AP.
TAX ADVISORS

BUDGET ALERT · 28 OCTOBER 2026

Budget 2026

what it means for you.

A clear guide to the changes for landlords, savers, business owners and families, with the main rates and allowances for 2027/28.

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01 · AT A GLANCE

Budget 2026 *at a glance*

The Budget was delivered on 28 October 2026. Most changes start on 6 April 2027 and still need to pass into law. These are the points most likely to affect you.

- **No rise in headline rates** of income tax on earnings, National Insurance or VAT. Rates on property and savings income do rise.[1]
- **Landlords:** from 6 April 2027, income tax on rental profits is 24%, 44% and 49% in England, Wales and Northern Ireland.[2]
- **Savers:** the same 24%, 44% and 49% rates apply to savings interest across the UK. The cash ISA limit stays at £20,000.[3]
- **Selling a business:** the Business Asset Disposal Relief lifetime limit halves to £500,000. A new Founders' Relief charges 10% on up to £10 million of gains for qualifying founders and early investors of high-growth, innovative companies, with rules still under consultation. Both from 6 April 2027.[4]
- **Side income:** the trading allowance triples from £1,000 to £3,000 from 6 April 2027, with exclusions (see page 4).[5]
- **Mileage (cars and vans):** 55p a mile for the first 10,000 business miles is made permanent; above that the rate rises from 25p to 35p from 6 April 2027.[6]
- **Unchanged for 2027/28:** personal allowance, tax bands, dividend rates and allowance, capital gains tax rates and annual exempt amount, pension and ISA allowances, inheritance tax nil-rate bands (full table on page 7).[7]

WHERE TO ACT NOW.

If you are planning to sell a business, move property into a company, or restructure how you take money from your company, speak to us before you commit. Some rules are not yet published.

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02 · PROPERTY

Landlords *and property*

Higher tax on rental income from April 2027

- **New rates:** 24% basic, 44% higher and 49% additional rate on property income from 6 April 2027. That is 4 points above today's 20%, 40% and 45% (and 2 points above the rates already set by Budget 2025).[2]
- **Where:** England, Wales and Northern Ireland. The Scottish and Welsh governments have been given the power to set their own property income rates.[2]
- **Mortgage interest:** individual landlords of residential property get relief on finance costs at the property basic rate, so it rises from 20% to 24% once the new rates are law. This partly offsets the rise.[8]
- **Allowances used first against earnings:** from 2027/28 the personal allowance and other reliefs are set against earnings and pensions before rental, savings or dividend income, so people with a salary or pension get less shelter for rental income.[8]
- **Company landlords** pay corporation tax instead; the main rate stays capped at 25%. Moving property into a company can trigger capital gains tax and Stamp Duty Land Tax, and profits taken out are taxed again, so take advice first.[2]

Other property changes

CHANGE	WHERE	FROM
Annual Tax on Enveloped Dwellings charges rise by 3.5% (already law)[9]	UK	2027/28 period
No Stamp Duty Land Tax on rent under assured tenancies[9]	England	1 May 2026
Stamp Duty Land Tax group relief withdrawn when a buyer leaves a group after the seller is wound up[9]	England and NI	29 October 2026
High Value Council Tax Surcharge on homes worth £2 million or more, with deferral, discounts and exemptions; 100% premium on homes empty for 12 months or more (no date given)[9]	England	April 2028
HMRC consultation on letting agents and deposit schemes reporting landlords' income[10]	UK	Closes 20 Jan 2027

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03 · BUSINESS

Business owners *and founders*

Selling your business

- **Business Asset Disposal Relief** (18% capital gains tax on qualifying sales): lifetime limit falls from £1 million to £500,000 for disposals from 6 April 2027. Relief already used counts towards the new limit.[4]
- **Contracts before 6 April 2027:** special rules apply to sales agreed before that date that complete later. The details are not yet published, so signing early may not keep the £1 million limit.[4]
- **Founders' Relief:** 10% on up to £10 million of lifetime gains for qualifying founders and early investors of high-growth, innovative companies, from 6 April 2027. Business Asset Disposal Relief or Investors' Relief used from that date reduces the limit. Consultation runs to 30 November 2026.[4]

