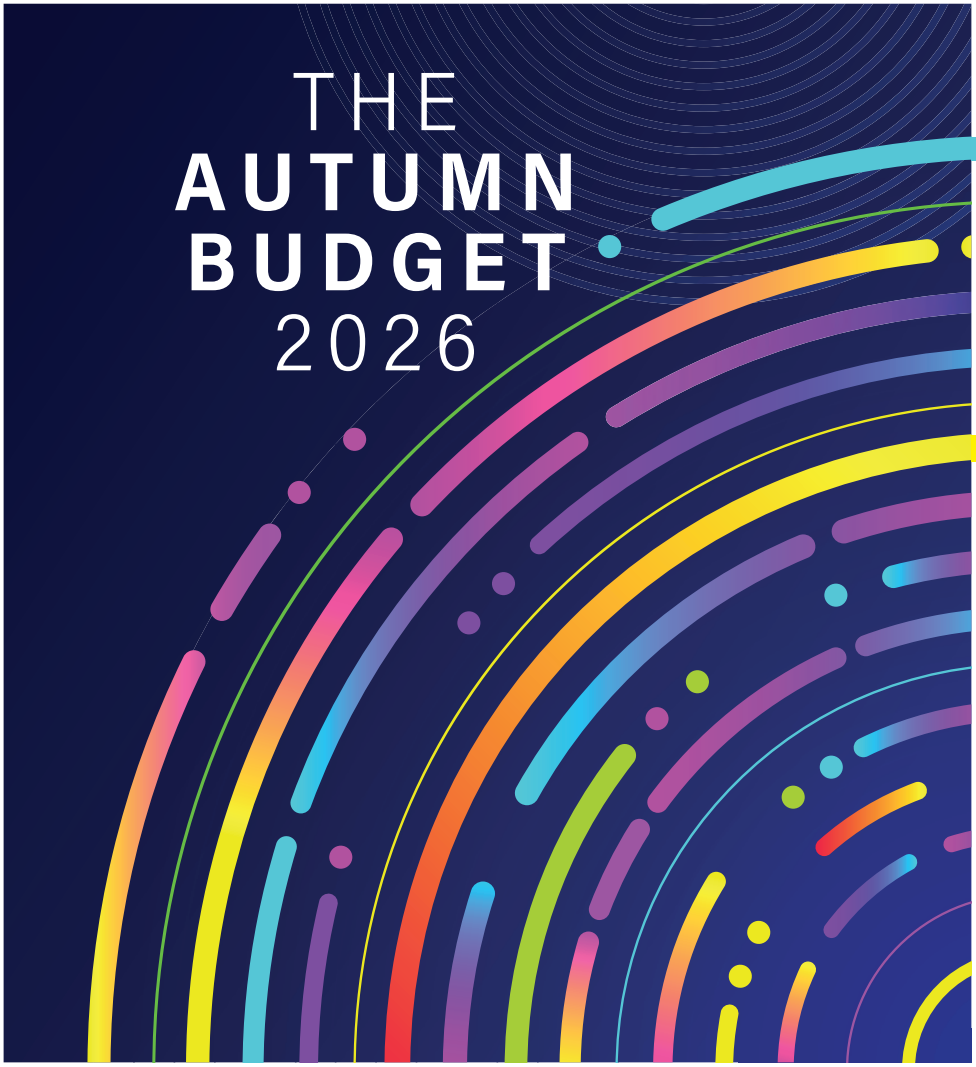
ALVIS COMPANY

ALVIS & COMPANY (ACCOUNTANTS) LTD.



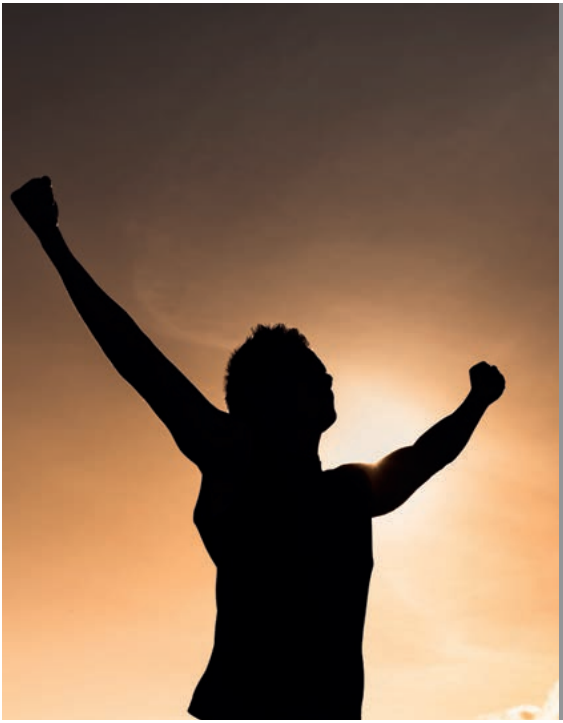
AUTUMN BUDGET 28 OCTOBER 2026

Chancellor offers "breathing space"

This Summary covers the key tax changes announced in the Chancellor's speech and includes tables of the main rates and allowances.

