Autumn Budget Statement 2026

- A Budget light on major tax announcements, although a number of small tax changes are being introduced.
- Inheritance Tax remains untouched, while Capital Gains Tax changes are modest and relevant to only a minority of taxpayers.
- Higher tax rates on savings and rental income will likely have a broader impact, although the reversal of planned changes to ISA allowances offers some relief for savers.



Income Tax – 5 April 2027

For most taxpayers, the personal allowance remains frozen at £12,570, with the basic rate band at £37,700 and the higher rate threshold at £50,270. The additional rate threshold remains at £125,140 with the personal allowance withdrawn by £1 for every £2 of taxable income above £100,000. These thresholds are set to remain unchanged until April 2031, increasing the potential for fiscal drag as incomes rise.

The Chancellor announced new measures to remove the need for pensioners with income at or under the value of the new State Pension (£13,036 from April 2027) to pay small amounts of income tax through Self Assessment. This will be achieved by introducing a pension tax allowance (PTA) from April 2027 which will remain in effect until April 2030. This allowance is tapered and is fully removed once an individual's total income from all sources exceeds £13,319.

The headline rates of income tax applied to 'earnings' remain at 20% (basic rate), 40% (higher rate) and 45% (additional rate).

Scottish taxpayers continue to be liable to different income tax rates and tax bands applied to earnings and self-employed profits.

A significant change will affect savings and property income. In a surprise new announcement, from April 2027, separate income tax rates of 24%, 44% and 49% will apply to savings interest and, in England, Wales and Northern Ireland, to property income. This is an additional 2% increase on the 2% rise announced by the previous Chancellor in the 2025 Budget.

Dividend income tax rates remain at 10.75% for basic rate taxpayers, 35.75% for higher rate taxpayers, and 39.35% for additional rate taxpayers.

Trading allowance: The flat rate £1,000 trading allowance (for trading and certain miscellaneous income) rises to £3,000 from 6 April 2027.

Share Schemes

The rules relating to the Company Share Option Plan (CSOP) and Enterprise Management Incentive (EMI) schemes will change. CSOP plans will be re-branded as 'EMI 2'.

From 6 April 2027 the CSOP / EMI 2 option limit will double from £60,000 to £120,000 and the exercise period will be increased from 10 to 15 years. The CSOP / EMI 2 exercise window following disqualifying events, such as if an employee leaves the company, will be extended to 180 days.

Companies of any size and in any sector may generally offer EMI 2 options. Employees and directors are eligible to participate, provided they do not already have a material interest in the company.

Mandatory Payrolling of Benefits in Kind from April 2027

As previously announced, the 2026-27 Finance Bill will require employers to report and 'payroll' most benefits in kind through Real Time Information (RTI). The changes will take effect for company cars, fuel and medical benefits from 6 April 2027. The payrolling of all other benefits in kind (with the exception of employment-related loans and employer-provided living accommodation) will take effect from 6 April 2028.

Claiming for Employment Expenses

The £2,500 income tax self-assessment expenses threshold will be removed from 6 April 2028. This will allow more taxpayers to claim tax relief on non-reimbursed employment expenses through PAYE. This will remove the need for many taxpayers being within Self-Assessment solely to claim employment expenses.

Capital Gains Tax (CGT)

The CGT annual exemption remains at £3,000 for individuals and £1,500 for most trusts.

The Chancellor did not announce any increases to the headline rates of CGT. Where taxable gains fall into the basic rate, they are liable to CGT at 18%. If they fall into the higher or additional rate, they are taxable at 24%.

For **Business Assets Disposal Relief**, from 6 April 2027 the lifetime allowance reduces from £1 million to £500,000 of qualifying capital gains. The associated CGT rate remains at 18%.

CGT Founders Relief – the Chancellor announced the introduction of a new tax relief for founders and significant early investors in high growth innovative companies. The government will consult on the rules, but the early proposals include a condition that the individual will need to hold at least 25% of the company's share capital for at least five years prior to disposal and be UK tax resident for at least five years prior to disposal. The shares must be in a qualifying UK resident trading company. Various growth and innovation conditions will apply relating to annual turnover, staff headcount and the incurrence of qualifying expenditure on R&D. Initially, it appears that this relief will only benefit a relatively small number of taxpayers.

Inheritance Tax (IHT)

The IHT nil-rate band remains at £325,000 until April 2031 and the residence nil rate band at £175,000 subject to qualifying conditions. The residence nil rate band begins to taper for estates valued at more than £2million. Estates valued at more than £2.7 million will not qualify for any residence nil rate band.

The combined allowance for 100% business and agricultural property relief remains at £2.5 million. 50% IHT relief applies to business and agricultural property valued in excess of this amount. The 100% £2.5 million allowance refreshes every seven years and, for spouses and civil partners, any amount unused on first death may be claimed by the survivor's personal representatives on second death.

As previously announced, from 6 April 2027 unused pension funds and death benefits are fully liable to IHT. They may still pass free of IHT to a dependent if they are a surviving spouse or civil partner. Unused pension benefits may also pass free of IHT if they are left to a UK registered charity.

