

HELPING HOUSEHOLDS

OCTOBER 2026

For an Autumn Budget lacking in blockbuster headlines, there are many points of detail in the announcements: tax raids on property, savings, and the banks' help to fund the Government's spending commitments, while HMRC adopts an enhanced approach to examining the tax affairs of the wealthy.

In contrast with some recent fiscal events, the build-up to John Healey's first Autumn Budget was relatively restrained, with Healey and the Government seeking to limit uncertainty by flying fewer policy kites in the media wind beforehand.

However, the Government could not resist making several pre-Budget announcements, namely removing standing charges from domestic gas bills, reversing the previous Chancellor's decision to cut the Cash ISA allowance, and the proposed removal of import tariffs from around 100 supermarket products.

Just like Chancellors before him, Healey has inherited an uncomfortable fiscal position with his headroom curtailed by ongoing global conflicts, rising inflation, and an increase in the cost of borrowing.

Healey's Budget includes a support package for households in the form of a one-off £100 energy payment for homes in tax bands A to D, at a cost of £2.6 billion; a new tax allowance designed to ensure that pensioners with income no higher than the full new State Pension do not pay Income Tax during this Parliament; a further postponement in the planned increase in fuel duty for motorists; and a new First Time Buyer ISA to help people of all ages onto the housing ladder.

BUDGET BRIEFING

RAWLINSON & HUNTER

To prop up small businesses, the rates relief threshold will rise from a rateable value of £12,000 to £18,000, and the Government is also pledging to reduce the regulatory burden. Alongside this, and to encourage start-ups, entrepreneurs are being offered a new Founders' Relief, providing a 10 per cent Capital Gains Tax rate on qualifying gains up to £10 million. It was also stated that the Government plans to modernise the tax treatment of foreign sovereign investment.

To meet his spending promises, Healey made clear that he would exercise fiscal discipline by using the 'buffer' when it was needed and by meeting spending with income. However, to maintain the Labour Party's manifesto pledge not to increase National Insurance, the basic, higher, or additional rates of Income Tax, or VAT, he has been left with little room for manoeuvre, meaning the Chancellor has again had to look elsewhere to find pockets of additional revenue.

Among many other measures that are outlined in this briefing note, from April 2027 new increases to the Income Tax rates on property and savings income will add two percentage points above the previously announced increase, producing rates of up to 49%, while increasing the corporation tax surcharge for banks to 6% is projected to raise £1.6 billion in a temporary 15-month period. The Government has also committed to strengthening HMRC compliance units, citing a particular focus on the affairs of wealthy individuals as being a risk area.

With the Autumn Budget aiming to address immediate cost of living concerns, the Chancellor will be hoping that his measures provide relief to many while stretching investors and raising the country's tax burden to a record high. It remains to be seen whether the breathing space he has created will be followed by fresh hope in the future.

PERSONAL TAX

Income Tax

Income Tax Rates

The Government stated that the "Budget rejects broad-based tax rises", as reflected in the retention of the headline rates of Income Tax on earnings. The Personal Allowance remains at £12,570, with the higher and additional rate thresholds remaining at £50,270 and £125,140 respectively. As previously announced, these thresholds will be frozen until 5 April 2031.

Income Tax reduction for pensioners

Our Spring Statement 2026 briefing highlighted the effect of frozen Income Tax thresholds on pensioners. In particular, the full new State Pension was expected to exceed the £12,570 Personal Allowance from 2027/28. The Government has stated that individuals whose only income is the basic or new State Pension should not pay Income Tax during this Parliament.

The Autumn Budget now confirms how that commitment will be delivered. A new Pension Tax Allowance will apply from 6 April 2027 to 5 April 2030.

The Pension Tax Allowance is a tax reduction for people who are above State Pension age, or those who reach State Pension age within the tax year.

For 2027/28, the full new State Pension will be £13,036.40, compared with a Personal Allowance of £12,570. An eligible individual (being an individual who is above State Pension age or reaches State Pension age within the tax year) whose total income does not exceed £13,036.40 will receive a tax reduction sufficient to eliminate the resulting Income Tax liability.

Importantly, eligibility is determined by reference to total income rather than simply State Pension income. Where total income exceeds the new State Pension amount, the relief will be reduced by £1 for every £3 of additional income. For 2027/28, the allowance will, therefore, cease to provide relief when total income reaches £13,319.

Increase in the trading allowance

From 6 April 2027, the trading allowance will increase from £1,000 to £3,000. Broadly, the allowance will exempt an individual's trading or miscellaneous income up to £3,000. Where this applies, there will be no requirement to report the income. Where income exceeds £3,000, a £3,000 deduction may be available instead of deducting actual expenses incurred.

Child Benefit and the High Income Child Benefit Charge

The Government is making changes to deal with the interaction between Child Benefit overpayments and the High Income Child Benefit Charge (HICBC).

The HICBC currently applies where an individual or their partner receives Child Benefit and the higher earner's adjusted net income exceeds £60,000. The charge progressively recovers the Child Benefit where income falls between £60,000 and £80,000.

Under the new measure, Child Benefit overpayments can be offset against HICBC liabilities and will have retrospective effect from HICBC's introduction in January 2013.

Savings and investments

Cash Individual Savings Account (ISA)

In a reversal of the announcement at the Autumn Budget 2025, the Government will retain the £20,000 annual cash ISA subscription limit, scrapping the £12,000 limit on cash contributions which was due to take effect on 6 April 2027. This reflects the Government's recognition of the importance of making investment more accessible. Similarly, the Government will work with industry to explore a new incentive for people investing in a Stocks and Shares ISA for the first time.

First Time Buyer (FTB) ISA

A new FTB ISA will be introduced from 6 April 2029. It is to replace the existing Lifetime ISA (LISA) for new savers. An individual will be able to contribute up to £4,000 per year, which will count as part of the individual's annual £20,000 ISA allowance. The Government will provide a 25% bonus which will be paid by reference to the account balance at the time of withdrawal (not to the amounts subscribed) to purchase a first home worth up to £450,000. The bonus will be capped at a maximum of £20,000. Unlike the existing LISA, it will not have an upper age restriction.