We recommend that you review your financial plans regularly as some aspects of the Budget will not be implemented until later dates.

We will, of course, be happy to discuss with you any of the points covered in this report and help you adapt and reassess your plans in the light of any legislative changes.



Contents

3 Personal Income Tax
5 Employees
7 National Insurance Contributions
7 Savings and Pensions
8 Capital Gains Tax
8 Inheritance Tax
9 Business Tax
10 Corporation Tax
11 Value Added Tax
13 Property Taxation
13 Other measures

Breathing space



Chancellor John Healey stated in his first Budget that it was his intention to give Britain some breathing space on the cost of living and the cost of business, while maintaining financial discipline and complying with his fiscal rules. The good news comes largely in the form of help with fuel and energy for households and business rates relief for small businesses. He imposed a tax surcharge on banks to help fund these measures, recalling the bank bailout by government two decades ago and arguing it was time for the banks to return the favour.

When he sat down, the Red Book appeared on the internet, setting out the full list of the measures he has proposed, and the table of expected outcomes from each. Very few items stand out as being particularly significant, but there are a great number of them. Some come into effect immediately; others are spread over the next five years. We are also about to be affected by big changes announced in previous Budgets, not mentioned again if they will proceed as planned. With such an amount of detailed tinkering, it is hard to keep track of what is changing when, and what it all means.

One thing is certain: Mr Healey has not made the tax system any simpler. The computation of personal income tax liabilities for someone with several different sources of income is now almost impossible to carry out without training and a computer. Checking that HMRC has assessed the right amount is not as easy as it should be.

In this document we have summarised the main tax proposals and their impact, and also included reminders of some matters announced in previous Budgets but only now coming into force. If you would like to discuss what it all means for you, we will be happy to help.

Significant points

- Personal tax allowances, thresholds and main rates continue to be frozen
- Pensions Tax Allowance to prevent those with income limited to State pension having to pay income tax on it
- Increases in income tax rates on rental and savings income from April 2027 by four percentage points instead of two as announced last year
- Investment limit for cash ISAs from April 2027 will not be implemented – limit remains £20,000
- New 'Founders' relief' for CGT to apply from April 2027 – 10% tax rate on eligible gains up to £10 million
- Changes to rates of first-year allowances (January 2027) and writing down allowances (April 2027)
- Business rates relief threshold raised to £18,000 from April 2027



Personal Income Tax

Tax rates and allowances – 2027/28 (Table A)

Chancellor Rachel Reeves announced in March 2025 that the main tax allowances and rate thresholds will remain at their 2022/23 levels until the end of 2030/31. This has been widely criticised as a 'stealth tax'. For example, a person with a salary of £50,270 will pay £7,540 in income tax in 2026/27; if their income increases by 10% to £55,297 in any of the years to 2030/31, all of the increase will be taxed at 40%, and they will pay £9,551.

The income level above which the personal allowance is tapered away also remains £100,000; it 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 allowance creates an effective marginal income tax rate of 60% on additional salary (this will differ depending on the types of income received, whether the taxpayer is Scottish or English, and salary will also be subject to additional NICs). Once again, annual increases in income will bring more people into these higher rates.

Pensions Tax Allowance

Because the State pension is paid without deduction of tax, and will rise above the basic personal allowance in tax year 2027/28, the government has introduced a new allowance to prevent a tax charge falling on those whose only income is their State pension. It will apply for the tax years 2027/28, 2028/29 and 2029/30.

The operation of the allowance is complicated. Pensioners will have a notional tax credit of 20% of the difference between their pension and the personal allowance, covering the liability at the basic rate. If they have other income as well, the credit will be reduced by £1 for every £3 above the State pension. As most of those affected will not have a tax adviser, it is to be hoped that HMRC's systems will cope with the calculations.

Savings income and property income

The personal 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. As income covered by these allowances uses up the basic rate band, even income below the allowance may affect a taxpayer's total liability.

The savings rate band remains at £5,000. Non-dividend income (including property income) in excess of the personal allowance is deemed to use up the savings rate band. If any of the £5,000 band is not used by these types of income, it can be set against savings income, which is then taxed at a nil rate.

