



The Spring Statement

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No news – good news?

The UK tax system seems to grow more complicated every year. It was therefore a relief to hear Rachel Reeves' promise, in her first Budget in October 2024, that she would restrict herself to one 'fiscal event' a year. She would not tinker with the tax system in November and again in March, as some of her predecessors have done. On this occasion at least, she has kept her promise: her speech contained nothing about tax, and there were no new documents released onto the internet by HM Revenue & Customs when she sat down.

The purpose of the Spring Statement was to present the economic and fiscal forecast prepared by the Office for Budget Responsibility (OBR). Their report estimates economic growth, inflation, unemployment rates and other factors for the next five years, and discusses the effect on the government's finances. The economists recognise that theirs is not a precise science: in November they predicted growth of 1.4% for 2026, but that has now been cut to 1.1% (to be made up by slightly higher forecast growth in the following two years). On the other hand, some of their statistics are more positive than they were in November, and their overall assessment is that government borrowing will fall considerably by the end of the forecast period.

They note that significant risks could impact the UK economy – the conflict in the Middle East escalated as they were finalising their work, and could not be reflected in the calculations, but it is likely to have an impact on fuel prices and therefore inflation. That could affect the government's financial 'headroom' and require more tax-raising in the next Budget.

Ms Reeves expressed confidence in her ability to beat the forecasts, but the OBR noted 'Plans to reduce borrowing and stabilise debt have been a common feature of forecasts since the pandemic, but have not yet materialised in outturn.' We will have to see where we are when the Chancellor returns to making tax changes in the autumn.

The brief pause in announcing new changes to the tax system gives us a chance to take stock of what we already know about, and consider its impact. Each Budget includes announcements that will take effect immediately and also later, sometimes years ahead. We are about to see the rollout of Making Tax Digital for Income Tax, which was originally announced by George Osborne – there have been seven Chancellors since he held the office. In this document we have gathered together the measures that will come into effect in the coming year, as well as looking ahead to things that may require advance planning. If you would like to discuss how any of these matters affect you and your finances, we will be happy to help.

Summary of changes

Because this was not a 'fiscal event', the Chancellor did not mention the very significant tax changes that have been announced in the past to come into effect in the future. In order to help keep track of what is happening and when, this document summarises the main changes – and some significant decisions to keep things the same – that we already knew about, and explains their impact. The following is a quick reminder, and these points are covered in more detail in the pages that follow. Tax rate tables are included at the end of the document.

Significant points: 2026/27

- No change to allowances, main tax rates and bands – effectively a tax increase as incomes rise
- Basic and higher rate income tax rates on dividends increase from 8.75% to 10.75% and from 33.75% to 35.75% respectively
- Winter Fuel Payment clawed back if income exceeds £35,000
- Adjustment to lower tax bands in Scotland
- Company car tax continues to increase year on year in line with previous announcements
- Changes to tax relief for employee homeworking and medical expenses
- Increases in limits for Enterprise Management Incentive Scheme, Enterprise Investment Scheme and Venture Capital Trusts
- Restrictions on voluntary payment of NICs by non-UK residents to qualify for UK State Pension
- CGT incorporation relief has to be claimed rather than operating automatically
- CGT rate on disposals qualifying for Business Asset Disposal Relief rises from 14% to 18%
- 100% Inheritance Tax reliefs for agricultural and business property restricted to £2.5 million of value
- 100% Inheritance Tax relief for trading company shares quoted on 'unlisted markets' cut to 50%
- Business rates revaluation exercise, changes to multipliers and transitional reliefs to mitigate steep increases
- Reduction in capital allowance writing-down allowance rate
- Joint and several liability for payroll taxes imposed on businesses using workers supplied by umbrella companies
- Penalties for late filing of corporation tax returns increased
- New VAT relief for small value gifts to charity
- Making Tax Digital for Income Tax mandatory for self-employed and landlords with gross income from those sources over £50,000

Significant points: 2027/28

- Basic, higher and additional rate income tax rates on savings (interest) and rental income increase from 20% to 22%, 40% to 42% and 45% to 47% respectively
- No more than £12,000 of the £20,000 ISA limit to be invested in cash (over-65s will not be subject to this restriction)
- Unused pension funds and pension death benefits brought within charge to Inheritance Tax
- Image rights payments related to an employment will be treated as employment income

Significant points: later

- New Electric Vehicle Excise Duty based on mileage (April 2028)
- High Value Council Tax Surcharge for owners of residential property in England valued over £2 million (April 2028)
- Pension contributions by salary sacrifice liable to NICs if over £2,000 (April 2029)
- Customs Duty low value import relief abolished (March 2029 at latest)
- Requirement for VAT invoices to be sent electronically (April 2029)

Personal Income Tax

Tax rates and allowances – 2026/27 (Table A)

The main allowances, tax rates and bands remain unchanged for 2026/27, and are set to remain at the same levels until the end of 2030/31. As incomes tend to rise with inflation, this brings more people into the charge to higher rates of tax, and is expected to raise an additional £12 billion in income tax in 2030/31. It has therefore been widely described as a 'stealth tax increase'.

