effect from 1 January 2029. This new regime will be of most relevance to UK property investors who currently enjoy sovereign immunity from direct taxation in the UK, as it will bring their returns from directly held UK land into the charge to tax and govern their access to various property tax regimes (including REITs). The deadline for responding to this consultation is 20 January 2027.

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Additionally, the Government has confirmed that it is proceeding with the following international tax measures that were the subject of draft legislation published on 13 July 2026 (i.e. Legislation Day or 'L-Day'):

- Implementation of the OECD Pillar Two side-by-side package and other amendments to the multinational top-up tax; and
- Making the foreign branch exemption mandatory from 1 January 2027.

Although the accompanying policy papers have been updated since L-Day (including with the addition of estimates of the Exchequer impact of the latter) no changes appear to have been made to the accompanying draft legislation.

Property taxes

The Government has announced some changes to business rates reliefs in England (including for retail, hospitality and leisure (RHL) properties, small businesses, Adult Gaming Centres and vape shops) and a new relief for electric vehicle (EV) charging infrastructure.

For qualifying RHL properties, business rates bill increases will be capped at consumer prices index (CPI) inflation in 2027-28 and 2028-29, unless due to property improvements or losses of other reliefs. The Supporting Small Business Relief (SSBR) scheme threshold for 100 percent relief will increase to rateable values of £18,000 and the threshold for tapered relief will increase to rateable values of £21,000.

For small businesses, the Government is extending the 2026 Supporting Small Business (SSB) scheme to those who were in receipt of the 2023 SSB by one year from 1 April 2027. The Transitional Relief Supplement (TRS) is also being extended for two years from 1 April 2027.

From 1 April 2027, Adult Gaming Centres will no longer be eligible for the RHL multipliers. Vape shops will no longer be eligible for either the RHL multipliers or Small Business Rate Relief.

A 100 percent business rates relief will be introduced for eligible EV charging points and EV-only forecourts for ten years from 1 April 2026.

The Government is planning to introduce a general anti avoidance rule (GAAR) for business rates in England. They will consult on its design and delivery.

A new zero rate of VAT will be introduced on the sale of land to registered housing providers (relevant Housing Associations) from 1 April 2027. This will remove the need to structure qualifying land transfers around ‘golden brick’ arrangements which delayed zero rate transfers of title until construction of dwellings had begun. Responses to the consultation (which closed on 18 August 2026) were published on Budget Day 2026.

The zero-rating relief is determined on the status of the purchaser of the land and not the use of the land. This is because registered providers have a broad purpose of providing social housing so acquisitions of land for wider usage are still likely to support that purpose.

The Government noted in the consultation outcome document that the legislation will need to specify the relevant tax point, qualifying declaration and supporting records required to obtain the relief. Further guidance will be published in respect of mixed-tenure developments, consequences for inaccuracies or where the intended qualifying use is not achieved (though the latter comment is perhaps inconsistent with the wider use point). Legislation will be published in early 2027.

The main Stamp Duty Land Tax (SDLT) announcements made in the Budget include changes to SDLT relief following a winding up and SDLT relief for local pensions.

Legislation will amend SDLT group relief rules by introducing a change of control test to the winding up exception. The aim is that where a purchaser company has claimed SDLT group relief but subsequently leaves a corporate group within a three-year period from the date of the transaction and the vendor company has been wound up, the winding up of the vendor does not prevent SDLT group relief from being clawed back.

A new SDLT relief will be introduced on transfers of property in England and Northern Ireland from Local authorities and other organisations that are Administering Authorities (AAs) into qualifying pooled investment vehicles established by Local Government Pension Scheme (LGPS) pool companies.

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Oil and gas

The Government has announced a corporation tax measure for gas distribution businesses affected by changes to revenue recognition requirements. The measure will apply to qualifying gas distribution activities for accounting periods ending on or after 31 December 2026, where revenues previously deferred are recognised as a result of changes to accounting standards and brought into account for corporation tax. The Government will legislate in Finance Bill 2027-28 to spread the corporation tax impact of qualifying revenues evenly over five years from 2026-27, rather than taxing the full amount in 2026-27.