In 2025 Rachel Reeves announced an increase in the tax rates applicable to income from property and savings to apply from April 2027. Chancellor Healey doubled the increase in his speech, apparently without most commentators noticing until later. The basic, higher and additional rates on rental and savings income will all rise by four percentage points in 2027/28 to 24%, 44% and 49% respectively. The tax relief for interest paid on residential let property will be fixed at 24% (up from 20%), to match the basic rate tax charge.



From 2027/28, the personal allowance, basic rate band and higher rate band are allocated in the following order: general income (such as salary and self-employed profits), then property income, then savings income (mainly interest), then dividends.

These tax increases make tax-free Individual Savings Accounts even more attractive, as any income or gains arising within an ISA are wholly tax-free.

Dividend income

The dividend allowance exempts some dividend income from tax, although that income still counts towards the higher rate thresholds. For 2027/28, 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 to declare even small tax liabilities on dividends.

In 2027/28, the basic, higher and additional rates on dividend income over £500 are unchanged at 10.75%, 35.75% and 39.35% respectively.

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.

Dividends arising in an ISA or a qualifying Venture Capital Trust (VCT) are not taxed and do not count towards the allowance.

Complexity of rates

The changes from April 2027 increase the complexity of tax calculations even further. Different tax rates apply to different types of income; some types are subject to NICs as well as income tax; different allowances operate in different ways; and tax reliefs have to be offset in a particular order. In addition to those complications, there are different thresholds which trigger changes in rates – the higher rate threshold, the points at which the High-Income Child Benefit Charge starts and finishes, the £100,000 'cliff edge' where personal allowances begin to be tapered away and childcare benefits are lost, and the additional rate threshold (£125,140).

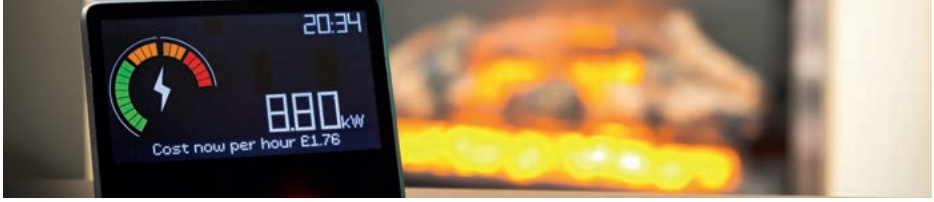
All this means that two people with similar levels of total income can have very different tax liabilities. It is particularly difficult to plan for those who have choices about how they receive their income, such as those who own their own company. It will be necessary to rethink and recalculate, and plans that have worked in the past may have to be changed for the future.

Scottish and Welsh rates – 2027/28 (Table A)

The Scottish government has the power to set its own income tax rates for Scottish taxpayers for non-savings, non-dividend income; from 2026/27, it can also set its own rates for property income. Many Scottish taxpayers now pay at higher rates of income tax than those elsewhere in the UK, although some low earners pay less. The Scottish Budget, which will confirm the rates for 2027/28, will take place on 3 December 2026.

The Welsh government has similar powers for Welsh taxpayers but has not yet varied the main UK rates. The draft 2027/28 Welsh Budget will be published on 17 November 2026, with the final Budget scheduled for 16 February 2027.

The new rates on savings income will apply across the UK.



Winter fuel payments

The annual winter fuel payment to pensioners will still be clawed back if income exceeds £35,000. By contrast, Chancellor Healey announced a new energy support payment of £100 to be paid to 'households' in Council Tax bands A to D in England. The devolved governments will be given funding to make similar payments. The payments will be made directly to the recipients' bank accounts in January 2027. At over £2.6 billion in total, this is the single largest measure in the government's budget forecasts.

Foreign domiciled people

Foreign domiciled people have been able in the past to claim the 'remittance basis' on their foreign income and gains (FIG), under which they would not pay tax until and unless the FIG were brought to the UK. This was replaced by a new system for 2025/26. FIG which were the basis of a remittance basis claim before then will be taxed when remitted to the UK, but for the first three years of the new system, a 'Temporary Repatriation Facility' applies a lower rate of tax to nominated unremitted FIG. Such amounts can then be remitted to the UK without any further tax charge. This rate has been 12% in 2025/26 and 2026/27, but will rise to 15% for 2027/28.

Employees

Company cars and vans (Table D)

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 had already been set up to 2029/30 'to provide long-term certainty for taxpayers and industry'. 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. Some of these will see a significant increase in 2028/29.