Existing LISA holders will be able to continue contributing to their accounts under the current rules. From 29 October 2026, the withdrawal charge for the purchase of properties above the £450,000 cap will be reduced from 25% to 20%. The charge for unauthorised withdrawals will remain at 25%.

Enterprise Investment Scheme (EIS), Seed Enterprise Investment Scheme (SEIS) and Venture Capital Trust (VCT) changes

The Autumn Budget 2025 significantly expanded the EIS and VCT regimes from 6 April 2026, doubling the annual company fundraising limits to £10 million (£20 million for knowledge-intensive companies), increasing

the lifetime and gross asset limits, but reducing VCT Income Tax relief from 30% to 20%. EIS and SEIS Income Tax reliefs remain at 30% and 50% respectively.

The Autumn Budget 2026 makes further, mainly technical, changes from 6 April 2027. These include preventing an EIS investment that exceeds an investment limit from automatically losing all relief; allowing SEIS and EIS or VCT investments on the same day; and preventing one investor's late payment from affecting other investors' relief.

The SEIS interest rules will also be aligned with EIS, while withdrawn VCT relief will be calculated using the rate applying when the shares were issued. HMRC will also seek to improve the EIS and SEIS Advance Assurance process and guidance on fundraising and intermediary fees.

Hybrid entities: US LLC consultation concludes

As readers of our Autumn 2026 issue of Tax Pulse may recall, the Government's consultation on reforming the tax treatment of UK resident individual members of LLCs and other reverse hybrids closed on 31 July 2026.

The consultation was seen as a positive step, but uncertainty remained over how the Government would address the cross-border mismatch in tax treatment.

As part of the Autumn Budget, HMRC has now published the outcome of the consultation.

In its response the Government reiterated its commitment to attracting global talent and investment, although the Government has identified double taxation as a potential barrier. This will be a familiar issue for investors in hybrid entities.

While the Government has confirmed that reverse hybrid entities will continue to be treated as opaque for UK tax purposes, with distributions subject to Income Tax at dividend rates, it considers that the right approach is for distributions from certain entities to benefit from a new domestic foreign tax credit mechanism. This will allow UK resident individuals to mitigate double taxation by obtaining credit for foreign taxes paid in respect of these 'reverse hybrid entities'.

The entities that will benefit from the credit include US LLCs, US S-Corps, Jersey LLCs and French SCIs. The credit will take account of foreign tax paid personally by an individual in the foreign jurisdiction (i.e. on a transparent basis) on the profits, income and gains of the entity, against the personal tax liability on the dividend.

The relief will be elective, with the aim of bringing the effective tax rate for investors in reverse hybrid entities closer to that applying to investors who participate in a UK limited company.

No further details have been provided at this stage. The Government will shortly open a technical consultation covering, amongst other matters, the calculation of the credit and the treatment of timing mismatches. It has, however, been confirmed that claims for the new credit will be possible from early 2028.

Encouragingly, the Government concludes its response by acknowledging the significance of historical and ongoing disputes arising from the current treatment of reverse hybrids. Further detail will, therefore, be important in determining the practical effect of the proposals. However, the announcement is a welcome development for UK resident individuals who have historically faced double taxation when investing through foreign entities with a mismatch in UK tax treatment.

Pensions

Defined benefit pension scheme surpluses

Some defined benefit pension schemes have accumulated assets which exceed those required to provide members' benefits. From 6 April 2027, the Government will change the pension tax rules to allow qualifying schemes to make payments of surplus assets directly to members.

This does not give members a right to receive a share of a scheme's surplus, but where a qualifying surplus payment is made to a member, it will be an authorised pension payment and subject to Income Tax as pension income.

Lump sum death benefits exceeding the allowance

The Lifetime Allowance was abolished from 6 April 2024 and replaced by the Lump Sum and Death Benefit Allowance of £1,073,100. The Government is making changes to how Income Tax is assessed where a lump sum death benefit exceeds the deceased's available allowance.

For deaths before age 75, the excess will no longer be treated as pension income of the individual beneficiary. HMRC will instead have a mechanism to assess each beneficiary on their share of the excess, using their marginal Income Tax rate for the year in which the payment is made.

The measure will make amendments to preserve relief where the benefit is subject to both inheritance tax and Income Tax.

The measure will have retrospective effect for relevant lump sum death benefits paid on or after 6 April 2024, with transitional provisions applying for 2023/24.

Removal of the pension two-year rule

A further change concerns the two-year time limit applying to certain pension death benefits.

Under the existing rules, tax-free pension death benefits can become taxable where they are paid more than two years after the scheme administrator first knew, or could reasonably have been expected to know, about the member's death.

The two-year rule is removed for payments made on or after 28 October 2026. An otherwise tax-free death benefit will, therefore, no longer become taxable simply because the payment was delayed beyond this period.

The change is of use where the administration of an estate or pension benefits has taken longer than expected.

Modernising HMRC's approach to wealthy compliance

HMRC defines an individual as 'wealthy' if they have income over £200,000 or assets valued at £2 million or more, in any of the previous three years. HMRC's latest records indicate that there are approximately 1.3 million 'wealthy' taxpayers, who accounted for around £160 billion of tax receipts in 2025/26.

HMRC acknowledges that most wealthy taxpayers meet their tax obligations and that having complex tax affairs does not, in itself, indicate non-compliance. Their aim is to make it easier for wealthy taxpayers to understand and meet their tax obligations.

As HMRC modernises, it intends to make greater use of data and technology both to improve its service to wealthy taxpayers and to identify potential risks and errors at an earlier stage. The number of taxpayers meeting HMRC's wealthy criteria has increased substantially, from around 700,000 in 2021/22 to approximately 1.3 million in 2025/26, despite the criteria remaining unchanged.

A key part of HMRC's approach is to connect information which has historically been held across different systems, such as reconciling data from the Trust Registration Service and the Register of Overseas Entities. HMRC will combine its existing information with UK and international third-party information, and open-source data to obtain a more complete picture of an individual's affairs and identify relationships that may not be apparent from individual records. HMRC envisages this will better identify how income, assets, businesses, trusts, partnerships and offshore structures are connected to wealthy taxpayers, while maintaining a proportionate approach.