The measure is a timing provision and will not reduce the overall corporation tax due (absent a corporation tax rate change). Similar spreading rules were introduced for transitional adjustments arising from the adoption of IFRS 16 for lease accounting. Spreading the transitional amount should smooth the immediate corporation tax impact for affected gas distribution operators. The precise tax outcomes and qualifying transitional amount are still to be set out.

There were no significant changes to the previously announced Oil and Gas Revenue Levy (OGRL) but the Budget reconfirms that it will be legislated for in Finance Bill 2026-27, as announced in July 2026. The OGRL is an additional 35 percent levy on exceptional oil and gas revenues charged on the portion of revenue from sales of oil or gas that exceed specified thresholds. The OGRL will replace the temporary Energy Profits Levy (EPL) when the EPL ends on 1 April 2030, or earlier if the Energy Security Investment Mechanism (ESIM) is triggered.

The changes to the tax treatment of certain exploration and exploitation rights which were previously announced in July 2026 were also confirmed. The changes will expressly treat relevant rights connected with the UK seabed and subsoil as immovable property, addressing their interaction with the UK's Double Taxation Agreements. The legislation will be included in Finance Bill 2026-27.

Administration and compliance

Legislation to modernise the correction of errors in tax documents sent to HMRC requiring taxpayers to correct inaccurate tax returns and documents will be introduced through legislation in Finance Bill 2026-27 and take effect from 1 April 2028. For further detail see our previous article on this measure.

A Call for Evidence on the long-term future of Corporation Tax administration has been published, which runs until 20 January 2027, building on the policy direction on tax administration set out in the Corporate Tax RoadMap and HMRC's Transformation RoadMap. It does not propose immediate change but is intended to be a long-term approach to the reform of corporate tax administration over time to reflect how companies operate with the aim of simplifying the process and providing clarity for companies in meeting their obligations.

The Government is seeking views on whether the tax administration system should better reflect the differing needs, capabilities and circumstances of companies; how companies can be supported at key stages of their lifecycle; and the use of systems and software to get their 'tax right first time'. This includes exploring the design of a system making effective use of automation and artificial intelligence. For larger companies and groups there is a focus on administrative challenges arising from the scale, complexity and international nature of the organisation, and whether the tax administrative systems could better align with those used by these organisations.

The Government will introduce legislation in Finance Bill 2026-27 to reform HMRC's civil tax information and inspection powers and modernise the definitions relating to computer records. The changes will have effect from the date of Royal Assent to Finance Bill 2026-27. The proposals will be of most interest to the financial sector as they include reforms to Financial Information Notices (FINs), including expansion to cryptoasset service providers and the removal of the obligation for an annual report on the use of FINs.

As previously announced, the Government will introduce legislation in Finance Bill 2026-27 to increase the amount of information it will publish about deliberate tax defaulters. The change will take effect from the date of Royal Assent to Finance Bill 2026-27.

A consultation on a package of measures to tackle the promotion and use of tax avoidance is also to be published, including new powers to tackle serious and serial users of tax avoidance schemes, changes to enable earlier recovery of promoters' and certain individuals' liabilities and changes to further strengthen HMRC's existing Promoters of Tax Avoidance Schemes regime.

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Environmental taxes

It has been confirmed that public/workplace electric vehicle charging is standard rated for VAT and is not considered domestic use for the purposes of the Climate Change Levy (CCL) with effect from 1 November 2026. The main rate of CCL for electricity and liquefied petroleum gas will be frozen.

The threshold on which the Soft Drinks Industry Levy (SDIL) applies will be lowered to 4.5g total sugars per 100ml from 1 January 2028. Existing exemptions for milk-based drinks and milk substitute drinks with added sugar will be removed and a 'lactose allowance' for naturally occurring sugars will be introduced.