The income level above which the personal allowance (PA) is tapered away remains £100,000; the PA will be reduced to zero when income is £125,140, which is also the threshold for paying 45% tax. In the tapering band, the loss of tax-free PA



creates an effective marginal rate of 60%. This rate of tax will be different in Scotland or if the income affected is dividends.

It's important to be aware of the extra tax you will pay if you receive more income, such as a bonus or an additional pension drawdown. If it takes you across one of the thresholds for higher tax rates, you may end up keeping less than you expect. It may also be possible to enjoy more tax relief for pension contributions or charitable donations if your income is above those thresholds. The main ones are:

- £50,270: 40% tax rate (except Scotland – see below)
- £60,000: High Income Child Benefit Charge starts
- £100,000: loss of personal allowance and tax-free childcare
- £125,140: 45% tax

Student loans

The repayment threshold for Plan 2 student loans will be frozen at £29,385 for three years from April 2027, affecting those who started their courses between 1 September 2012 and 31 July 2023. This means that graduates are likely to be liable for higher repayments as their income increases above that level, in the same way that freezing income tax thresholds and allowances increases income tax. It will not increase the outstanding loan itself, but it will require faster repayment of it. Although student loan repayments are not 'tax', the effect on take-home pay is the same: above the threshold, the 9% acts as an increase in the marginal rate of tax.



Dividend income

The dividend allowance exempts some dividend income from tax, although that income still counts towards the higher rate thresholds. For 2026/27, the allowance is unchanged at £500. As HMRC does not routinely receive information about dividends received by taxpayers, this low limit is likely to require people to file tax returns (or contact HMRC by telephone) to declare even small tax liabilities on dividends.

In 2026/27, the basic and higher rates on dividend income over £500 will rise by two percentage points to 10.75% and 35.75%; the additional rate will remain 39.35%. Estimates of dividend income may be included in a PAYE coding, but in general, the tax on dividend income is paid through self-assessment. This means that the extra tax for 2026/27 will not be payable until 31 January 2028. In the meantime, if you have a personal or family company which pays you dividends, it will be worth re-examining how you take profits out of the company. Recent changes to National Insurance Contributions and dividends may change the optimum balance between salary, dividends and other possible benefits such as pension contributions.

The higher rate also applies to tax payable by close companies (broadly, those under the control of five or fewer shareholders) on 'loans to participators' that are not repaid to the company within 9 months of the end of the accounting period. This therefore also increases to 35.75% for loans advanced on or after 6 April 2026.

Dividends arising in an ISA or a qualifying VCT are not taxed and do not count towards the £500 allowance. The increase in the tax rate makes ISAs relatively more attractive.

Winter fuel payment

In July 2024, the Chancellor announced restrictions on the Winter Fuel Payment, which up to then had been paid to all those above State Pension age. In the following winter, they were restricted to pensioners receiving certain benefits or pension credit. After a campaign by her own backbenchers, in June 2025 the Chancellor restored the payment – £200 or £300, depending on circumstances – to all pensioners for winter 2025/26. However, it will be clawed back through the tax system from anyone with income of over £35,000. This can be avoided by disclaiming the payment in advance. The threshold of £35,000 will remain fixed for the duration of this Parliament. If you received the payment this winter, and your income for 2025/26 will be above that limit, you should expect to see an addition to your tax for the year. The way this works is simple but harsh: if your income is £35,001, the whole £200 or £300 will be clawed back.

Savings income and property income

The savings allowance remains £1,000 for basic rate taxpayers, £500 for 40% taxpayers and nil for 45% taxpayers. People with savings income above these limits may have to declare it in order to pay tax.

The savings rate band remains at £5,000. Non-savings, non-dividend income (mainly salaries, business profits, rental income and pensions) is treated as the 'first slice' of income, using the tax-free allowance and the savings rate band; if any of the £5,000 band is not used by this 'slice', any savings income falling within that band is taxed at 0%.

The November 2025 Budget also included an announcement of an increase to the rate of tax on savings and property income, but this will not take effect until April 2027 (covered later).

Scottish and Welsh rates – 2026/27 (Table A)

The Scottish government sets its own income tax rates for Scottish taxpayers for non-savings, non-dividend income. The 19% 'starter rate' is lower than the basic rate in the rest of the UK, but the top rate of 48% that applies above £125,140 is three percentage points higher.

The Welsh government has similar powers but has not yet varied the main UK rates for Welsh taxpayers.

The new rates on dividend (2026/27) and savings (2027/28) income will apply across the UK. The UK government has stated that it will engage with the devolved governments to provide them with powers to set different rates for property income if they so decide. This is because the 'rest of the UK' rate on property income will have increased by two percentage points in 2027/28.

Employees

Company cars (Table C)

The basis for taxing company cars and fuel provided for private use is set out in the Table. Annual increases in the rates for use of the car have already been set for each year up to 2029/30 'to provide long-term certainty for taxpayers and industry'. Even if you do not change your car, the tax charge on it will be higher in each year as the rates increase (unless it is already at the maximum – although this is also being raised in 2028/29 and 2029/30,

by which time it will be 39% of list price rather than the current 37%).