This is particularly relevant for wealthy taxpayers with international affairs, such as billionaires with a UK footprint, towards whom HMRC is taking an enhanced approach. HMRC already receives substantial information regarding offshore financial accounts through international exchange arrangements, and those arrangements are expected to expand in future years to include cryptoassets and overseas real estate.

HMRC intends to make greater use of analytics and AI to identify potential discrepancies, and its approach will vary depending upon the complexity and perceived risk associated with an individual's affairs. This may range from digital guidance and targeted communications through to a dedicated Customer Compliance Manager. HMRC is increasing its resources and intends to recruit further specialists to strengthen its support for wealthy taxpayers.

Where HMRC establishes deliberate non-compliance or fraud, it intends to use the civil and criminal sanctions available to recover unpaid tax and behavioural penalties. HMRC reports that penalties charged to wealthy individuals increased from 456 in 2023/24 to 803 in 2025/26.

There will also be an improved flow of information between compliance and debt management teams within HMRC so that outstanding tax liabilities are settled promptly. For individuals who owe tax and have the means to pay it, HMRC expects prompt settlement and intends to use information about assets, income, businesses and connected entities to assess ability to pay, with action taken using the powers available for any outstanding tax liabilities.

Self Assessment and MTD

Making Tax Digital (MTD)

As noted in our Autumn Budget 2025 briefing, MTD for Income Tax began in 2026/27 for individuals with combined rental and self-employment income in excess of £50,000.

The Government has now announced that the start of MTD will be deferred for certain groups of taxpayers until further notice, being those eligible for qualifying care relief, non-UK resident foreign entertainers and sportspeople, and expected non-resident individuals.

There will also be a 12-month penalty easement for taxpayers entering MTD in April 2027. These taxpayers will not receive penalty points for late submission of their first four quarterly updates in 2027/28.

Timely payments of Income Tax under Self Assessment

There are also changes expected regarding the timing of Self Assessment tax payments as the Government intends to modernise its collection system. Currently, tax is paid over nine months after the end of the

tax year the income is earned, with payments on account being made towards the following tax year in the January of that tax year, and the following July. The Government's concern is that this contributes to large tax bills and potentially leads to a tax debt. A consultation on this matter collected views on bringing payments closer to the point at which income is earned, either under Pay As You Earn (PAYE) or through reforms to the payments on account regime.

Following consultation, the Government has decided not to proceed with compulsory PAYE collection. Instead, from April 2029, taxpayers within the existing payments on account regime will be required to make smaller, more regular payments during the year which should bring the UK's Self Assessment system more in line with other OECD countries. The Government advised that they will continue to work with taxpayers and stakeholders on the most appropriate design and implementation of the proposed payment system.

CAPITAL GAINS TAX (CGT)

Business disposals and reliefs

CGT: reduction in the Business Asset Disposal Relief lifetime limit

Business Asset Disposal Relief (BADR) provides a reduced 18% CGT rate on gains from qualifying disposals. The relief previously applied to lifetime gains of £1 million but is being reduced to £500,000 with effect from 6 April 2027.

There will be provisions dealing with contracts entered into before 6 April 2027 that have not been completed, as well as certain share reorganisations and exchanges of securities which have not been completed before 6 April 2027.

CGT: introduction of Founders' Relief

Counter to limiting the benefits of BADR, a new relief for entrepreneurs known as Founders' Relief (FR) has been proposed. FR provides for a reduced CGT rate of 10% on up to £10 million of gains arising to company founders and early investors.

A consultation was launched at the Autumn Budget 2026 and will run until 30 November 2026. Subject to this, it is anticipated that FR will be introduced via amendments to the Finance Bill 2026-27 and apply to qualifying disposals from 6 April 2027.

The current format of the relief imposes three sets of conditions: one for the shareholder, one for the company and a final set on the growth and innovation of the business.

The shareholder
The shareholder must be an individual who meets the following conditions:

1. Held 25% of the company's ordinary share capital (along with voting rights, entitlement to profit distributions and assets on a winding up) when the trading activity for which the company was set up or the preparation for that trade commenced;

2. Held the shares or securities for at least five tax years before the disposal; and

3. Was UK tax resident under the Statutory Residence Test for at least five continuous tax years preceding the disposal.

Note that FR applies to all company shares disposed of by the qualifying individual, not just the shares acquired when the company started trading or the original shareholding. The 25% interest can also be met where the individual holds shares in the holding company of a trading group.

The £10 million limit will be reduced for any BADR or Investor Relief claims made from 6 April 2027.

The company
The company must:

1. Be within the scope of UK Corporation Tax (i.e. UK tax resident or carrying on a business in the UK through a permanent establishment);

2. Have had a substantial UK presence for the five accounting periods preceding disposal;

3. Be a trading company or the holding company of a trading group with no substantial non-trading activities or excluded trading activities;

4. Continue the trade it was established for when the founder's shares were issued with no major change in the nature of the trade;

5. In the accounting period prior to disposal:

    a. Generate turnover of at least £10 million, and

    b. Have at least 15 qualifying full-time employees in the accounting period prior to disposal. The term qualifying full-time employee refers to an employee who works at least 35 hours per week and is paid at least the national minimum wage. This condition does not apply to directors, contract workers, and agency workers.

Accounting period is defined as for Corporation Tax. However, the corresponding number of whole years will apply when the period is less than 12 months.

Certain activities are not treated as trading for the purposes of FR. These are based on the Enterprise Investment Scheme rules and include dealing in land, financial services or property development.

The company can be listed or unlisted.

Growth and innovation conditions
The final conditions apply to the business itself and at least two of the following conditions must be met in order for FR to be available:

1. Turnover: Annual average compound growth in turnover of 25% over three consecutive accounting periods in the ten years preceding disposal. Furthermore, the accounting period immediately before the three year period must have had turnover of at least £10 million.

2. Headcount: Annual average compound growth in headcount of at least 25% in qualifying full-time equivalent employees over three consecutive accounting periods in the ten years preceding disposal. Furthermore, in the accounting period immediately before the three year period, the company must have had 15 full-time employees.