A variety of other measures were announced including mandatory certification for businesses claiming an exemption from Plastic Packaging Tax (PPT) on the basis they meet the 30 percent recycled plastic threshold from 1 April 2030 and an extension to the scope of the Carbon Border Adjustment Mechanism (CBAM) to include refinery products, subject to consultation.

The rate of PPT will be increased in line with the Consumer Prices Index from 1 April 2027. Rates for Aggregates Levy and Landfill Tax will be increased in line with the retail prices index (RPI) from 1 April 2027. Air Passenger Duty rates will be increased from 1 April 2028 in line with the RPI.

Changes were also announced in respect of devolved environmental taxes.

Air Passenger Duty currently applies to chargeable flights departing from most UK airports. However, with effect from 1 April 2027 it will be replaced in Scotland by the devolved Air Departure Tax.

Aggregates Levy applies to the commercial exploitation of rock, sand, and gravel in England, Northern Ireland, and Wales. Any changes to the equivalent devolved tax in Scotland will be confirmed as part of the Scottish budget process.

Landfill Tax applies to chargeable disposals to landfill in England and Northern Ireland. Equivalent devolved taxes apply in Scotland and Wales, with any changes concerning those taxes confirmed as part of the relevant devolved budget process.

Customs and duties

Alcohol Duty will be uprated in line with retail prices index (RPI) from 1 February 2027, with the relative value of the Small Producer Relief to be increased through changes to the discount taper and the marginal discounts available.

The current fuel duty freeze of the temporary 5p per litre cut (originally introduced in 2022) will be extended from 31 December 2026 to 30 June 2027. The additional 3.7 pence per litre (ppl) cut to the rebated rates for gas oil (red diesel), biodiesel, bioblend and kerosene will also be extended. On 1 July 2027 fuel duty rates will revert to the rates that applied before the temporary cut, and fuel duty rates will be uprated in line with RPI inflation from 1 July 2027.

The Government has announced that it will suspend import tariffs on over 100 food products until 31 December 2028. It will also suspend tariffs on kerosene for heating oil until 31 December 2028; on fertiliser until 31 December 2027; and will extend a number of existing tariff suspensions that were due to end this year. Businesses will have an opportunity to request further tariff suspensions.

The rate of Machine Games Duty (MGD) for higher stakes machines (maximum charge to play of more than £1 or a maximum prize of more than £100) is to be increased from 20 percent to 25 percent with effect from 1 April 2027. Legislation will amend the stake and prize thresholds used to determine the MGD rate chargeable on gaming machines. The Government is also consulting on the implementation of legislation to be introduced in a future Finance Bill to make machine suppliers liable for MGD on supplier-owned machines operated under profit-share arrangements from 1 April 2028.

Remote Gaming Duty legislation is to be amended to “to put beyond doubt the tax treatment of freeplays, prizes and tournaments” from 1 April 2027. The changes will also amend the legislation determining when participation in a tournament is treated as playing a game of chance and revise the definition of a prize.

Gross gaming yield bandings used to determine the rate of Gaming Duty will be frozen from 1 April 2027 to 31 March 2028.

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Other measures mentioned in the Budget documents include a new excise wrongdoing penalty, the previously announced introduction of Electric Vehicle Excise Duty (eVED) from 1 April 2028, the uprating of Vehicle Excise Duty (VED) in line with RPI, VED exemption for search and rescue vehicles (previously announced) and measures to recover excess VED support for HGVs.

General VAT measures

The Online Marketplace Liability (OMPL) will be extended with effect from October 2027. Under these rules online marketplaces will be responsible for collecting VAT on sales by UK businesses. There will be a minimum annual sales threshold per platform of £90,000 where the UK supplier is not UK VAT registered. Second hand goods will not be included.

On e-invoicing, legislation will be introduced to enable HMRC to make regulations requiring VAT invoices to be issued and received in a prescribed electronic format with effect from April 2029.

Reform of the Reverse Charge for B2B supplies of services from overseas will restrict the VAT reverse charge for supplies of services from overseas, so that it only applies if the receiving UK business is VAT registered. This will apply from April 2027. This change means that where a UK recipient business is not VAT registered, the overseas supplier will be required to charge and account for UK VAT.