The rates are intended to provide a strong incentive to use electric vehicles, while rates for hybrids will be increased to align more closely with the rates for internal combustion engine vehicles.

The figures used to calculate the following benefits all increase for 2026/27 by 3.8%, in line with inflation:

- the benefit of free use of business fuel for private journeys (£29,200 x the car's emissions-based percentage);
- the taxable amount for the availability of a van for more than incidental private use (£4,170);
- the taxable amount for an employee's private use of fuel in a company van (£798).

Expenses and benefits

Where an employee incurs expenses 'wholly, exclusively and necessarily in the performance of the duties of the employment', they are normally entitled to tax relief – either by exemption of a reimbursement by their employer, or by claiming a tax rebate from HMRC. Up to now, this has included extra costs of working from home. From 6 April 2026, employees will no longer be able to claim a tax deduction for such expenses, if they are not reimbursed by their employer. Employers will still be able to reimburse such costs without deducting income tax or NICs, as long as they can be shown to be 'wholly, exclusively and necessarily incurred'. HMRC accepts that up to £6 per week can be reimbursed tax-free, without the need for evidence of the additional costs incurred due to working from home.

By contrast, the income tax and NICs exemption for employer-provided benefits will be extended from 6 April 2026 to cover reimbursements for eye tests, home working equipment, and flu vaccinations. Eye tests have qualified for exemption only if the employer paid for them directly, and flu vaccinations were not covered by the limited exemption for medical screening.

Enterprise Management Incentive (EMI) Scheme

Under this scheme, employees and directors can be granted options over shares in the company for which they work. Currently, no Income Tax or NICs arise if options are exercised within ten years of being granted. Other conditions apply.

For eligible companies, the following limits will apply to EMI contracts granted on or after 6 April 2026:



- the total value of company options that can be unexercised at any time will be increased from £3 million to £6 million;
- maximum gross assets will be increased from £30 million to £120 million;
- the maximum number of employees will be increased from 250 to 500.

The maximum value of unexercised options an individual employee can hold remains £250,000.

The limit on the exercise period will be increased from 10 years to 15 years. Existing contracts can be amended without losing the tax advantage the scheme offers.

National Insurance Contributions (NICs)

Thresholds and rates (Table D)

There has been a great deal of debate about the effect on employment and business of the increases in employer NICs that took effect on 6 April 2025 following the Chancellor's first Budget in October 2024. According to current plans, the £5,000 threshold above which secondary (employer) contributions become payable will remain fixed until April 2031. The Upper Earnings Limit for employee contributions is linked to the 40% income tax threshold, and is therefore also fixed to the same date.

The Employment Allowance of £10,500 allows eligible small businesses to mitigate the cost of employer NICs, but is of marginal benefit to any business with more than a small workforce.

The Lower Earnings Limit and Small Profits Threshold will be increased for 2026/27 in line with inflation at 3.8%, to £129 and £7,105 respectively.

Voluntary payment of NICs

Eligibility for the State Pension depends on a person's record of paying NICs over many years. A full pension normally requires 30 years of contributions (35 for those starting work after April 2016). Anyone who is not already liable to pay NICs as an employee or self-employed person may pay voluntary Class 3 NICs to maintain their record and their entitlement. Self-employed people with small earnings have also been able to pay voluntary Class 2 NICs (which are significantly cheaper than Class 3).

Up to now, there have been some minimal restrictions on paying Class 3 (or voluntarily paying Class 2) where the individual lives abroad: a person only needed to have been UK resident for 3 years in a row, or to have paid 3 years of NICs. This meant that it was possible for someone to qualify for a UK State Pension even though their connection to the UK was limited.

From 2026/27, it will no longer be possible to pay Class 2 voluntarily if not tax-resident in the UK. New applicants for paying Class 3 will have to have lived in the UK for ten continuous years or paid NICs for at least 10 years before becoming non-resident. A full contribution record to qualify for a pension will therefore require a much longer presence in the UK.

Savings and Pensions

Individual Savings Accounts (ISA)

The investment limits for ISA have not changed since 2017/18: they are £20,000 for a standard adult ISA (within which £4,000 may be in a Lifetime ISA), and £9,000 for a Junior ISA or Child Trust Fund. These will now remain fixed until 5 April 2031. There will be changes to what an ISA can invest in from 6 April 2027 (covered later).

As the annual CGT exempt amount has been reduced to only £3,000 and dividend and savings tax rates are increasing, investing through ISAs becomes relatively more attractive than investing in the same products outside an ISA. Apart from not having to pay tax, it is also not necessary to report the income and gains to HMRC.



Pension contributions (Table B)

Each year there are rumours in advance of the Budget that there might be restrictions on tax-free pension lump sums or the amounts that can be invested with tax relief. The present Chancellor has so far made no changes to the reliefs available.

The maximum amount that can be withdrawn as a tax-free lump sum remains £268,275, unless the person is entitled to 'protection' in relation to the original introduction of the Lifetime Allowance or any of the subsequent reductions of the limit.

The only known change relating to pensions, announced in November 2025, is a restriction on salary sacrifice arrangements, due to take effect in April 2029 (covered later).

