

Tax Rates 2026/27

The numbers that matter, and what to do about them.

AP Tax Advisors

CHARTERED TAX ADVISER
CHARTERED ACCOUNTANT

PERSONAL ALLOWANCE	HIGHER RATE STARTS	DIVIDEND UPPER RATE	CGT MAIN RATES	IHT NIL RATE BAND
£12,570	£50,270	35.75%	18/24%	£325,000

INCOME TAX		ENGLAND, WALES & NI	
RATES ON TAXABLE INCOME		BAND	RATE
Basic rate		£1 to £37,700	20%
Higher rate		£37,701 to £125,140	40%
Additional rate		Over £125,140	45%
ALLOWANCES		2026/27	2025/26
Personal allowance		£12,570	£12,570
Reduced by £1 for every £2 of adjusted net income over £100,000; nil at £125,140			
Marriage allowance		£1,260	£1,260
Transferable; worth up to £252 of tax			
Blind person's allowance		£3,250	£3,130
Married couple's allowance		£11,700	£11,270
Born before 6 Apr 1935; relief at 10%. Min £4,530			
Trading allowance / property allowance		£1,000	£1,000
Rent-a-room relief		£7,500	£7,500

PLANNING POINT: THE 60% BAND

Between **£100,000 and £125,140** the withdrawal of the personal allowance creates an effective marginal rate of 60%, or 62% with National Insurance. A pension contribution or Gift Aid donation that pulls adjusted net income back to £100,000 can be relieved at that effective rate.

SAVINGS & DIVIDEND INCOME		
DIVIDENDS	2026/27	2025/26
Dividend allowance	£500	£500
Ordinary rate ▲	10.75%	8.75%
Upper rate ▲	35.75%	33.75%
Additional rate	39.35%	39.35%
SAVINGS	2026/27	2025/26
Starting rate for savings: 0%	£5,000	£5,000
Only available where non-savings income is below £17,570		
Personal savings allowance: basic rate	£1,000	£1,000
Personal savings allowance: higher rate	£500	£500
Nil for additional rate taxpayers		

Dividend rates rose 2 points on 6 April 2026. For an owner-managed company the salary/dividend balance, and the timing of declarations either side of 5 April, are worth revisiting rather than repeating last year's numbers.

WHERE THE MARGINAL RATES BITE	EMPLOYEES, INCL. NIC
£50,270 to £100,000	42%
£60,000 to £80,000 with children	42% +
42% plus 1% of Child Benefit clawed back for every £200	
£100,000 to £125,140: the 60% band	62%
£100,000 with children in funded childcare	100%+
Tax-Free Childcare and funded hours are lost outright at the line	
Over £125,140	47%

Pension contributions and Gift Aid reduce adjusted net income and can step you back out of every band above.

NATIONAL INSURANCE		CLASS 1, 2, 3 & 4	
EMPLOYEES: CLASS 1 PRIMARY		ANNUAL	RATE
Lower earnings limit		£6,708	—
Primary threshold		£12,570	—
Earnings £12,570 to £50,270		—	8%
Earnings above £50,270		—	2%
EMPLOYERS: CLASS 1 SECONDARY		ANNUAL	RATE
Secondary threshold		£5,000	15%
Class 1A and Class 1B on benefits		—	15%
Employment allowance		£10,500	—
Not available to sole-director companies with no other qualifying employee			
SELF-EMPLOYED		THRESHOLD	RATE
Class 2: voluntary		£7,105	£3.65 pw
Profits above the small profits threshold give a qualifying year at no cost			
Class 3: voluntary		—	£18.40 pw
Class 4: profits £12,570 to £50,270		—	6%
Class 4: profits above £50,270		—	2%