Legislation will be introduced regarding Private Hire Vehicle Operators (PHVOs) so that from 2 January 2028 where passenger transport services by taxi or private hire vehicle are supplied through an agent, the services will be deemed to be made by the agent and not the driver. This will apply to larger suppliers only.

The Deposit Return Scheme simplification will introduce refundable deposits on single-use drinks containers. The requirement for individual producers to account for VAT on unreturned deposits will be removed, instead this will be done by the Deposit Management Organisation (DMO). This will take effect when the scheme launches in October 2027.

The current zero percent VAT rate for domestic electricity has been extended until 30 June 2027.

Heat Batteries are to be included in the five percent Energy-Saving Materials (ESM) VAT relief for energy-saving materials when installed in residential accommodation or charity buildings in the UK. This change will take effect from 1 April 2027 when the current zero rate for ESMs ceases and the rate reverts to five percent.

The Government has published a call for evidence for the review of the VAT treatment of travel services, including the Tour Operators' Margin Scheme (TOMS). It seeks views on whether TOMS remains fit for purpose and should be retained, reformed, simplified, made optional, partly withdrawn or removed completely.

The Government will bring forward legislation to introduce a VAT zero rate for medicines provided free of charge for a qualifying purpose. The measure will apply to medicines supplied for NHS treatment (including through the Early Access to Medicines Scheme and other early access arrangements), in connection with clinical trials, or for patients receiving continued treatment following a clinical trial. The zero rate has retrospective effect from 23 June 2026.

The Government will amend Group 7 of Schedule 9 to the Value Added Tax Act 1994 to remove the VAT exemption under Item 5 for a supply of a deputy for a person registered in the register of medical practitioners. Deputising services will remain in scope of the medical exemption where they are primarily providing medical care. The change will 'restore the VAT treatment of a deputy for a medical practitioner to its previously intended position'. The change will take effect from 1 May 2027 and seems to be in response to the *Isle of Wight* case that HMRC lost.

Other measures

Following receipt of responses to the consultation published 23 June 2026, the Government issued a response document as part of the Budget and will proceed with the package of proposed reforms to the taxation of distributions and repayments of capital.

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Some modifications have been made following stakeholder feedback. Key reforms include limiting the amount treated as a repayment of capital following a share reorganisation to the capital originally subscribed by shareholders, broadening statutory demerger relief, bringing certain distributions received from non-UK companies within the charge to income tax (with further consultation to take place with the UK fund management sector), introducing an individual tax charge on loans from non-UK close companies aiming to align the charge on loans from UK close companies, updating the purchase of own share rules and updating the transaction in securities anti-avoidance provisions. Targeted reliefs are being considered further.

A technical consultation, including draft legislation, will take place in 2027, with changes intended to apply prospectively from April 2028.

With respect to bringing distributions from non-UK companies within the charge to income tax, the Government will aim to consult further about preserving capital treatment for returns on asset managers' co-investment and genuine investment returns in fund structures.

The statutory demerger relief will be modernised and made available in a broader range of circumstances. The Government intends to provide a route for commercial demergers, and, in some circumstances, permit demergers undertaken in advance of onward sales to qualify. It will retain the existing ’all or substantially all’ test and consider whether to relax the 75 percent subsidiary condition. It will also consider replacing the existing chargeable payments provisions with a simpler and more proportionate rule.

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Employers

Employer and other payroll withholding

Following an earlier consultation, from April 2029 the Government will require employers to set up Direct Debit instructions for PAYE liabilities, subject to defined exceptions. This is intended to reduce payment errors, missed deadlines, and administrative time, as well as better manage PAYE debts and the cost of errors.

Businesses may continue to pay by other methods before a specified cut-off date, with Direct Debit collection acting as a safeguard for any unpaid balance. Implementing legislation will be introduced in a future Finance Bill.