National Insurance (NIC)

The employee and self-employed thresholds remain aligned with the existing income tax framework. The employee Primary Threshold and self-employed Lower Profits Limit for Class 4 NIC remain at £12,570. Employees do not pay employee NIC and self-employed do not pay Class 4 NIC when income is below this level.

Employees will pay 8% Class 1 NIC on earnings between £242 and £967 per week and 2% on earnings above this.

The self-employed will continue to pay 6% Class 4 NIC on profits between £12,570 and £50,270 and 2% thereafter. The Small Profits Threshold, which is relevant for entitlement to National Insurance credits, is increasing from 6 April 2027 to £7,355 from £7,105.

Employer NIC rates remain at 15% where employees earn over £96 per week. The 15% employer NIC rate remains in place on the value of taxable benefits in kind provided to employees and PAYE settlement agreements.

Pensions

Despite media speculation, the Chancellor did not make any changes to the ability of pensioners to withdraw up to 25% of their private pension pot as a pension commencement lump sum (PCLS), or 'tax free cash'. For many, the maximum PCLS remains set at £268,275. A higher PCLS may be available if the pensioner holds a lifetime protection previously issued by HMRC.

There are no changes to the current Lump Sum and Death Benefit Allowance (LSDBA) which limits the total amount of tax-free lump sums that can be paid from pensions during lifetime or on death. The standard LSDBA remains frozen at £1,073,100 but a higher allowance may be available if a lifetime protection is held.

The government announced that the 2026-27 Finance Bill would remove the current 'two-year rule' for pension and lump sum death benefits. This is a welcome change. It means that lump sum death benefits will no longer become taxable solely because they are paid more than two years after the pension scheme administrator first knew, or could reasonably have been expected to know, of the member's death. The change will have immediate effect in relation to payments made on or after 28 October 2026.

ISAs

In a welcome reversal to the announcement made by the previous Chancellor, the annual amount that may be saved in a cash ISA will remain at £20,000 from 6 April 2027. The annual amount that may be saved in a stocks and shares ISA remains at £20,000 and junior ISAs at £9,000.

First Time Buyer ISA

The Lifetime ISA (LISA) will be abolished and replaced with a First Time Buyer (FTB) ISA which will launch in April 2029.

The FTB ISA will allow investor contributions of up to £4,000 per year in line with the current LISA.

There will be a 25% government bonus (up to a maximum of £20,000), which will be calculated on the account's final balance when funds are withdrawn for an eligible first home purchase. The property price cap will be £450,000.

Making Tax Digital for Income Tax (MTD)

From 6 April 2027, MTD is extended to the second group of taxpayers who received gross property and / or self-employment income exceeding £30,000 in 2025/26. In line with the April 2026 group, these taxpayers will also not suffer penalties for any late submission of their quarterly updates during their first year in MTD.

Participation in MTD is mandatory unless an exemption applies. For more information about MTD see our insight: **www.handelsbanken.co.uk/en/insights/wealth-investing/making-tax-digital**

Collecting Tax from Wealthy Taxpayers

HMRC defines a wealthy taxpayer as an individual whose income is over £200,000 or who has owned assets over £2 million in any of the last three years.

HMRC will deploy more resources, in terms of manpower and data collection to identify and understand the UK's wealthy taxpayer population which it estimates to amount to at least 1.3 million individuals. HMRC will adopt a more 'connected view' to understand how income, assets, business interests, trusts and offshore structures relate to wealthy taxpayers. This will help to refine their risk assessments, customer service proposition, and 'intervention and support responses' to this particular group of taxpayers.

What this means is that wealthy taxpayers should expect far greater scrutiny from HMRC in the coming years. In this environment, maintaining full compliance and obtaining well-structured, non-contentious tax advice will be critical.

Timely payments in Income Tax Self-Assessment

From April 2029, taxpayers who submit an annual tax return and who make payments on account will make smaller, more regular payments during the tax year in which they earn the income.

The government has not decided how often payments will be required under the new system. It appears that payments will be automated, for example by direct debit. However, if a taxpayer has enough PAYE income from either employment or from a private pension, they will be able to choose to pay via PAYE if they prefer. 2029/30 will be a transition tax year as taxpayers will need to make their final payments for the previous tax year whilst starting to make payments under the new system. The government will release more information about the new payments system in 2027.

Small Owner Managed / Family Company Distributions and Shareholder Exits

The government has confirmed that it will proceed with reforms to the taxation of company distributions, with draft legislation expected in 2027 and implementation from April 2028. The changes are intended to reduce opportunities to extract company profits as capital rather than income, while modernising rules that have remained largely unchanged for decades.

At the same time, the government intends to expand and simplify the statutory demerger regime, which could make it easier to undertake genuine commercial restructurings, shareholder separations and succession planning exercises. The reforms are therefore likely to restrict some profit extraction strategies while providing greater flexibility for commercial business reorganisations.

Corporation Tax

In keeping with its manifesto commitments, the main rates of corporation tax remain frozen at their current levels. The small profits rate (taxable profits under £50,000) remains at 19% with the main rate at 25%.

If you have any questions about taxation, or our wealth planning services, please contact our Client Support team: clientsupport.hwam@handelsbanken.co.uk

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