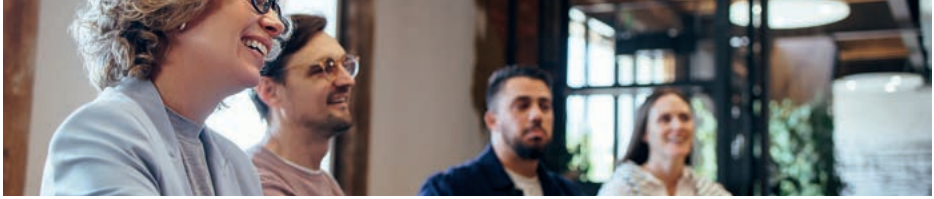
This Budget included an announcement of the company car rates for 2030/31 as well, adding a further percentage point to all the rates for cars with an emissions rating (which will range from 20% to 40%). The rate for zero emissions cars will rise from 4% in 2026/27 to 10% in 2030/31.

The figures used to calculate the following benefits all increase for 2027/28 in line with inflation:

- the benefit of free use of business fuel for private journeys (£30,200);
- the taxable amount for the availability of a van for more than incidental private use (£4,310);
- the taxable amount for an employee's private use of fuel in a company van (£825).

Mileage allowances

The rates of mileage allowance which can be paid to employees using their own car for business journeys without incurring a tax charge were fixed for many years at 45p for the first 10,000 miles in a year, and 25p above that. The 45p figure was raised to 55p with effect from 6 April 2026, and the 25p figure will be raised to 35p from 6 April 2027.



Payrolling benefits

For several years, it has been possible for employers voluntarily to 'payroll' benefits provided to directors and employees. This means that the benefit is processed through the payroll for each pay period, rather than being dealt with via a P11D form at the end of the tax year (with potential PAYE coding adjustments for the worker).

It had been intended that nearly all benefits would be subjected to mandatory payrolling from 6 April 2027, but last June it was announced that this would be restricted to only certain benefits: company cars, vans, fuel and medical benefits. Mandatory payrolling is due to apply to all other benefits from 6 April 2028 (except for beneficial loan and accommodation benefits).

From 2027/28, the employer Class 1A NICs on any payrolled benefits will have to be paid each pay period, rather than annually in arrears.

It is important that all businesses affected by these changes are well prepared and that employees are made aware of the impact there will be on their payslips and net pay.

Employee share schemes

The government will introduce legislation to make changes to the Company Share Option Plan (CSOP) and Enterprise Management Incentives (EMI) schemes.

- The CSOP individual option limit will be doubled to £120,000.
- The interaction between the CSOP and EMI individual options limits will be removed.
- The CSOP exercise period will be extended to 15 years.
- The period for certain tax-advantaged and non-tax advantaged shares and share options reserved by third parties to be excepted from the disguised remuneration rules will also be extended to 15 years.
- The exception for Employee Ownership Trusts (EOTs) in the EMI rules will be extended to companies arranging to become controlled by an EOT.
- The EMI exercise window following disqualifying events will be extended to 180 days.

The changes will take effect from 6 April 2027.

Image rights payments

In 2025, Chancellor Reeves announced that 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. The change was set to come into effect in April 2027, but this Budget has deferred it until April 2028.

Claiming employment expenses

From 6 April 2028, the government will remove the £2,500 threshold that requires taxpayers to file a Self Assessment return to claim tax relief on employment expenses. Taxpayers with claims above £2,500 will be able to claim through PAYE using form P87 or the PAYE Expenses service, with supporting evidence.



National Insurance Contributions (NICs) Thresholds and rates (Table E)

No changes to the main NICs rates and thresholds were announced – the Primary Threshold and the Upper Earnings Limit for employee contributions are linked to the personal allowance and the 40% income tax threshold, and are therefore fixed to April 2031. The secondary threshold for employer contributions is fixed at £5,000 to the same date.

The Lower Earnings Limit and Small Profits Threshold, and the rates of Class 2 and Class 3 NIC, will all be increased for 2027/28 in line with inflation at 3.5%.

Savings and Pensions

Individual Savings Accounts (ISA)

The investment limits for ISAs 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. According to the 2025 Budget, these will remain fixed until 5 April 2031.

Last year it was announced that there would be a restriction on the amount that people under 65 could invest in a cash ISA, to take effect in April 2027. Chancellor Healey has cancelled this change, so it will still be permissible to invest £20,000 in a cash ISA or a stocks and shares ISA or a combination of the two.

A Lifetime ISA has allowed people under 50 to save up to £4,000 a year towards the purchase of a first home. The government added 25% to the amount paid in by the saver, but this would be clawed back by a 25% exit charge if the individual withdrew the money from the ISA (except in certain circumstances). With effect from 29 October 2026, this charge is reduced to 20% if the circumstance is the purchase of a house above the maximum £450,000 value for houses under the scheme. The charge remains 25% on other non-qualifying withdrawals.