3. Innovation: Incurred qualifying expenditure of £1.5 million or more on research and development (R&D) which meets all the conditions to make an R&D tax relief claim and have claimed R&D tax reliefs on such expenditure for an accounting period or periods ending within the three years preceding disposal.

Claims
Assuming that the shareholder, company and growth and innovation conditions are satisfied, FR will require a claim in the shareholder's self-assessment return for the tax year in which the disposal arose. A further form may also need to be submitted alongside the tax return in order to claim relief.

Much of the information to demonstrate a shareholder's eligibility for FR will be held by the company. The consultation document proposes the introduction of a statutory right for the individual to access such information or a certificate confirming relevant particulars.

CGT relief on gifts of business assets

Gifts of assets can result in a deemed market value disposal of the asset for CGT purposes. Where the asset in question is a qualifying 'business asset', it may be possible for the gain to qualify for 'Holdover Relief', which broadly results in the gain being deducted from the recipient's base cost.

Holdover on company shares can be restricted when the company or a corporate group holds assets which are not used for trading purposes.

As announced in the Autumn Budget 2025, the calculation of this restriction will be expanded to take into account assets which qualify for tax exemption under the Substantial Shareholding Exemption or are subject to the intangible fixed assets regime. This will apply from 6 April 2027.

Company distributions and capital extraction

Earlier this year, the Government set out proposals to reform the tax rules dealing with distributions made by companies to shareholders who are individuals or trusts. Having considered the feedback from stakeholders, they are expected to proceed with a package of seven reforms, subject to technical consultation and draft legislation in 2027, with the changes taking effect from April 2028.

Capital repayments after reorganisations

For unlisted companies, capital treatment will generally be limited to the amount originally subscribed by shareholders. Reorganisations after commencement will therefore no longer create additional capital that can later be extracted at capital rates. Listed companies will be excluded.

Demergers

Statutory demerger relief will be substantially broadened to replace the reduced availability of capital reduction demergers. Some demergers preceding third party sales will qualify, and the existing 'all or substantially all' test will remain.

Distributions from non-UK companies

Certain buybacks, capital repayments and other distributions from non-UK companies will be brought within the UK Income Tax distributions code. Protections are intended for genuine fund investment returns and asset-manager co-investment, while stock dividends will become taxable.

Loans from non-UK companies

UK tax resident individuals will face a temporary tax charge on loans from closely controlled non-UK tax resident companies. This is expected to be broadly the same as the rules that apply to UK close companies. The Government is considering restricting this to individuals with material interests and excluding loans made for genuine commercial purposes.

Purchase of own shares

The rules will be revised to provide more objective conditions while continuing to support genuine exits and family business succession. The employee requirement will be relaxed, but a 5% minimum shareholding remains the initial proposal. Protections are also intended for tax-advantaged employee share schemes and EIS/SEIS investors.

Unlawful distributions

New priority and relieving rules are intended to prevent the distributions and loans-to-participators regimes producing double taxation where dividends or buybacks are subsequently found to be unlawful or invalid.

Transactions in Securities

These rules are expected to be strengthened and clarified, with detailed proposals to follow. The Government will also consider bringing the regime within Self Assessment.

Cryptoassets

Tax treatment of Stablecoins

Broadly, eligible stablecoins are a specific type of cryptoasset that are designed to be used as a means of payment and to maintain a stable value in relation to a particular fiat currency (e.g. USD). Examples of stablecoins include USDT and USDC.

Currently, disposals of these cryptoassets are chargeable disposals for CGT purposes. From 6 April 2027, disposals of eligible stablecoins will be exempt from CGT but returns will be taxed as savings income (i.e. similar to interest on a cash deposit). For Corporation Tax purposes, qualifying stablecoins will be treated as money debts and potentially taxed under the loan relationship rules.

Tax treatment of Cryptoasset Loans and Liquidity Pools

Currently, there could be a chargeable disposal for CGT purposes when cryptoassets are lent, borrowed or put into certain liquidity arrangements.

From 6 April 2027 onwards, individuals and trustees will not automatically be subject to CGT simply because they lend or borrow cryptoassets or put them into certain liquidity arrangements.

Broadly, lending qualifying cryptoassets and subsequently receiving the same type of cryptoasset back will generally not trigger a capital gain or loss.

Similarly, when qualifying cryptoassets are borrowed, they will be treated as acquired at their market value at the time of borrowing. When equivalent cryptoassets are subsequently returned, they will be treated as disposed of for the same value, broadly resulting in no gain or loss arising from the borrowing and repayment itself. Any collateral provided under the arrangement will generally be ignored for CGT purposes.

Additionally, putting cryptoassets into certain smart-contract liquidity arrangements and receiving the same type and quantity back will generally not trigger a gain or loss. However, if the quantity received is different from the quantity originally contributed, a capital gain or loss can arise on the difference.

The objective of introducing these measures is to align the tax treatment of certain cryptoassets more closely with the economic substance of the transactions, by ensuring that gains and losses are generally recognised only when there is an economic disposal of the cryptoassets.

CGT administration

CGT: returns for disposals of UK land and late filing penalties

When individuals, trustees and personal representatives dispose of UK residential property, UK tax rules require that the person should file a UK property disposal return and pay any CGT within 60 days of completion.

In the Autumn Budget 2026, the Government announced that amendments would be introduced so that where the taxpayer fails to make a UK property return but has subsequently reported the disposal in their self-assessment tax return, the obligation to submit a separate UK property return ceases and any late filing penalties will stop accruing from when the self-assessment tax return is submitted. This applies to any self-assessment tax returns submitted on or after 28 October 2026.

Changes to the Cultural Gift Scheme

This scheme allows individuals to donate pre-eminent works of art, archives or other cultural objects for public benefit and receive a tax credit equating to 30% of the agreed value, which can be set against Income Tax and/or CGT, over an agreed period of up to five tax years. In these circumstances, the gift itself is not treated as giving rise to a chargeable gain.