Venture capital schemes

Generous tax reliefs are available for those who invest in Enterprise Investment Scheme (EIS) companies or Venture Capital Trusts (VCTs), which are quoted investment trusts that invest in EIS-type companies. These schemes have a lot of detailed conditions attached to them, some of which are being changed to make the schemes available to larger companies.

The gross assets requirement that a company must not exceed for the EIS and VCT will increase to £30 million (from £15 million) immediately before the issue of the shares or securities, and to £35 million (from £16 million) immediately after the issue.

The annual investment limit that caps how much companies can raise will increase to £10 million (from £5 million) and, for 'knowledge-intensive' companies, to £20 million (from £10 million).

The company's lifetime investment limit will increase to £24 million (from £12 million) and, for knowledge-intensive companies, to £40 million (from £20 million).

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

The Income Tax relief that can be claimed by an individual investing in a VCT will reduce to 20% from the current rate of 30%.

All these changes take effect from 6 April 2026.

Capital Gains Tax

Rates and annual exempt amount

In her 2024 Budget, the Chancellor increased most rates of CGT and reduced a number of reliefs. The 2025 Budget document included the forecast that the annual yield from the tax will more than double from £13.7 billion at the start of this Parliament to £30 billion in 2030/31.

The CGT annual exempt amount remains £3,000 for individuals and estates and £1,500 for most trusts. Individuals will continue to pay 18% on gains that fall within their basic rate income tax band, and 24% on gains above that.

As with the changes mentioned above on dividend allowance, the low level of CGT exemption will require more people to have to calculate small chargeable gains and report them to HMRC, and increases the relative attractiveness of holding chargeable investments in a tax-free ISA.

Incorporation relief

When a sole trader or partnership transfers a business to a company in exchange for shares, any capital gains arising on the disposal of chargeable assets may be deferred by 'incorporation relief'. Up to 5 April 2026, this operates automatically where the conditions are satisfied. From 6 April 2026, it will be necessary to make a claim for the relief to apply.

Business Asset Disposal Relief (BADR) and carried interest

As announced in 2024, the tax rate on gains that qualify for BADR will rise in 2026/27 from 14% to 18%. The relief remains available on qualifying gains within a lifetime limit of £1 million.

Investors' Relief can give a reduced CGT rate to qualifying investors in qualifying companies for which they do not work. The lifetime limit is also £1 million and the rate of tax will rise in line with BADR.

Carried interest is a performance-based share of profits that investment fund managers receive, typically after investors achieve a minimum return. Up to now it has been taxed as a capital gain, but the rate applicable was increased in 2025/26 to a flat rate of 32% for individuals, estates and trusts. From 2026/27, carried interest will be brought within income tax and will be subject to its own specific rules.

Cryptoassets

Gains realised on cryptoassets such as Bitcoin are likely to be chargeable to CGT. In order to make sure that chargeable gains are being reported, the government will require UK-based Cryptoasset Service Providers to report on their UK tax resident customers under the Cryptoasset Reporting Framework. Information for first reports to HMRC is being collected from 1 January 2026 and will be reported to HMRC in 2027.



Inheritance Tax

Rates

The IHT nil rate band has been fixed at £325,000 since 6 April 2009. The Chancellor has extended the freeze on this figure until the end of 2030/31. Holding the threshold at the same amount for 22 years will bring far more people into the scope of the tax. The 2025 Budget document stated that IHT raised £8.3 billion a year at the start of this Parliament; this is expected to rise to £14.5 billion in 2030/31.

The £175,000 ‘residential nil rate band enhancement’ on death transfers (also frozen, together with the £2 million value of estate above which it is tapered) can reduce the impact of IHT, where it applies. A married couple may be able to leave up to £1 million free of IHT to their direct descendants (£325,000 plus £175,000 from each parent), but the rules are complicated, and the prospect of the nil rate band being fixed for another 5 years increases the importance of proper IHT planning.

As the government expects to nearly double the amount it receives in IHT by the end of the decade, it is a good time to review your exposure to the tax. A review should make sure that your will is up to date and takes account of the current and future changes, which include bringing undrawn pension funds into charge from 6 April 2027 (described later).

Agricultural and business property

The Chancellor announced in 2024 that 100% agricultural and business reliefs would be restricted from 6 April 2026. After a campaign by farmers and business owners, in December the government gave a little ground on the values affected, but not the principle: there will still be a substantial increase in exposure to IHT on many farms and businesses from that date.

100% relief will be restricted to £2.5 million of the total of qualifying agricultural and business property (rather than £1 million as originally announced), with 50% relief on any higher value.

It was newly announced last November that the 100% allowance will be transferable between spouses, if it is not used on the first death.

These changes could potentially create significant IHT liabilities for family farming and trading businesses in the future, including where business assets are held in trust. All businesses should consider their IHT position, including reviewing wills and considering whether some lifetime gifts of qualifying property may be worthwhile.

Also from 6 April 2026, qualifying shares quoted on the AIM and similar ‘unlisted’ markets will qualify for 50% relief rather than the current 100% relief.

Such shares have been marketed as tax shelters; anyone who has invested in them to reduce their IHT exposure needs to take advice on the effect of the changes.