Small traders and side income

- From 6 April 2027, up to £3,000 a year of trading and miscellaneous income is tax-free (up from £1,000) if you claim no actual expenses against it. The Self Assessment reporting threshold also rises to £3,000.[5]
- **Not covered:** payments from your employer (or your spouse's or civil partner's), from a partnership you or a connected person are a partner in, or from a company you or your family own a stake in.[5]

Taking money out of your company

- The tax treatment of company distributions will be made consistent "regardless of legal form, company residence or transaction structure", from April 2028, with draft legislation in 2027. Capital treatment is protected for genuine changes of ownership, including family successions.[11]
- Proposed new reporting of payments to shareholders and other participators will not go ahead for now.[11]

Equipment and share schemes

- **Capital allowances:** main rate first-year allowance rises from 40% to 50% from 1 January 2027; main rate writing down allowance falls to 12% from April 2027. The £1 million Annual Investment Allowance (100% relief for most small businesses) and full expensing are unchanged.[12]
- **EMI2:** from 6 April 2027 the Company Share Option Plan becomes EMI2, with a £120,000 option limit per employee (from £60,000) and a 15-year exercise period. EMI limits are unchanged.[13]
- **EMI:** grants reported on the annual return instead of separately; 180 days (from 90) to exercise after a disqualifying event; companies moving to an Employee Ownership Trust keep access.[13]

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04 · VAT AND PAYROLL

VAT, payroll and *other business changes*

MEASURE	WHAT CHANGES
Business rates (England)	Retail, hospitality and leisure from 1 April 2027: full Small Business Rates Relief up to £18,000 rateable value (from £12,000), tapered up to £21,000; bigger relief for pubs, social clubs and most live music venues; bill increases capped at inflation for two years.[14]
Machine Games Duty	20% to 25% on games with stakes over £1 or prizes over £100, from 1 April 2027.[14]
Minimum wage	From 1 April 2027: National Living Wage £13.21 an hour; £11.27 (18 to 20), £8.31 (16 to 17 and eligible apprentices).[15]
Payrolling benefits	Mandatory payrolling delayed: cars, vans, fuel and medical benefits from 6 April 2027; others from 6 April 2028 (not loans or living accommodation).[15]
Overseas workers	Employer-paid Immigration Skills Charge and Certificate of Sponsorship fees are not a taxable benefit from 28 October 2026.[15]
VAT on overseas services	From April 2027 the reverse charge applies only to VAT-registered customers; overseas suppliers to unregistered UK businesses charge UK VAT.[15]
Online marketplaces	From October 2027, marketplaces collect VAT for UK VAT-registered sellers and other UK sellers with sales of at least £90,000 a year on that platform.[15]
VAT e-invoicing	VAT invoices in a set electronic format from 1 April 2029.[15]
Direct Debit	Required for VAT (from 1 April 2029) and PAYE (from 6 April 2029) to collect anything unpaid by a cut-off date.[15]
Other	R&D claim notification form removed from 1 April 2027; technical changes to EIS, SEIS and VCTs; a new Securities Transfer Tax replaces stamp duty on shares from late 2027.[12]

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05 · INDIVIDUALS

Individuals, trusts, *international and HMRC*

Employees, savers and pensioners

- **Savings interest:** 24%, 44% and 49% across the UK from 6 April 2027. The personal savings allowance (£1,000 / £500) and £5,000 starting rate are unchanged, and ISA interest stays tax-free.[3]
- **Lifetime ISA:** withdrawal charge falls from 25% to 20% for first-time buyers above the £450,000 cap from 29 October 2026; a First Time Buyer ISA replaces it for new savers from April 2029.[16]
- **Pension Tax Allowance** (6 April 2027 to 5 April 2030): no tax for people over State Pension age whose total income is at or below the full new State Pension; tapers just above.[16]
- **Mileage:** employers can pay up to the approved rates tax-free; if they pay less you may claim relief on the difference. Self-employed people can usually use the rates instead of actual costs, unless capital allowances were claimed on the vehicle.[6]
- From 6 April 2028, the £2,500 Self Assessment limit for employment expense claims is removed. Eligible self-employed fathers, partners and adopters in Great Britain can claim parental pay from April 2029.[16]

Inheritance tax and trusts

- Tighter rules on deducting trust-related debts, for deaths and other charges from 28 October 2026.[17]
- Most unused pension funds and death benefits come into the estate for inheritance tax from 6 April 2027 (already law).[17]
- Trustees pay 24% and 49% on property and savings income from 2027/28; a limited easement to the trust exit charge applies from 28 October 2026.[17]