As was announced at the Tax Update Spring 2025, the Government will introduce legislation to allow jointly owned property to be donated under the Cultural Gift Scheme, and for the relief to be calculated by reference to a donor's beneficial ownership of that property. The measure will also allow donors one opportunity within the five-year limit period to amend their remaining tax credit allocation.

These changes are expected to apply to qualifying gifts where the offer of the gift is registered on or after 6 April 2027.

Other CGT changes

Capital sums received for surrendering rights

The Government announced changes to CGT legislation to ensure that capital sums received under a surrender of contractual rights are taxable. This measure is introduced following the First-tier Tribunal decision in Dialog Semiconductor Ltd v HMRC [2025] UKFTT 1188 (TC) where a capital sum was determined not to be taxable because it did not arise from a capital asset. This measure will apply to capital sums received from 28 October 2026.

CGT exit charges for temporarily migrated trusts

UK rules provide that a UK resident trust which becomes non-UK resident is deemed to have made a market value sale of all its assets which is then subject to UK tax. This is known as the 'exit charge'. Trust residence is, in part, determined by reference to the residence of each trustee, which means that a trustee who moves to the UK could result in the trust becoming UK resident. The trust would then face an exit charge in order to resume its non-resident status.

To help in such situations, the Government announced that the CGT legislation will be amended to prevent an exit charge when a trust becomes UK resident because one of its trustees moves to the UK provided that the trust ceases UK residence in the same or the following tax year. This measure has effect for exit charges arising from 28 October 2026.

Gains of offshore companies attributed to UK residents: protected cell companies

There are anti-avoidance provisions aimed at UK resident individuals, trustees and companies that hold assets through a closely controlled non-UK company. Broadly, where such a company realises a capital gain, an appropriate share of that gain may be attributed to its UK resident owners or other 'participators', and taxed on them directly, provided their interest in the company exceeds 25%.

A protected cell company is a single legal company containing a number of separate cells, with the assets and liabilities of each cell ringfenced from those of the other cells. Before this change, the 25% ownership test applied by reference to a person's interest in the protected cell company as a whole, which could prevent the rules from applying where a UK resident held a substantial or controlling interest in one particular cell, but no more than 25% of the company when all cells were considered together.

For gains arising on or after 28 October 2026, the test can instead be applied to the person's interest in the individual cell that made the gain. This ensures that a UK resident with an interest exceeding 25% in a particular cell can potentially be taxed on the appropriate share of that cell's gain, even where their interest in the protected cell company overall does not exceed 25%.

INHERITANCE TAX (IHT)

Liabilities and trust arrangements

Preventing unintended deductions for liabilities in trust arrangements

The Government will introduce statutory rules governing the treatment of liabilities when valuing settled property for IHT purposes. Liabilities properly incurred by trustees on behalf of a settlement will generally be taken into account, subject to the existing IHT restrictions on liability deductions, replacing the current reliance on the trustees' right of indemnity.

Where a person is treated as beneficially entitled to settled property for IHT purposes, equivalent anti-avoidance restrictions will apply to prevent liabilities connected with value originating from that person's estate from producing an unintended IHT deduction. Supplementary provisions will also address arrangements under which such liabilities are discharged before death.

The changes will apply to transfers of value made, and occasions on which IHT is chargeable, on or after 28 October 2026.

IHT and pensions

Minor technical amendment(s) to the extension of IHT to pensions

Most unused pension funds and pension death benefits will be brought within the value of a person's estate for IHT purposes from 6 April 2027.

In connection with this, the Government will be introducing legislation that allows:

- a prospective personal representative to direct pension scheme administrators to pay the IHT due to HMRC when certain conditions are met; and

- a personal representative to decide whether notional pension property is included in the 'general' component of the estate or as a separate component for the purposes of calculating the reduced rate of IHT that can apply when part of the estate is left to charity.

PROPERTY

Property income

Increases to tax rates on property and savings income

The previous Autumn Budget announced a 2% increase in the Income Tax rates applying to property and savings income from 6 April 2027. The Autumn Budget 2026 goes further, increasing the rates applying to savings and property income by another 2%, bringing the basic, higher and additional rates to 24%, 44% and 49% from 6 April 2027.

Therefore, compared with the rates applying before the changes announced in 2025, these represent increases of four percentage points. The devolved Governments of Scotland and Wales have, however, been given the ability to set property income rates in line with their current Income Tax powers.

Improving property income reporting

The Government has published a consultation on improving the information provided to HMRC regarding property rental income.

Under the proposals, letting agents and some other parties would be required to report information to HMRC on an ongoing basis. The consultation addresses the information to be supplied and the frequency of reporting.

The proposals form part of the Government's wider efforts to improve the information available to HMRC to allow them to identify landlords who have not correctly reported their rental income.

Residential property

High Value Council Tax Surcharge (HVCTS)

Following the announcement in the Autumn Budget 2025 of HVCTS from 1 April 2028 on residential properties in England worth £2 million or more, the Government has published its consultation response. It will introduce a deferral scheme for homeowners who meet at least one of three criteria: annual household income of £35,000 or less, capital savings of £16,000 or less, or a household member who meets the disability criteria. In these cases, the charge will be deferred until the ownership of the property changes.

Revaluations will be conducted every five years and valuations may be challenged. A series of discounts and exemptions will apply to certain properties such as care homes, registered social housing and working farmhouses subject to meeting eligibility conditions.

A 100% premium on properties which are substantially unfurnished and unoccupied for a period of 12 months or more will also be levied.

Annual Tax on Enveloped Dwellings (ATED)

As announced in the Spring Statement 2026, the ATED annual charges will rise by 3.5% from 1 April 2027 for the 2027/28 charging period in line with the September 2026 CPI. As a point of comparison, the below charges will apply for the next two tax years:

Taxable value of the property	2026/27	2027/28
£500,001 to £1 million	£4,600	£4,750
£1,000,001 to £2 million	£9,450	£9,750
£2,000,001 to £5 million	£32,200	£33,300
£5,000,001 to £10 million	£75,450	£78,050
£10,000,001 to £20 million	£151,450	£156,750
Over £20 million	£303,450	£314,050

Stamp Duty Land Tax (SDLT)

Group relief clawback

SDLT group relief allows property to be transferred between companies in the same corporate group without an SDLT charge, but the relief is generally withdrawn if the purchasing company leaves the group within three years while still holding the property.