Business rates

Revaluations

Every three years, the Government reviews the rental values of business properties in England and Wales. The next revaluation starts on 1 April 2026. A rateable value (RV) is an estimate of the yearly rent for your property. For the 2026 revaluation, rental values from 1 April 2024 will be used: some properties’ RV will increase, some will decrease.

The liability to business rates is determined by applying a ‘multiplier’ to the rateable value. From 1 April 2026, business rates are moving from two multipliers to five, reflecting business type and property value. These were confirmed in the Autumn Budget 2025.

The new Retail, Hospitality & Leisure (RHL) multipliers replace the former annual Retail, Hospitality & Leisure relief.

Category of property	Multiplier
Small Bus RHL: RV less than £51,000	38.2p
Standard RHL: RV £51,000 to £499,999	43.0p
Small Bus (non-RHL): RV less than £51,000	43.2p
Standard (non-RHL): RV £51,000 to £499,999	48.0p
High Value (all types): £500,000 or more	50.8p

Transitional Relief scheme (2026 to 2029)

The Transitional Relief scheme is designed to help businesses whose bills rise significantly because of changes in their RV following the 2026 revaluation.

Transitional relief phases in the increase, so that businesses are protected from sudden, unaffordable rises in their rates bills. The Government has set annual percentage caps on how much a bill can rise

each year. These caps differ by property size: small, medium, or large.

The limits set for increases in business rates are:

Type of property	2026/27
Small: RV £20,000 or less	5%
Medium: RV £20,001 to £100,000	15%
Large: RV over £100,000	30%

In 2027/28, the caps are 10% plus inflation for the 'small' category and 25% plus inflation for 'medium' and 'large'. In 2028/29, the caps are 25% plus inflation for 'small' and 'large', and 40% plus inflation for 'medium'.

These caps mean that your total bill cannot rise above the capped percentage for that year.

Supporting Small Business (SSB) scheme

The SSB scheme for 2026/27 is designed to help ratepayers who face a sharp increase in their business rates bill because they have lost Small Business Rates Relief (SBRR) or RHL Relief as a result of the 2026 revaluation.

When properties are revalued from 1 April 2026, some businesses that previously qualified for SBRR or the temporary RHL relief will lose that entitlement entirely. Without support, this could lead to a sudden and steep rise in their rates bill.

The SSB scheme limits how much their bill can increase each year, protecting them from a 'cliff edge' jump in costs.

Eligible businesses will have annual increases capped, ensuring their new bill rises gradually, instead of immediately reflecting the full post-revaluation amount. The scheme operates alongside the new multipliers and transitional arrangements introduced from April 2026.

If you're eligible, your bills will go up by no more than £800 or the percentage caps listed in the table below (whichever is greater) for 2026/27.

Rateable value	2026/2027
Up to £20,000 (£28,000 in London)	5%
£20,001 (£28,001 in London) to £100,000	15%
Over £100,000	30%

Transitional Relief supplement

This is a 1p supplement to the relevant tax rate for ratepayers who do not receive either Transitional Relief (TR) or Supporting Small Business scheme relief. This is to partially fund TR and will apply for one year from 1 April 2026.

Extending the SBRR grace period

Businesses will now keep their SBRR on their first property for three years after they take on a second property, instead of just one year.

Business taxation

Capital allowances for plant and machinery

The 2025 Budget introduced several changes to capital allowances that will affect the timing of tax relief for businesses over the next two years.

The 100% First Year Allowance for new zero-emission cars and chargepoints has been extended until 31 March 2027 (5 April 2027 for unincorporated businesses), giving an additional year for businesses to secure full upfront relief on electric vehicles before these assets revert to slower relief through writing-down allowances.

A new 40% First Year Allowance applies to qualifying main rate plant and machinery from 1 January 2026, where full expensing or the £1 million Annual Investment Allowance are not available. This relief will be available to all businesses, including unincorporated businesses and those acquiring assets for leasing in the UK. Cars and second-hand assets are excluded.

From April 2026, the main rate writing-down allowance will reduce from 18% to 14%, slowing tax relief where upfront allowances cannot be claimed. The special rate writing-down allowance, which applies to certain assets including plant integral to buildings, remains unchanged at 6%.

The £1 million Annual Investment Allowance for all businesses gives immediate relief for capital expenditure on qualifying plant, and this remains the most beneficial route where available. Full expensing for new main rate plant is also still available for companies, without monetary limit but with some exclusions; this also gives immediate relief for expenditure but has more complicated rules where an asset is later disposed of.

Businesses with material or recurring capital expenditure should review investment plans ahead of the April 2026 changes, to optimise relief.

Umbrella companies

An umbrella company employs workers on behalf of agencies and the businesses that the workers do the work for (the end client). From 6 April 2026, recruitment agencies and end clients will be jointly and severally liable for any payroll taxes on payments to workers supplied through umbrella companies, where a non-compliant umbrella company fails to remit them to HMRC on their behalf. If the labour supply chain has:

- more than one agency, the rules apply to the agency that has the direct contract with the end client to supply the worker;
- no agency, the rules apply to the end client.