The Government has stated that, prior to this measure's introduction, HMRC will engage with stakeholders, including to establish what exemptions are needed, how to encourage early take up of automated payments, and what the consequences of continued non-compliance with paying accurately and on time should be. HMRC will also provide guidance to give notice of what employers need to do, and when, to help them prepare as further details are confirmed.

Employer National Insurance Contributions (NIC)

Employer's NIC (secondary Class 1, Class 1A, and Class 1B) will remain at 15 percent. As previously announced, the earnings threshold above which employer's NIC is due will remain at £417 per month (or £5,000 on an annualised basis) until 5 April 2031.

National Minimum Wage and National Living Wage

The Government has accepted the Low Pay Commission's recommendations in full. From 1 April 2027 the NLW for employees aged 21 and over will increase from £12.71 to £13.21 per hour. Increases to the NMW will also apply to those aged 18 to 20 (from £10.85 to £11.27 per hour) and 16 to 17 (from £8.00 to £8.31 per hour). The accommodation offset rate will also increase (from £11.10 to £11.53 per day).

Employee benefits and expenses

The following measures concerning the taxation of employee benefits and expenses, and other employment related income, were announced.

From 6 April 2028, the Government will reform the travel and subsistence scale rates which employers can use to reimburse qualifying travel and subsistence expenses without checking individual receipts. The new Benchmark Scale Rates (BSR) will be £20 for travel exceeding five hours, £60 for travel exceeding 10 hours and £75 for travel exceeding 24 hours. The required secondary legislation will be introduced before this measure comes into force.

From 6 April 2027, the Government will increase the van benefit charge and car and van fuel benefit charges in line with the September Consumer Prices Index (CPI). The charges for 2027 to 2028 will be:

- Van benefit charge: £4,310*;
- Van fuel benefit charge: £825; and
- Car fuel benefit charge multiplier: £30,200*.

*NB: these figures are exchanged in the relevant HMRC publication, but we presume these are the intended increased amounts.

The appropriate percentages for the taxation of company cars from 2030/31 will increase by one percentage point for zero emission vehicles. It will also increase by one percentage point for other vehicle bands to a maximum appropriate percentage of 40 percent.

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As announced immediately prior to the Budget, from 6 April 2027 the Government will make permanent the 55p per business mile tax-free rate for the first 10,000 business miles in an employee's own car or van. The rate for business mileage above 10,000 miles will increase from 25p to 35p per mile. These are tax-free reimbursement limits, not mandatory employer payment rates.

Changes announced at Budget 2025 to clarify that image rights payments related to an employment are treated as taxable employment income will now take effect from 6 April 2028 (rather than from 6 April 2027 as previously announced).

Global mobility

Employers are required to pay the Immigration Skills Charge, and the costs of obtaining a Certificate of Sponsorship, as part of the visa application process for migrant workers. Notwithstanding these are costs that the employer is required to incur, HMRC have argued, when reviewing employment tax compliance, that these costs give rise to a taxable benefit-in-kind (BIK) for the employee, and have sought to charge grossed-up income tax and National Insurance on these amounts, in some cases looking back several years.

However, in this Budget the Government announced that, with effect from 28 October 2026, the payment of the Immigration Skills Charge and the Certificate of Sponsorship fee by the employer will not be treated as giving rise to a taxable BIK for the employee. This announcement is likely to be welcomed by employers, as HMRC's recent approach represented a departure from the widely held view of the tax treatment of such costs.

Although this announcement provides certainty going forwards, and perhaps suggests it was not the Government's intention that these costs should give rise to a taxable BIK for the employee, it is unclear whether HMRC still consider there to be a tax/NIC liability for such costs met in periods prior to 28 October 2026.

The Government will also reform the overseas scale rates that employers can use to reimburse employees for overseas travel and subsistence expenses without being supported by receipts. This will include simplification measures to replace more than 200 destination specific rates with a tiered approach that links the overseas scale rates to the updated domestic benchmark scale rates. Secondary legislation will be brought forward to implement these changes from 6 April 2028. Ahead of that, HMRC will continue to engage with stakeholders to finalise the appropriate overseas scale rates on a destination-by-destination basis, together with associated guidance.