TAX-EFFICIENT INVESTMENTS		
ISAS	LIMIT	RELIEF
Overall ISA subscription limit	£20,000	—
Junior ISA	£9,000	—
Lifetime ISA	£4,000	+25%
Ages 18 to 39 to open; 25% government bonus		
VENTURE CAPITAL SCHEMES	LIMIT	RELIEF
EIS	£1,000,000	30%
£2m where above £1m is in knowledge-intensive companies. 3-year hold		
SEIS	£200,000	50%
3-year hold; 50% CGT reinvestment relief on up to £100,000		
VCT ▼	£200,000	20%
Relief cut from 30% to 20% for shares issued on or after 6 April 2026. 5-year hold		

Risk warning. EIS, SEIS and VCT investments are high risk and illiquid. Relief depends on the company retaining qualifying status. We advise on the tax position, not the merits of the investment.

STATE PENSION & STATUTORY PAY	WEEKLY
New State Pension	£241.30
Basic State Pension: category A or B	£184.90
Statutory Sick Pay	£123.25
Statutory Maternity / Paternity Pay	£194.32
Or 90% of average weekly earnings if lower; first 6 weeks of SMP at 90%	
National Living Wage: 21 and over	£12.71
18 to 20: £10.85 Under 18 and apprentice: £8.00 (hourly, from 1 April 2026)	

CHILD BENEFIT & THE HICBC	
Charge starts: fully clawed back at £80,000	£60,000
Based on the higher earner's adjusted net income	
Rate of charge	1% per £200

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REGISTERED PENSIONS	
Annual allowance	£60,000
Money purchase annual allowance	£10,000
Triggered by flexibly accessing a defined contribution pension	
Tapered allowance: threshold income	£200,000
Tapered allowance: adjusted income	£260,000
Allowance reduced by £1 for every £2 above, to a minimum of £10,000	
Lump sum allowance	£268,275
Broadly the cap on tax-free cash	
Lump sum & death benefit allowance	£1,073,100
Overseas transfer allowance	£1,073,100
Maximum relievable contribution	100%
100% of relevant UK earnings, or £3,600 gross if higher	

PLANNING POINT: CARRY FORWARD

Unused annual allowance can be carried forward three tax years provided you were a member of a registered scheme in each. For 2026/27 that reaches back to 2023/24, which drops out of range on 5 April 2027.

CAPITAL GAINS TAX		
ANNUAL EXEMPT AMOUNT	2026/27	2025/26
Individuals and personal representatives	£3,000	£3,000
Most trustees	£1,500	£1,500
RATES		
	2026/27	2025/26
Individuals: basic rate band	18%	18%
Individuals: above basic rate band	24%	24%
Trustees and personal representatives	24%	24%
Business Asset Disposal Relief ▲	18%	14%
£1m lifetime limit per individual		
Investors' Relief ▲	18%	14%
£1m lifetime limit		

BADR is now 18%, up from 10% two years ago: £80,000 more tax on a £1m gain. If an exit is on the horizon, structure and timing decisions are worth taking early.

Reporting. UK residential property gains must be reported and the tax paid within **60 days** of completion. Other gains are reported through Self Assessment.

VALUE ADDED TAX	
Standard rate	20%
Reduced rate	5%
Domestic fuel and power, certain renovations, children's car seats	
Registration threshold	£90,000
Rolling 12 months, or expected to be exceeded in the next 30 days alone	
Deregistration threshold	£88,000
Flat rate scheme: joining turnover	£150,000
Cash and annual accounting: joining turnover	£1,350,000

CORPORATION TAX		FY COMMENCING 1 APRIL 2026
Main rate: profits over £250,000	25%	
Small profits rate: profits up to £50,000	19%	
Marginal relief fraction	3/200	
Effective marginal rate of 26.5% between the limits		
Patent Box effective rate	10%	
R&D expenditure credit: merged scheme	20%	
Taxable credit, above the line		
R&D intensive SMEs: extra deduction	86%	
Loss-making SMEs with R&D of 30%+ of total expenditure; payable credit 14.5%		

Associated companies divide the £50,000 and £250,000 limits between them, as do short accounting periods.