Corporation Tax

Rate of tax

The rates of corporation tax have not changed, and the 2024 Budget appeared to rule out changes for the life of the Parliament. The main rate is 25% for companies with profits over £250,000. The 'small profits rate' remains 19% for companies with profits of up to £50,000. Between £50,000 and £250,000 there is a tapering calculation that produces an effective marginal rate of 26.5% on profits between these limits, but an average rate on all profits of between 19% and 25%. The limits are divided between companies that have been under common control at any time in the previous 12 months, whether UK resident or not.

Late filing

From 1 April 2026, the penalties for late filing of corporation tax returns will be doubled. They will become £200 for any lateness (£1,000 for the third successive offence); a further £200 (or £1,000) if the return is still not filed after 3 months; and tax-gear penalties of 10% of the amount unpaid if they are still not filed after 6 months and again after 12 months.

R&D claims: advance assurance

Claims for research and development tax relief can be very beneficial, but have also led to disputes about the eligibility of the taxpayer or the expenditure. For many years, HMRC has offered an 'advance assurance' service so certain claimants can confirm that they are eligible before submitting the claim. The conditions for the service have been restrictive and take-up has been low. Following a consultation in 2025, in November the Chancellor announced that HMRC would run a pilot of an improved service in the spring of 2026. However, this does not appear to have been made available by early March.

Value Added Tax

Gifts to charity

Where a business disposes of business assets for no consideration, it may be liable for output tax to recover input tax that was claimed on the purchase of the asset. This could apply to gifts of goods to charity, even if the business intended to support a good cause, and even if the goods were surplus to the business's requirements. A specific relief applied

to gifts of goods for a charity to sell or to export, but not for gifts in general.

A new VAT relief will be introduced from 1 April 2026 for business donations of goods to charity which are for distribution to those in need or for use in the delivery of their charitable services. There is a monetary limit on the cost of individual items – £200 for a specified list including computers, mobile phones and furniture, and £100 for assets in general – but no limit on the total that can be given. It would therefore be possible, for example, for a manufacturer to donate a large quantity of low value items without incurring a VAT charge.

Motability

The Motability scheme enables eligible people to buy vehicles that are adapted to enable them to use, and provides some VAT reliefs. With effect from July 2026, 20% VAT will be applied to top-up payments that a user can make to have a more expensive vehicle through the scheme.

Other measures

Making Tax Digital for Income Tax (MTD IT)

The requirement to file tax returns using MTD IT will come into effect from 6 April 2026. Those initially affected by the rules will be those with annual income from a sole trader business or property, or both together, of £50,000. The measure of income for this purpose is gross turnover and gross rental income, not taxable profit. This will drop to £30,000 from 6 April 2027 and £20,000 from 6 April 2028.

Anyone who will be affected by these rules should make sure they understand the requirements and are ready to comply with them. Income and expenditure must be recorded using MTD IT functional software; the software will be used to make quarterly electronic reports of income and expenses to HMRC, and to submit a 'finalisation statement' covering the whole tax year by 31 January following the end of the tax year.

Bear in mind that those affected by MTD IT will be submitting quarterly returns for 2026/27 at the same time as preparing the 2025/26 tax return under



the 'old' rules. Those who are not within MTD IT, either because their business and rental income is below the limits or because they do not have those categories of income, will continue to file income tax returns in the same way as before.

The November Budget included the good news that late submission penalties will not apply for quarterly updates during the 2026/27 tax year for taxpayers required to join MTD IT. The new penalty regime for late submission and late payment will apply to all self-assessment taxpayers who are in the new system from 6 April 2027. The government will also increase the penalties due for late payment of self-assessment income tax and VAT from 1 April 2027.

State Pension

The State Pension will rise by 4.8% from April 2026 (to £184.90 for 'old' State Pension and £241.30 for 'new' State Pension) in line with average earnings, in accordance with the 'Triple Lock'. The government is taking steps to deal with the possibility that the State Pension on its own, which is paid without deduction of tax, may exceed the personal tax allowance in 2027/28. The government plans to consult on ways to avoid requiring pensioners with no other sources of income to report to HMRC and pay tax.

Fuel duty

In November, the Chancellor decided to maintain the freeze in fuel duty and to retain the 5p cut beyond 22 March 2026, when it was supposed to come to an end. It will now be reversed in stages between 1 September 2026 and 1 March 2027. Inflationary increases in the duty are planned to resume in April 2027.

National Living Wage (NLW)

From 1 April 2026, the NLW which applies to those aged 21 or over will rise from £12.21 per hour to £12.71. There are also increases to the rates that apply to workers aged 18 to 20 (£10.85) and under 18s and apprentices (£8.00).

Universal Credit

The 'two-child benefit cap' will be removed with effect from April 2026, increasing the entitlement to Universal Credit for claimants with more than two children. This measure will cost between £2.3 billion and £3.2 billion a year over the forecast period. By contrast, the freezing of income tax bands and allowances is expected to raise £12.4 billion in the year 2030/31 alone.

Measures taking effect in 2027 or later

Savings income and property income: rate increase (April 2027)

In November, the Chancellor announced an increase in the tax rates applicable to income from property and savings to apply from April 2027. The basic, higher and additional rates on rental and savings income will all rise by two percentage points in 2027/28 to 22%, 42% and 47%.