From 29 October 2026, winding up the transferor company will no longer prevent this clawback if the purchaser company subsequently leaves the group within the three-year period, closing off arrangements under which a liquidation could be used to avoid SDLT ahead of a sale of the property-owning purchasing company.

Property-related VAT

Land for social housing

A new zero rate will apply to qualifying supplies of land to registered providers of social housing from 1 April 2027. This will allow landowners to recover VAT on associated costs without charging VAT on the sale, removing the need for partial-build arrangements used to secure zero-rating rather than exemption. The measure is intended to encourage land sales for social housing in support of the Government's housebuilding targets.

Energy-saving materials

The temporary zero rate will revert to the reduced rate of 5% from 1 April 2027, as planned. The reduced 5% rate will also extend to heat batteries installed in residential accommodation and charitable buildings.

BUSINESS TAX

The Autumn Budget included several changes affecting companies and businesses.

These cover Corporation Tax rates, capital allowances, international taxation, research and development, tax administration and compliance.

Corporation Tax rates

The main rate of Corporation Tax will remain at 25% and the small profits rate at 19%. The Government has confirmed these rates for the financial year beginning 1 April 2028.

New first-year allowance

The Government has announced a further increase in the first-year allowance for main-rate plant and machinery, from 40% to 50%, for qualifying expenditure incurred from 1 January 2027. The allowance

will continue to be available to companies and unincorporated businesses, including for qualifying assets acquired for leasing, but not for second-hand assets or cars.

As previously noted, it is likely to be most relevant to businesses, such as certain mixed partnerships, that cannot benefit from the existing £1 million Annual Investment Allowance or 100% Full Expensing.

Reduction in main rate writing-down allowance

The Government has also announced that the main-rate writing-down allowance will be reduced again, from 14% to 12%, from 1 April 2027 for Corporation Tax and 6 April 2027 for Income Tax. This follows the previously announced reduction from 18% to 14% taking effect in April 2026. The latest reduction will apply to expenditure remaining in the main pool, including existing pool balances, although its practical impact should remain limited for businesses unable to obtain full upfront relief through the Annual Investment Allowance or Full Expensing.

Close companies

Close company changes

Following consultation, the Government has decided not to proceed with proposed new reporting requirements for transactions between close companies and their participators (broadly, shareholders) at this time.

Respondents raised concerns about additional costs and administrative burdens, while the consultation also identified difficulties among smaller companies in meeting existing obligations. The Government will consider the issue further as part of its wider review of Corporation Tax reporting and administration.

As set out in the 'Company distributions and capital extraction' section, from April 2028, the loans to participators rules will apply to loans from non-UK tax resident companies to UK tax resident participators. Further guidance and legislation, on what will be a complex implementation and administration of this change, will presumably be released in due course.

International taxation

Foreign permanent establishment exemption

The foreign permanent establishment (PE) exemption will become mandatory for accounting periods beginning on or after 1 January 2027. As a result, profits attributable to a foreign PE will generally be exempt from UK Corporation Tax, while foreign PE losses will no longer be available to offset UK profits.

The existing loss clawback rules will be repealed. These rules can currently require profits arising after an exemption election to be brought into charge where foreign PE losses were relieved before the election. They will be replaced by transitional rules restricting losses and other amounts attributable to a foreign PE from being carried forward into the new mandatory exemption regime.

The changes are intended to prevent overseas losses from reducing UK taxable profits where the corresponding future overseas profits may not ultimately be taxed in the UK. Targeted anti-avoidance provisions will also apply.

International Controlled Transactions Schedule (ICTS)

The previously proposed ICTS is a new annual reporting requirement under which relevant businesses would provide HMRC with standardised information on cross-border related-party transactions, helping HMRC to identify and assess transfer pricing risk. It had been previously announced that the regime is intended to apply for accounting periods beginning on or after 1 January 2027.

Following engagement with businesses, the Government confirmed in the Autumn Budget 2026 that the regime will include additional exemptions for lower-risk arrangements; an intermediate materiality threshold for businesses with a significant UK footprint; and greater aggregation of transaction reporting. However, the Autumn Budget announcements did not expressly confirm the implementation date, and further legislation is expected in the coming months.

Multinational Top-up Tax and Domestic Top-up Tax

Further changes to the UK's Multinational Top-up Tax and Domestic Top-up Tax rules, including implementation of the OECD Side-by-Side package and other technical amendments.

Research and Development tax reliefs

R&D administrative and other changes

The administration of Research and Development Tax Relief claims will be simplified. The Claim Notification Form will be removed from 1 April 2027.

The Additional Information Form will also be simplified from Autumn 2027.

This is a welcome simplification to the administrative aspects of the R&D relief.

Share Schemes

EMI/CSOP and related share scheme changes

The Enterprise Management Incentive (EMI) and Company Share Option Plan (CSOP) are tax-advantaged share option arrangements that allow eligible companies to grant employees options to acquire shares in the future at a price agreed when the options are granted. CSOP is to be renamed Enterprise Management Incentives 2 (EMI2), although, confusingly, HMRC states that it will still be referred to as CSOP in legislation.

EMI is aimed at smaller, higher-growth trading companies and offers considerable flexibility, with eligible employees able to receive options over shares worth up to £250,000. EMI2 is available more widely, including to larger companies and businesses that do not satisfy EMI's qualifying conditions, although it currently has a lower individual option limit of £60,000.

The Autumn Budget 2026 announced a package of favourable changes that will expand EMI2 while leaving the basic structure of the scheme largely unchanged.

EMI2

From 6 April 2027, the individual EMI2 option limit will double from £60,000 to £120,000. The interaction between the EMI and EMI2 individual limits will also be removed, allowing an employee to receive options under both schemes without an award under one scheme reducing the capacity available under the other.

The maximum EMI2 option period will also be extended from 10 to 15 years, giving companies greater flexibility to align the exercise of options with a future exit or other liquidity event.