INHERITANCE TAX	
THRESHOLDS AND RATES	2026/27
Nil rate band	£325,000
Frozen until 5 April 2031. Unused proportion transferable to a spouse or civil partner	
Residence nil rate band	£175,000
Withdrawn by £1 for every £2 of estate value above £2,000,000	
Rate on death	40%
Reduced rate	36%
Where 10% or more of the net estate passes to charity	
Lifetime rate on chargeable transfers	20%
LIFETIME EXEMPTIONS	PER YEAR
Annual exemption	£3,000
One year's unused exemption may be carried forward	
Small gifts: per recipient	£250
Wedding gifts: child / grandchild / other	£5,000 / £2,500 / £1,000
Normal expenditure out of income	Unlimited
TAPER RELIEF: EFFECTIVE RATE ON GIFTS	RATE
0 to 3 years before death	40%
3 to 4 years 4 to 5 years	32% 24%
5 to 6 years 6 to 7 years	16% 8%
7 years or more	Nil

New from 6 April 2026: the APR/BR allowance. 100% agricultural and business property relief is now capped at a **£2.5m allowance** per person, transferable between spouses, with 50% relief on qualifying value above it. Shares quoted on a recognised exchange but not listed (AIM shares, in practice) qualify for 50% relief only. Succession plans written before this change may no longer do what they were built to do.

STAMP DUTY LAND TAX		ENGLAND & NI
RESIDENTIAL: CONSIDERATION		RATE
Up to £125,000		0%
£125,001 to £250,000		2%
£250,001 to £925,000		5%
£925,001 to £1,500,000		10%
Over £1,500,000		12%
SUPPLEMENTS AND RELIEFS		RATE
Additional dwellings		+5%
On top of standard rates. Refundable if the former main residence is sold within 36 months		
Non-UK resident purchasers		+2%
First-time buyers		Relief
0% to £300,000, then 5% to £500,000. No relief above £500,000		
Companies: dwellings over £500,000		17%
Unless a relief such as property rental business applies		
Scotland and Wales charge LBTT and LTT instead, at different rates and thresholds.		

TRUSTS & ESTATES		
INCOME TAX: TRUSTEES	DIVIDEND	OTHER
Discretionary and accumulation trusts	39.35%	45%
Interest in possession trusts ▲	10.75%	20%
De minimis: no tax on trust income up to	£500	—
Divided where a settlor has more than one trust, to a floor of £100		
INHERITANCE TAX: RELEVANT PROPERTY	RATE	
Entry charge on lifetime transfer into trust	20%	
On value above the available nil rate band		
Ten-year anniversary and exit charges: maximum	6%	
CGT: annual exempt amount and rate	£1,500 / 24%	

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COMPANY CARS, VANS & MILEAGE

CAR BENEFIT: APPROPRIATE PERCENTAGE	CO ₂ G/KM	%
Zero emission	0	4%
Plug-in hybrid: electric range 130 miles +	1 to 50	4%
Electric range 70 to 129 / 40 to 69 miles	1 to 50	7% / 10%
Electric range 30 to 39 / under 30 miles	1 to 50	14% / 16%
51 to 54 g/km, then +1% per 5 g/km	51 to 54	17%
Maximum	170+	37%
Diesel cars not meeting RDE2 add a 4% supplement, capped at 37%		

FUEL AND VAN CHARGES	2026/27	2025/26
Car fuel benefit multiplier	£29,200	£28,200
Van benefit charge	£4,170	£4,020
Van fuel benefit charge	£798	£769

OWN VEHICLE: APPROVED MILEAGE RATES	FIRST 10,000	ABOVE
Cars and vans ▲	55p	25p
Raised from 45p in June 2026, backdated to 6 April 2026		
Motorcycles / bicycles	24p	20p
Passenger supplement: per passenger	5p	5p

PLANNING POINT: THE ELECTRIC COMPANY CAR

At a 4% appropriate percentage, an electric car provided through the company remains one of the most efficient benefits available. The percentage is legislated to rise to 5% in 2027/28 and further thereafter, so the advantage narrows over time rather than disappearing.