From April 2027, there will be new rules about the order in which certain tax reliefs are deducted from income, so that they must be set first against income which is taxable at the lower rates before they can be set against savings, rental and dividend income.

The November Budget document pointed out that 90% of people do not pay tax on savings income; however, for those whose income from these sources exceed their tax-free allowances, it will be necessary to calculate and settle the liability each year, usually through self-assessment.

As with the April 2026 increase in dividend tax, these tax increases make tax-free ISAs even more attractive.

ISA restrictions (April 2027)

From 6 April 2027, no more than £12,000 of the £20,000 annual limit will be eligible for investment in a cash ISA, apart from ISAs for those aged 65 and over. In her Budget speech, the Chancellor presented this as an encouragement to invest in stocks and shares, which have performed substantially better than cash deposits over the years since ISAs were introduced.

IHT on unused pension funds and death benefits (April 2027)

The Finance (No.2) Bill 2026 contains major changes to the IHT rules for both unused pension funds at death and certain pension death benefits. These changes will not take effect until 6 April 2027, but they are so fundamental that they require attention as soon as possible.

Currently, it is standard IHT planning to write death benefits payable from pension schemes, such as personal pensions, into trust for one or more nominated beneficiaries (usually family members). In practice, the scheme trustees are very likely to follow any guidance received from the member while they were alive (usually given by way of a completed nomination form). Under current rules, this puts the death benefits outside the IHT net if the policyholder dies: the beneficiary can receive the funds in full with no IHT payable.

This IHT exemption is being abolished from 6 April 2027. The government has confirmed that, from 6 April 2027, most unused pension funds and death benefits will come within the deceased's estate for IHT purposes, whether written into trust or not.

Since April 2015, it has generally been possible to pass on an undrawn balance in a pension fund to the beneficiaries of a pensioner's estate. In many cases, the only tax to be suffered on the value in the undrawn fund would be income tax in the hands of the recipient, as and when drawings are made from the fund.

For this reason, in recent years it has been standard advice to make lifetime gifts of other assets, retaining the maximum in the pension fund to be passed on at death. That advice needs to be reviewed urgently, as the addition of the whole value of a pension fund to a person's chargeable estate, all of it potentially chargeable to tax at 40%, will fundamentally change the IHT planning.

Image rights payments (April 2027)

From 2027/28, all image rights payments related to an employment will be treated as taxable employment income and subject to income tax, employer NICs and employee NICs. This will affect sports people who set up image rights companies to accumulate payments for the rights.

Electric Vehicle Excise Duty (April 2028)

The government is introducing Electric Vehicle Excise Duty (eVED), a new mileage charge for electric and plug-in hybrid cars, with effect from April 2028. Drivers will pay for their mileage on a per-mile basis alongside their existing Vehicle Excise Duty. Electric cars will pay half the equivalent fuel duty rate for petrol and diesel cars, and plug-in hybrid cars will pay a reduced rate equivalent to half of the electric car rate. The government will carry out a consultation to gather views on how this will be implemented.

'Mansion tax' (April 2028)

The High Value Council Tax Surcharge (HVCTS) is a new charge on owners of residential property in England worth £2 million or more (in 2026), which will take effect in April 2028.



Homeowners, rather than occupiers, will be liable to the surcharge and will continue to pay their existing Council Tax alongside the surcharge.

The Valuation Office will conduct a targeted valuation exercise to identify properties above £2 million. Revaluations will be conducted every five years.

Properties above the £2 million threshold will be placed into bands based on their property value. Charges will increase in line with CPI inflation each year from 2029/30 onwards.

The surcharge will be £2,500 for properties between £2 million and £2.5 million, £3,500 between £2.5 million and £3.5 million and £5,000 between £3.5 million and £5 million. Above £5 million, the surcharge is £7,500.

Pension contributions by salary sacrifice (April 2029)

If an employer pays a contribution directly to an employee's pension fund, there is no income tax and no employee or employer NICs on the payment. By contrast, if an employee chooses to make a contribution out of salary, they can claim income tax relief but the full amount of NICs remains payable. Under a 'salary sacrifice' arrangement, the employer and employee agree to replace some of the 'normal' salary with a direct pension contribution, avoiding the NICs for both parties.

From 6 April 2029, full tax relief on 'salary sacrifice' arrangements will be restricted to a contribution of £2,000. On amounts in excess of that, employer and employee NICs will be due as if cash salary has been paid (although the contribution will still be free of income tax).

The rules for other employer pension contributions (not made by salary sacrifice) will remain unchanged.

Customs duty: low value imports (March 2029)

The government intends to remove the customs duty relief on goods imported into the UK valued at £135 or less, making them subject to customs duty from March 2029 at the latest, and is consulting on implementing a new set of customs arrangements for these goods.

VAT: e-invoicing (April 2029)

From April 2029, it will be a requirement to issue all VAT invoices in a specified electronic format. The government is working on a 'roadmap' towards implementation of this measure and will publish this during 2026.