Employee share plans and employment-related securities

As part of its response to the 'Tax Support for Entrepreneurs: Call for Evidence' the Government has stated that it recognises the important role employee share ownership can play in helping growing businesses attract, retain and reward talented employees.

The Government has therefore announced that it will introduce legislation in Finance Bill 2026-27 to make changes to the Company Share Option Plan (CSOP) and Enterprise Management Incentives (EMI) schemes from 6 April 2027 as follows:

- The CSOP individual option limit will increase from £60,000 to £120,000, to allow businesses to offer key employees a more meaningful stake in the value they help create, helping support more wealth creation at the employee level and supporting companies who cannot use EMI (for sectoral or size reasons) to access top talent with a stronger tax advantaged share offer;
- The interaction between the CSOP and EMI individual option limits will be removed so that, in total, an eligible employee may be granted up to £250,000 of EMI options and £120,000 of CSOP options. This will increase the maximum value of tax-advantaged options that an eligible employee can hold across the two schemes from £250,000 to £370,000; and
- The CSOP exercise period will be extended from 10 to 15 years to better reflect the longer growth cycles of successful scale-ups and give employees more opportunity to benefit when the business succeeds.

To improve awareness and take-up the Government will rebrand CSOP as 'EMI2', to help signal its role as the principal tax-advantaged share option scheme for businesses that have outgrown EMI, while leaving the underlying legislative framework largely unchanged to avoid imposing additional administrative burdens for businesses already operating the schemes.

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The Government has also stated that it will make targeted improvements to simplify the operation of employee share schemes and address specific issues that can arise for businesses:

- The EMI exercise window following disqualifying events will be extended to 180 days. This will give employees greater flexibility to exercise their options following a disqualifying event; and
- The existing independence exception for Employee Ownership Trusts (EOTs) in the EMI legislation will be extended to companies arranging to become controlled by an EOT.

The changes will take effect from 6 April 2027.

As announced at Budget 2025, the Government will introduce legislation in Finance Bill 2026-27 to remove the requirement for a company to submit a separate notification of a grant of EMI option to HMRC. Instead, a company will be required to notify such a grant through the end-of-year return. The changes will take effect for options granted on or after 6 April 2027.

Pensions

This year's Budget announcements included the following measures affecting pensions.

On excess lump sum death benefits, HMRC will use a new standalone process to assess and collect tax where benefits paid following a death before age 75 exceed the member's available lump sum and death benefits allowance. Beneficiaries will be taxed on their share of the excess at their marginal income tax rate, rather than as pension income. The changes are broadly retrospective to 6 April 2024, with transitional provisions covering relevant payments in 2023/24.

From 28 October 2026, otherwise tax-free pension and lump sum death benefits will no longer become taxable solely because payment occurs more than two years after the scheme administrator knew, or could reasonably have known, of the member's death. This removes a potentially punitive tax outcome where payments are delayed for genuine administrative or practical reasons.

From 6 April 2027, defined benefit occupational pension schemes will be able to make direct payments of surplus assets to members, where scheme rules permit and trustees agree. Payments meeting the relevant conditions will be taxed as pension income. This potentially gives well-funded schemes greater flexibility over how surplus assets can be used, while retaining safeguards around funding levels, member age and avoidance.

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Individuals

General rates and thresholds

The personal allowance and non-devolved income tax rate thresholds will remain frozen until 2031.

The capital gains tax (CGT) annual exempt amount is unchanged.

The rate of income tax on property income will increase from 6 April 2027 to 24, 44 and 49 percent respectively in England and Northern Ireland.

The rate of income tax on savings income will increase from 6 April 2027 to 24, 44 and 49 percent respectively across the UK.

Otherwise, headline income tax and CGT rates are unchanged.

From 6 April 2027, the trading allowance will increase from £1,000 to £3,000.