There is also good news for EMI companies and option holders where a disqualifying event occurs. The period within which an option may generally be exercised while preserving the favourable EMI tax treatment attributable to the period before the disqualifying event will be extended from 90 to 180 days.

Taken together, the changes should broaden the usefulness of EMI2, give companies and employees greater flexibility and reduce the risk of EMI tax advantages being lost following disqualifying events.

Corporate financing and other technical changes

Corporate Interest Restrictions

Changes to the Corporate Interest Restriction (CIR) rules. From 1 January 2027, Audio-Visual Expenditure Credits and Video Games Expenditure Credits will be excluded when calculating taxable earnings for CIR purposes.

Investment life insurance contracts

A technical clarification to the Corporation Tax treatment of investment life insurance contracts, confirming that an existing exemption does not apply where the policy is held for the purposes of the company's trade. The change is expected to affect fewer than 50 businesses and will apply to accounting periods beginning on or after 1 January 2027.

Finance leaseback arrangements

Changes to the tax treatment of certain finance leaseback arrangements, intended to maintain the existing tax treatment following changes to accounting standards.

Corporation Tax administration and simplification

The Government published a number of documents alongside the Autumn Budget setting out plans to simplify and modernise Corporation Tax administration.

Online amendments to Corporation Tax Returns

The response to the 'Modernising and standardising Company Tax Returns' consultation confirms that amendments to Company Tax Returns will generally have to be filed online from 1 April 2028. Exceptions and alternative filing routes will remain available in certain circumstances, including some complex amendments and cases where online filing is not practicable.

Standardised Corporation Tax computations and iXBRL

The Government is also continuing its work to standardise the format and iXBRL tagging of Corporation Tax computations. Following concerns raised during consultation, HMRC has moved away from its original implementation timetable. A further consultation on the completed requirements is expected in early 2027. An implementation timetable will then be determined.

Modernising Corporation Tax administration

Separately, HMRC has published a 'Modernising Corporation Tax administration' call for evidence. This considers how technology, software and data could reduce duplication and make Corporation Tax compliance more efficient. It is a longer-term exercise and does not make immediate changes to Corporation Tax obligations.

Corporation Tax Simplification for Business Investment

The Government has also launched a 'Corporate Tax Simplification for Business Investment' consultation. This seeks views on areas where targeted simplification could reduce complexity and uncertainty and support business investment, growth and competitiveness.

The consultation considers areas including financing and international activity, investment and innovation, and the wider corporate tax experience. The Government intends to use responses to identify and prioritise potential reforms.

Securities Transfer Tax

Replacement of Stamp Duty and SDRT/Securities Transfer Tax reforms

The Government has confirmed that, as previously announced, Stamp Duty and Stamp Duty Reserve Tax on transfers of UK shares and securities will be replaced by a single Securities Transfer Tax (STT). The new regime, previously referred to as the Securities Transfer Charge, will be introduced through Finance Bill 2026-27 and is expected to take effect in late 2027.

EMPLOYMENT AND WORKFORCE

National Minimum Wage

From 1 April 2027, workers aged 18 to 20 will see their minimum hourly rate increase by 3.9%, from £10.85 to around £11.27.

This matches the percentage increase for workers aged 21 and over. Their National Living Wage rate will increase from £12.71 to around £13.21 per hour.

The increase for 18 to 20-year-olds is more modest than those introduced in the previous two years, when rates for younger workers rose more sharply.

Benefits in Kind (BIKs)

The Autumn Budget confirmed that mandatory payrolling of benefits will be introduced in stages from April 2027. Initially, this will cover company cars, vans, car and van fuel, and medical benefits.

All other benefits will come within mandatory payrolling from 6 April 2028. Employer-provided living accommodation and beneficial loans will remain outside the mandatory regime but may be payrolled voluntarily.

Under the new regime, Class 1A National Insurance contributions (NICs) will be calculated and paid in real time through payroll. This represents a significant cash flow change for employers whereas they had previously been deferred until July following the end of the relevant tax year.

Company cars

Broadly, company car benefit in kind charges for directors and employees are calculated by applying an appropriate percentage to the vehicle's list price. The percentage depends upon the vehicle's emissions, with lower percentages applying to electric vehicles.

The Government has announced an increase in the appropriate percentages for 2030/31. The percentage for zero-emission vehicles will increase by one percentage point, from 9% to 10%.

The percentages applying to other vehicles will also increase by one percentage point, subject to a maximum appropriate percentage of 40%.

Image rights

The Autumn Budget 2025 announced that the Government would clarify the treatment of image rights connected with employment. The intention was to ensure that employment-related image rights payments are subject to Income Tax and National Insurance Contributions as employment income from 6 April 2027.

The Autumn Budget confirms the measure but defers its introduction by one year to 6 April 2028.

The change will be particularly relevant for employed sportspeople and entertainers.

Immigration costs

Immigration Skills Charge and Certificate of Sponsorship fees

The Government will introduce legislation in Finance Bill 2026-27 to change the tax treatment of certain immigration-related costs paid by employers. An employer's payment of the Immigration Skills Charge (ISC) or Certificate of Sponsorship (CoS) fee will no longer be treated as a taxable benefit in kind.

Since 31 December 2024, employers have been prohibited from passing these costs on to employees. However, HMRC has treated the costs as an employment-related benefit for tax purposes. This is because the costs are considered an intrinsic part of enabling the employee to obtain their visa.

The new measure removes this tax charge for payments made on or after 28 October 2026.

VAT AND INDIRECT TAXES

Online marketplace liability (OMPL)

With effect from October 2027, VAT OMPL rules currently applying to overseas sellers making supplies into the UK will be extended to UK businesses.

Online marketplaces will be responsible for collecting VAT on sales by UK VAT registered businesses and any other UK business with a minimum annual sales threshold per platform of £90,000.

The rules will not apply to non-business (i.e. personal) sales, second-hand goods, or business to business transactions.

This measure will be seen as an attempt to combat VAT gaps in such sales and tighten controls on online marketplaces by putting the onus on to them to ensure VAT is collected on behalf of the seller.