International

- Double tax relief for income from certain foreign entities, including some US LLCs (Finance Bill 2027-28). Foreign branch exemption compulsory for periods from 1 January 2027. Offshore penalties consultation due later in 2026.[18]
- Temporary Repatriation Facility rate rises from 12% (2026/27) to 15% (2027/28), as already legislated.[7]

HMRC and tax administration

- More regular in-year payments on account from April 2029; a duty to correct errors in returns from 1 April 2028; Making Tax Digital penalty easement for April 2027 joiners; more compliance staff and debt powers.[19]

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06 · RATES

Main rates and allowances *for 2027/28*

RATE OR ALLOWANCE	2026/27	2027/28
INCOME TAX		
Personal allowance (reduced above £100,000 of income)	£12,570	£12,570
Basic rate band / higher rate limit (taxable income)	£37,700 / £125,140	£37,700 / £125,140
Main rates (earnings, pensions, trading profits)	20%, 40%, 45%	20%, 40%, 45%
Savings rates[3]	20%, 40%, 45%	**24%, 44%, 49%**
Property rates (England, Wales and NI)[2]	Main rates apply	**24%, 44%, 49%**
Savings starting rate limit / personal savings allowance	£5,000 / £1,000 / £500	£5,000 / £1,000 / £500
Dividend rates	10.75%, 35.75%, 39.35%	10.75%, 35.75%, 39.35%
Dividend allowance	£500	£500
Trading allowance[5]	£1,000	**£3,000**
Mileage: first 10,000 business miles (cars and vans)[6]	55p	55p (made permanent)
Mileage: above 10,000 business miles[6]	25p	**35p**
Trusts: savings and property income (basic / trust rate)[17]	20% / 45%	**24% / 49%**
CAPITAL GAINS TAX		
Rates (basic / higher) / annual exempt amount	18% / 24% / £3,000	18% / 24% / £3,000
Business Asset Disposal Relief lifetime limit[4]	£1 million	**£500,000**
Founders' Relief rate / lifetime limit (new)[4]	Not available	**10% / £10 million**
Temporary Repatriation Facility rate (already law)	12%	**15%**
COMPANIES AND BUSINESS		
Corporation tax main rate / small profits rate	25% / 19%	25% / 19%
Main rate first-year allowance (from 1 January 2027)[12]	40%	**50%**
Main rate writing down allowance[12]	14%	**12%**
Annual Investment Allowance / full expensing for companies	£1 million / 100%	£1 million / 100%
EMI2 (formerly CSOP) option limit per employee[13]	£60,000	**£120,000**
VAT standard rate / registration threshold	20% / £90,000	20% / £90,000
NATIONAL INSURANCE		
Employee: main rate / above upper limit / weekly threshold	8% / 2% / £242	8% / 2% / £242
Employer: rate / weekly threshold / Employment Allowance	15% / £96 / £10,500	15% / £96 / £10,500
Self-employed Class 4: main rate / above upper limit	6% / 2%	6% / 2%
PENSIONS, ISAS AND INHERITANCE TAX		
Pension annual allowance / money purchase allowance	£60,000 / £10,000	£60,000 / £10,000
Adjusted income above which annual allowance tapers	£260,000	£260,000
ISA / Junior ISA limits	£20,000 / £9,000	£20,000 / £9,000
Inheritance tax nil-rate band / residence nil-rate band	£325,000 / £175,000	£325,000 / £175,000
IHT 100% agricultural and business property relief allowance	£2.5 million	£2.5 million

Changes are highlighted. Figures from HMRC's published rates and allowances for Budget 2026; the 2027/28 changes still need to pass into law.[7] Scottish income tax rates and bands are set by the Scottish Parliament and are not shown.[2]

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NEXT STEPS

How we *can help.*

Our firm is led by a Chartered Tax Adviser (CTA) and specialises in UK and international tax. We can set out your options clearly:

- **Landlords:** ownership and how rental income is split.
- **Directors:** what the April 2028 changes mean for taking profits out.
- **Selling a business:** timing and the new limits.
- **Business owners:** VAT, payroll, Direct Debit and e-invoicing.
- **Employers and employees:** EMI and EMI2 options, expenses.
- **Savers, pensioners and trusts:** the tax on your savings, pensions and trust income.
- **International clients:** foreign income and double tax relief.