A new pension tax allowance will be introduced from 6 April 2027. This will ensure that individuals who are above state pension age with total income that does not exceed the annual value of the full new State Pension (2027/28: £13,037) will not pay any income tax. The allowance will taper away at a rate of £1 for every £3 of income above that amount.

For people who pay Scottish or Welsh income tax on their wages and other non-savings, non-dividend income, the exact tax rates – and in Scotland, the income bands they apply to – for the 2027/28 tax year will be decided and announced later as part of the Scottish and Welsh Government budget processes.

Shareholder specific

The Government has announced CGT Founders' Relief from 6 April 2027, providing a 10 percent CGT rate on up to £10 million of lifetime gains for qualifying founders of high-growth, innovative companies, subject to detailed eligibility conditions to be set out in Finance Bill 2026-27.

The Government will reduce the lifetime limit of gains eligible for Business Asset Disposal Relief from £1 million to £500,000 for disposals made on or after 6 April 2027.

There are updates to the tax treatment of company distributions from 6 April 2028, which aim to ensure that certain returns to shareholders are taxed as dividends rather than benefiting from capital treatment, while preserving capital treatment for genuine changes in ownership. These changes follow a recent HMRC consultation, and it has been confirmed that the Government intends to introduce all main measures proposed in that consultation. Draft legislation is expected to be published in 2027. See our previous article following KPMG's response to the consultation.

Following the call for evidence looking at 'Tax Support for Entrepreneurs', the Government is making some changes to the Seed Enterprise Investment Scheme (SEIS), Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) rules. For shares issued on or after 6 April 2027, exceeding the EIS investment limit will not result in the loss of all tax relief; instead, relief will be retained on the portion of the investment within the scheme limits. Changes will allow SEIS, EIS and VCT investment on the same day, prevent one investor's late payment from affecting tax relief for other investors, and other amendments to make these schemes more consistent, simpler and easier to operate.

The calculation of the amount of CGT gift holdover relief available on certain gifts of business assets is subject to technical changes from 6 April 2027 which will make it more generous in some situations involving intangible fixed assets or shares qualifying for the substantial shareholding exemption.

Legislation will be introduced to ensure that the capital gains anti-avoidance rules for non-resident close companies will also apply to protected cell companies, effective from 28 October 2026.

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Compliance and Tax Disputes

The Government has published its response to the consultation on the introduction of more timely payments in Income Tax Self-Assessment (ITSA). It has concluded that the timely payment reforms will proceed from April 2029, but direct payments (for example through Direct Debit) will be the default option for relevant taxpayers, with an opt-in for deduction against a PAYE source of income if that is preferable for the taxpayer. The Government has also committed to implementing new and easy-to-use digital tools that will assist taxpayers with managing their regular payments. There will be further consultation with stakeholders on the practicalities, with additional details to follow. See our article following KPMG's response to the consultation.

HMRC has announced a significant strengthening of their approach to wealthy taxpayer compliance, with greater use of data, technology and specialist resource to identify and address tax risks. The measures include: expanded Customer Compliance Manager (CCM) oversight, including a CCM for every identified billionaire with a UK tax footprint, and to around 2,400 of the 8,000 other Wealthy taxpayer population; recruitment of 400 additional specialists by 2030 to tackle offshore non-compliance; increased use of AI and connected data sources, including the Trust Registration Service and Register of Overseas Entities; and greater visibility of crypto assets through international information exchange. HMRC also intend to publish a standalone offshore tax gap estimate in 2027, alongside work to improve their estimate of the wealthy tax gap, currently £3.6 billion for 2024/25.

Legislation to modernise the correction of errors in tax documents sent to HMRC requiring taxpayers to correct inaccurate tax returns and documents will be introduced through legislation in Finance Bill 2026-27 and take effect from 1 April 2028. For further detail see our previous article on this measure.

Property specific

The high value council tax surcharge (HVCTS), also known as 'mansion tax', threshold will be set at £2 million, as previously announced. HVCTS will be introduced from April 2028.

Annual Tax on Enveloped Dwellings (ATED) charges will increase by 3.5 percent for the 2027–28 charging period, in line with September 2026 CPI.