Cross-border services and reverse charge

With effect from April 2027, the reverse charge on cross-border supplies of services will be restricted to VAT registered businesses. Where overseas providers make supplies of services to UK non-VAT registered businesses, they will be required to account for VAT in the normal way, by registering for UK VAT.

Currently a UK non-VAT registered business receiving supplies from an overseas supplier must count the value of those supplies towards their taxable turnover for VAT registration purposes. This can result in UK businesses having to register for VAT purely to account for reverse charge VAT on their purchases of services from overseas suppliers.

This change will put the onus back onto the overseas supplier with the compliance responsibility placed on them to register for UK VAT. The VAT registration threshold for non-UK businesses is nil which will result in overseas suppliers being required to register for UK VAT for small value supplies. It will, however, take away the onus on UK businesses to register for VAT in respect of such purchases.

Smaller non-VAT registered UK businesses could be met with an irrecoverable VAT charge on purchases that they would otherwise not have had under the current rules.

This will be introduced through legislation in Finance Bill 2026-27.

E-invoicing

The Government previously announced that it will require VAT invoices to be issued in a specified electronic format from 1 April 2029. The Government has published an implementation roadmap, which sets out the key elements of the e-invoicing regime, and by April 2028 will provide full details on the policy and technical design of e-invoicing.

The Government has also published a consultation on potential future uses of structured invoice data generated through e-invoicing.

Temporary staffing and medical staff supplies

This change will be relevant to agencies supplying medical staff. The Government will amend the VAT legislation at Group 7 of Schedule 9 to the VAT Act 1994 to restore the tax treatment of medical deputies to its previously intended position from 1 May 2027. This will be introduced through legislation in Finance Bill 2026-27.

This means that supplies of medical deputies will be treated in the same way as supplies of any other staff and be subject to VAT at the standard rate. Currently, some supplies of locum doctors can qualify for VAT exemption. This change will be effective from 1 May 2027.

Other VAT changes

Domestic electricity

The temporary zero rate, initially applying for six months from 1 October 2026, will be extended by three months to 1 July 2027. It is expected to apply UK-wide from April 2027; Northern Ireland currently applies VAT at 5%.

Electric vehicle charging

Electricity supplied through publicly accessible and workplace charging points will be treated as non-domestic and subject to standard rate VAT from 1 November 2026.

Private hire vehicles

From 2 January 2028, operators with annual fare turnover above a specified threshold will be treated as principals and required to account for VAT at 20% on the full fare, rather than as agents accounting for VAT on their operating fees. A forthcoming consultation will inform the threshold and final policy design, with £50 million annual fare turnover the lead option.

VAT and PAYE Direct Debits

The Government consulted on proposals requiring businesses to pay Value Added Tax (VAT) and Pay As You Earn (PAYE) return liabilities by Direct Debit.

The consultation has now closed. Businesses will be required to have a Direct Debit mandate in place by April 2029 but may continue to pay using another method before the due date.

The Direct Debit will be used to collect any balance that remains unpaid at the due date. HMRC will continue working with businesses and agents to finalise the policy and implementation timetable.

HMRC ADMINISTRATION, COMPLIANCE AND ENFORCEMENT

Correction of errors

Currently, penalties can apply where a tax return contains an error, depending on whether the taxpayer took reasonable care or whether the error was careless or deliberate.

Under new rules, taxpayers will have a legal obligation to take reasonable steps to correct an error that results in a loss of tax once they become aware of it. If they fail to correct the error or notify HMRC, the error will be treated as deliberate, even if it was originally an innocent mistake.

Information and inspection powers

HMRC will also have a new power to issue a Customer Correction Notice, requiring a taxpayer to correct a suspected error or explain why no correction is required.

No specific changes have been announced to the mechanism for correcting or reporting errors. It, therefore, appears that, where it is possible to amend the relevant tax return, the error can be corrected through an amended return. Where the error cannot be corrected directly, the new rules require the taxpayer to inform HMRC so that the error can be corrected. We would expect that where an amended return cannot be submitted, the error would need to be reported to HMRC under the existing disclosure procedures, as appropriate.

Additionally, HMRC's information and inspection powers will be expanded and modernised. In particular, the current four-year limit on issuing information notices in relation to deceased taxpayers will be removed, subject to additional tribunal approval. Financial Institution Notices (FINs), which allow HMRC to require financial institutions to provide information or documents reasonably required to check a taxpayer's tax position or collect a tax debt, will be extended to cryptoasset service providers. HMRC will also be able to request additional information to identify taxpayers, including National Insurance numbers and email addresses, and obtain relevant information held in digital, cloud-based, and automated systems.

The changes relating to digital records do not give HMRC a new standalone information power. HMRC will still need an existing legal basis to request the information, and the existing statutory safeguards will continue to apply.

Tax Avoidance and POTAS

The current Government's policies continue to focus on making the tax system fairer. HMRC will continue to tackle the promoters of tax avoidance and the legislation for Promoters of Tax Avoidance Schemes (POTAS) has been amended to work more effectively.

The changes include moving VAT and indirect taxes fully into POTAS, which will enable to tackle schemes by publishing the details of the schemes as well as those promoting by issuing stop notices. It will also allow for earlier publication of the names of promoters subject to a stop notice.

Deliberate Defaulters

The Government will strengthen the framework governing HMRC's publication of the details of individuals or businesses that have been charged with penalties for deliberate non-compliance with certain tax obligations. The details could include the nature of the non-compliance, the tax amounts involved including the types of penalties imposed. HMRC will also be able to publish details of Personal Liability Notices that are issued when a company's liability to a penalty for deliberate non-compliance is transferred to its company officer. From November 2026, HMRC will publish a deliberate defaulter's details only where the potential lost revenue exceeds £50,000.

Director disqualification

Courts will be allowed to consider director disqualification following a conviction for an offence under HMRC securities legislation.

OTHER CHANGES

Air Passenger Duty (APD)

The Government has confirmed that it will proceed with extending the scope of the higher rate of APD to all private or business jets of 5.7 tonnes or more from 1 April 2027. The rates will increase in line with RPI from 1 April 2028.

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BUDGET BRIEFING

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