Income Tax Rates and Allowances (Table A)

Main Allowances	2026/27	2025/26
Personal Allowance (PA)*†	£12,570	£12,570
Blind Person's Allowance	3,250	3,130
Rent a room relief §	7,500	7,500
Trading income §	1,000	1,000
Property income §	1,000	1,000

* PA will be withdrawn at £1 for every £2 by which 'adjusted income' exceeds £100,000. There will therefore be no allowance given if adjusted income is £125,140 or more.

† £1,260 of the PA can be transferred to a spouse or civil partner who is no more than a basic rate taxpayer, where both spouses were born after 5 April 1935.

§ If gross income exceeds this, the limit may be deducted instead of actual expenses.

Rate Bands	2026/27	2025/26
Basic Rate Band (BRB)	£37,700	£37,700
Higher Rate Band (HRB)	37,701-125,140	37,701-125,140
Additional Rate (AR)	over 125,140	over 125,140
Personal Savings Allowance (PSA)		
– Basic rate taxpayer	1,000	1,000
– Higher rate taxpayer	500	500
Dividend Allowance (DA)	500	500

BRB and AR threshold are increased by allowable personal pension contributions and Gift Aid donations.

Tax Rates	2026/27			2025/26		
Rates differ for General, Savings and Dividend income within each band:						
	G	S	D	G	S	D
	%	%	%	%	%	%
Basic	20	20	10.75	20	20	8.75
Higher	40	40	35.75	40	40	33.75
Additional	45	45	39.35	45	45	39.35

General income (salary, pensions, business profits and rents) usually uses personal allowance, basic rate and higher rate bands before savings income (mainly interest). To the extent that savings income falls in the first £5,000 of the basic rate band, it is taxed at nil rather than 20%.

The PSA taxes interest at nil, where it would otherwise be taxable at 20% or 40%.

Dividends are normally taxed as the 'top slice' of income. The DA taxes the first £500 of dividend income at nil, rather than the rate that would otherwise apply.

High Income Child Benefit Charge (HICBC)

1% of child benefit for each £200 of adjusted net income between £60,000 and £80,000.

Income Tax – Scotland	2026/27		2025/26	
	Rate	Band	Rate	Band
Starter Rate	19%	£3,967	19%	£2,827
Basic Rate	20%	3,968 – 16,956	20%	2,828 – 14,921
Intermediate Rate	21%	16,957 – 31,092	21%	14,922 – 31,092
Higher Rate	42%	31,093 – 62,430	42%	31,093 – 62,430
Advanced Rate	45%	62,431 – 125,140	45%	62,431 – 125,140
Top Rate	48%	over 125,140	48%	over 125,140

The Scottish rates and bands do not apply for savings and dividend income, which are taxed at normal UK rates.

Registered Pensions (Table B)

	2026/27	2025/26
Annual Allowance (AA)	£60,000	£60,000
Annual relievable pension inputs are the higher of earnings (capped at AA) or £3,600.		
The AA is usually reduced by £1 for every £2 by which relevant income exceeds £260,000, down to a minimum AA of £10,000.		
The AA can also be reduced to £10,000, where certain pension drawings have been made.		
The maximum tax-free pension lump sum is £268,275 (25% of £1,073,100), unless a higher amount is "protected".		

Car and Fuel Benefits (Table C)

Cars

Taxable benefit: List price multiplied by chargeable percentage.

CO ₂ emissions g/km	Electric range Miles	2026/27 %	2025/26 %
0	N/A	4	3
1-50	>130	4	3
1-50	70 - 129	7	6
1-50	40 - 69	10	9
1-50	30 - 39	14	13
1-50	<30	16	15
51-54	N/A	17	16

Then a further 1% for each 5g/km CO₂ emissions, up to a maximum of 37%.

Diesel cars that are not RDE2 standard suffer a 4% supplement on the above figures but are still capped at 37%.

Certain plug-in hybrid vehicles first registered after 31 December 2024, which have an emissions figure of 51 or more, are deemed to have an emissions figure of 1.

Car Fuel

Where employer provides fuel for private motoring in an employer-owned car, the CO₂-based percentage from above table is multiplied by £29,200 (2025/26: £28,200).

National Insurance Contributions 2026/27 (Table D)

Class 1 (Employees)	Employee	Employer
Main NIC rate	8%	15%
No NIC on first	£242pw	£96pw
Main rate charged up to*	£967pw	no limit
2% rate on earnings above	£967pw	N/A
Employment allowance per qualifying business	N/A	£10,500

*Nil rate of employer NIC on earnings up to £967pw for employees aged under 21, apprentices aged under 25 and ex-armed forces personnel in their first twelve months of civilian employment.

Employer contributions (at 15%) are also due on most taxable benefits (Class 1A) and on tax paid on an employee's behalf under a PAYE settlement agreement (Class 1B).

Class 2 (Self-employed)

Flat rate per week if profits below £7,105 (voluntary) £3.65

Class 3 (Voluntary)

Flat rate per week £18.40

Class 4 (Self-employed)

On profits £12,570 – £50,270 6%

On profits over £50,270 2%

Employees with earnings above £129 per week and the self-employed with annual profits over £7,105 (or who pay voluntary Class 2 contributions) can access entitlement to contributory benefits.