The Government is consulting on new reporting requirements for property income data, under which letting agents and tenancy deposit protection schemes would provide HMRC with more frequent and timely information on UK residential landlords and rental income.

Inheritance tax

The inheritance tax nil rate band and residence nil rate band will remain frozen at £325,000 and £175,000 respectively until 2031.

The £2.5 million combined 100 percent agricultural and business property relief allowance is unchanged.

The Government will amend the inheritance tax rules on liabilities relating to trust property, including introducing a statutory rule for liabilities properly incurred by trustees and extending existing restrictions to prevent certain liabilities funded using value originating from a beneficiary's own estate from reducing the Inheritance Tax due. The changes will apply to deaths and other chargeable events occurring on or after 28 October 2026.

Unused pension funds and pension death benefits come into the scope of inheritance tax with effect from 6 April 2027. The Government will make minor amendments allowing prospective personal representatives to direct pension scheme administrators to pay inheritance tax to HMRC and clarifying the treatment of pension property when calculating the reduced rate of inheritance tax where part of an estate passes to charity.

International matters

No further changes were announced to the Foreign Income and Gains (FIG) regime.

No significant changes or simplification were announced regarding the Transfer of Assets Abroad or Settlements anti-avoidance legislation.

The Government did not introduce a new exit charge for individuals leaving the UK for CGT or inheritance tax purposes.

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The Government has introduced an administrative easement to the CGT exit charge rules for temporarily migrating trusts so that no exit charge arises where a trust becomes UK resident solely because a trustee moves to the UK and then ceases to be UK resident in that year or the following year. This will be effective from 28 October 2026.

Investments specific

The Government will retain the Cash ISA limit at £20,000 for all savers over the age of 18 from April 2027 and will work with industry to develop a new incentive for individuals investing in a Stocks and Shares ISA for the first time.

The Government will introduce a new First Time Buyer ISA which will replace the existing Lifetime ISA (LISA) for new savers. Under the new proposal, savers would receive a government bonus of 25 percent on the final account balance up to a maximum of £200,000 when purchasing their first home. Existing LISA holders can continue contributing to and using their account under the old rules. Further legislation will be introduced before the new First Time Buyer ISA products are introduced in April 2029.

Changes to the taxation of certain crypto asset arrangements for individuals and trustees are going ahead from April 2027. The changes would generally defer CGT on qualifying crypto asset loans and liquidity pool arrangements until there is an economic disposal, while disposals of eligible stablecoins would be exempt from CGT. See our previous article on the L-Day draft clauses on taxation of crypto loans, liquidity pools and stablecoins.

This year's Budget announcements included some measures affecting pensions.

On excess lump sum death benefits, HMRC will use a new standalone process to assess and collect tax where benefits paid following a death before age 75 exceed the member's available lump sum and death benefits allowance. Beneficiaries will be taxed on their share of the excess at their marginal income tax rate, rather than as pension income. The changes are broadly retrospective to 6 April 2024, with transitional provisions covering relevant payments in 2023/24.

From 28 October 2026, otherwise tax-free pension and lump sum death benefits will no longer become taxable solely because payment occurs more than two years after the scheme administrator knew, or could reasonably have known, of the member's death. This removes a potentially punitive tax outcome where payments are delayed for genuine administrative or practical reasons.

From 6 April 2027, defined benefit occupational pension schemes will be able to make direct payments of surplus assets to members, where scheme rules permit and trustees agree. Payments meeting the relevant conditions will be taxed as pension income. This potentially gives well-funded schemes greater flexibility over how surplus assets can be used, while retaining safeguards around funding levels, member age and avoidance.

Other measures for individuals

Following consultation, the Government will introduce a new credit-based relief mechanism to address double taxation for UK resident individuals with interests in US LLCs and other 'reverse hybrids', rather than proceeding with the proposed transparent treatment. The relief is expected to be available on an elective basis, with claims possible from early 2028. The Government is also considering options for historic periods and ongoing disputes. See our previous article for further details on the original proposals.

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