Book a consultation at **aptaxadvisors.com**

BOOK A CONSULTATION

SOURCES

1. HM Treasury, 'Budget 2026' (GOV.UK, 28 October 2026), "Keeping the government's tax commitments"; "Making fair choices on revenue raising".
2. Budget 2026, "Changes to tax on property income"; HMRC, 'Budget 2026: Overview of tax legislation and rates' (OOTLAR) (28 October 2026), 1.2, 1.3; OOTLAR Annex A, "Corporation Tax rates".
3. Budget 2026, "Changes to tax on savings income"; "Maintaining the cash ISA limit at £20,000"; OOTLAR Annex A, savings tables.
4. Budget 2026, "Business Assets Disposal Relief (BADR): lifetime limit"; "Capital Gains Tax (CGT) Founders' Relief"; OOTLAR 1.32, 1.33; Taxation of Chargeable Gains Act 1992 (TCGA 1992), s.169N(4).
5. Budget 2026, "Increase Trading Allowance"; OOTLAR 1.5; Income Tax (Trading and Other Income) Act 2005 (ITTOIA 2005), ss.783AO to 783AQ.
6. Budget 2026, Table 6.1 and "Mileage rates review"; OOTLAR 2.7; ITTOIA 2005, ss.94D, 94E(2).
7. OOTLAR Annex A: rates and allowances (incl. trustees' rates, Temporary Repatriation Facility); Finance Act 2025, Sch. 10, para. 1(8).
8. Income Tax Act 2007 (ITA 2007), s.25(3A), inserted by Finance Act 2026 for 2027-28 onwards; ITTOIA 2005, s.272A; s.274AA(5), as amended by Finance Act 2026, Sch. 1, para. 40.
9. Budget 2026, "Annual Tax on Enveloped Dwellings (ATED)"; "Removing Stamp Duty Land Tax on rent under assured tenancies"; "Stamp Duty Land Tax group relief"; "High Value Council Tax Surcharge (HVCTS)"; OOTLAR 1.22.
10. HMRC, 'Improving Property Income Data Reporting' (GOV.UK consultation, 28 October 2026).
11. Budget 2026, "Modernising the distributions framework"; "Close company reporting".
12. Budget 2026, "Writing down allowances"; "Improving R&D Tax Reliefs"; "Improving tax advantaged venture capital schemes"; Stamp Duty taxes on shares; OOTLAR Annex A, capital allowances.
13. Budget 2026, "Enterprise Management Incentives 2"; "Enterprise Management Incentive (EMI): Removal of the grant of options notification"; "Employee Share Schemes: enhanced flexibility".
14. Budget 2026, business rates measures for retail, hospitality and leisure; "Machine Games Duty (MGD)".
15. Budget 2026, "National Living Wage and National Minimum Wage"; Immigration Skills Charge measure; "VAT treatment of cross-border services"; "VAT online marketplace liability (OMPL)"; "E-invoicing"; "Requiring direct debit arrangements for VAT and PAYE return liabilities"; OOTLAR 1.24.
16. Budget 2026, "Reduce Lifetime ISA (LISA) withdrawal charge"; "First Time Buyer (FTB) ISA"; "Income Tax: Pension Tax Allowance"; "Reforming how taxpayers claim for employment expenses"; parental pay measure.
17. Budget 2026, "Inheritance Tax: preventing unintended deductions for liabilities in trust arrangements"; OOTLAR 1.27, 1.28; Annex A, trustees' rates.
18. Budget 2026, "Investors in US Limited Liability Companies and other reverse hybrids"; "Offshore penalties reform consultation announcement"; OOTLAR 1.39.
19. Budget 2026, "More timely payment for self-assessment"; "Modernising the correction of errors in tax returns"; "Making Tax Digital (MTD) for income tax"; HMRC compliance and debt measures.

This alert is a general summary of the Budget announcements made on 28 October 2026 and is correct as at that date. It is not advice and should not be relied on for any decision. Most measures still need to pass into law and may change. Please contact us before acting on anything in it. We cannot accept responsibility for any loss arising from acting, or not acting, on this general summary.

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