CAPITAL ALLOWANCES

Annual Investment Allowance	£1,000,000
Most plant and machinery, including second-hand assets. Shared across a group	
Full expensing: companies, new main rate assets	100%
Full expensing: new special rate assets	50%
First-year allowance, main rate ★	40%
New from 1 January 2026. Available to unincorporated businesses and leased assets. Excludes cars, second-hand assets and overseas leasing	
Writing down allowance: main pool ▼	14%
Reduced from 18%. Effective 1 April 2026 for companies, 6 April 2026 for income tax	
Writing down allowance: special rate pool	6%
Structures and Buildings Allowance	3%

EMPLOYMENT & PAYROLL

Trivial benefits exemption: per benefit	£50
£300 annual cap for directors of close companies and their families	
Annual staff functions: per head	£150
Homeworking allowance: per week	£6
Employer reimbursement without evidence	
Apprenticeship Levy: rate and allowance	0.5% / £15,000
Employers with an annual pay bill over £3m	

New from 6 April 2026. Employers can reimburse the cost of flu vaccinations, eye tests and homeworking equipment free of tax and NIC. Employees can no longer claim homeworking cost relief directly from HMRC.

WHAT'S CHANGING, AND WHEN

Now

In force from 6 April 2026

Dividend ordinary and upper rates up 2 points. BADR and Investors' Relief at 18%. VCT relief cut to 20%. APR/BR £2.5m allowance introduced. Main pool writing down allowance cut to 14%. Mileage for cars and vans up to 55p. MTD for Income Tax begins above £50,000 of qualifying income.

Apr 2027

Savings and property income rates rise

Savings and property income rates rise 2 points to 22%, 42% and 47%. Unused pension funds and most death benefits enter the estate for inheritance tax. Cash ISA subscriptions capped at £12,000 for under-65s within the £20,000 limit. MTD extends above £30,000.

Apr 2028

Making Tax Digital widens again

Qualifying income above £20,000 comes into quarterly reporting. A high value council tax surcharge on residential property is due to begin.

Apr 2029

Salary sacrifice into pensions capped

NIC relief on pension salary sacrifice limited to £2,000 a year; contributions above that are treated as ordinary employee contributions for NIC.

Apr 2031

Thresholds unfrozen

Income tax and NIC thresholds and the IHT nil rate band are frozen until this date, pulling more income into higher bands each year.

KEY DATES

2026/27

2026

31 Jul	Second payment on account for 2025/26
5 Oct	Notify HMRC of chargeability for 2025/26
31 Oct	Paper Self Assessment return for 2025/26
30 Dec	File online to have tax under £3,000 collected through your 2027/28 PAYE code

2027

31 Jan	Online return, balancing payment for 2025/26 and first payment on account for 2026/27
5 Apr	End of the 2026/27 tax year: ISA, pension and CGT allowances lapse
6 Jul	P11D and P11D(b) for 2026/27; employee copies due
22 Jul	Class 1A National Insurance paid electronically
31 Jul	Second payment on account for 2026/27

ONGOING

19 / 22	Monthly PAYE and NIC: post by the 19th, electronic by the 22nd
60 days	Report and pay CGT on UK residential property after completion
9m + 1d	Corporation tax payment for companies outside the quarterly regime
12 months	Corporation tax return filing deadline

STUDENT LOAN REPAYMENTS

ANNUAL THRESHOLDS

Plan 1 Plan 2	£26,900 £29,385	9%
Plan 4 Plan 5	£33,795 £25,000	9%
Postgraduate loan	£21,000	6%

Rates tell you what you owe.

Advice changes what you owe.

Everything on this card is public. What isn't public is how the pieces fit together for you: the order you take income in, how a business is structured before a sale, what happens to a family company under the new relief cap. That is the work we do.

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