The Chancellor announced that a new First-Time Buyer ISA will be introduced from April 2029 to replace the Lifetime ISA. It will again offer a 25% bonus to assist with the purchase of a house costing up to £450,000, but the bonus will be paid when the account is used for a qualifying purpose. It will therefore not require a clawback charge, but the bonus will also not earn interest in the meantime.

Pension contributions (Table C)

The Chancellor has made no changes to the reliefs available for contributions to pension schemes or withdrawals from them.

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.

There has also been no change to the forthcoming restriction on 'salary sacrifice' arrangements. From April 2029, any amount within such an arrangement in excess of £2,000 will be subject to employer and employee NICs as if cash salary has been paid (although the whole contribution will still be free of income tax).



Capital Gains Tax (Table F)

Annual exempt amount

For 2027/28, this remains frozen at £3,000 for individuals and deceased's estates, while for most trusts the figure remains £1,500.

There are no changes to the main rates of CGT.

Business asset disposal relief (BADR)

The tax rate for qualifying gains remains 18%, but the lifetime limit for such gains is cut from £1 million to £500,000 for disposals from 6 April 2027. For a higher or top rate income taxpayer with £1 million of qualifying gains, this will increase their CGT payable by £30,000.

There will be special rules for contracts and for certain share reorganisations entered into before 6 April 2027 that have not been completed by that date.

Founders' relief

The Chancellor announced that this new relief 'will support founders and early investors who have made a significant long-term contribution to the creation and development of the UK's most high-growth and innovative companies'. He said it will provide a lower rate of CGT of 10% for qualifying disposals of shares or securities on or after 6 April 2027, subject to a lifetime limit on qualifying gains of £10 million. The details will only be confirmed after further consultation.

Reform of company distributions

During the summer, HMRC published a consultation document entitled 'Modernising the taxation of distributions and repayment of capital from companies'. It contained a number of controversial proposals to change the way in which capital reductions by companies are taxed, with a view to bringing such transactions within the charge to income tax rather than CGT. There would also be changes to the way that demergers and share buy-backs are treated.

Although there will no doubt be further consultation in this area, the Government has stated that it intends make any new legislation effective from April 2028. This may lead to a surge in transactions before then to take advantage of the current rules, unless anti-forestalling rules are introduced.

Inheritance Tax

Rates

The IHT nil rate band has been fixed at £325,000 since 6 April 2009. Chancellor Reeves extended this freeze to 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 £175,000 'residential nil rate band enhancement' on death transfers can reduce the IHT impact where it is available. 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 change to pension benefits described below increases the importance of proper IHT planning.



Unused pension benefits

Historically, it has been standard IHT planning to write death benefits payable from pension schemes into trust for one or more nominated beneficiaries (usually family members). Under current rules, this puts them outside the IHT net if the policyholder dies. 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.

As previously legislated, for deaths on or after 6 April 2027, unused pension funds (whether or not written into trust) will usually be included in the deceased's estate for IHT purposes. Due to the interaction with the income tax rules for those receiving benefits from such funds, this can lead to very high effective marginal tax rates.

It is important that anyone who might be affected by these changes takes specialist advice, including reviewing wills and reconsidering their overall retirement planning strategy.

Business Tax

Capital allowances for plant and machinery

From 1 January 2027, the permanent main-rate First Year Allowance (FYA) for qualifying new plant and machinery will increase from 40% to 50%. It is mainly intended for expenditure that is not fully relieved through the £1 million Annual Investment Allowance (AIA) or, for companies, full expensing (the 100% deduction available for qualifying new main-rate plant and machinery).

The main-rate FYA is available to companies and unincorporated businesses and, unlike full expensing, can apply to qualifying assets acquired for leasing. Assets used for overseas leasing, most cars and second-hand assets are excluded.

From 1 April 2027 for companies and 6 April 2027 for unincorporated businesses, the main-rate writing-down allowance (WDA) will reduce from 14% to 12%. This will slow the rate at which relief is obtained on existing main-pool balances and on expenditure that does not qualify for a 100% upfront allowance. The special-rate WDA (available on certain items, including plant integral to buildings) remains unchanged at 6%.

Zero-emission cars and electric vehicle chargepoints

The dedicated 100% FYAs for qualifying new zero-emission cars and electric vehicle chargepoints will expire on 31 March 2027 for companies and 5 April 2027 for unincorporated businesses.

After these dates, new zero-emission cars will generally receive relief through WDAs at 12% rather than being deducted in full in the year of purchase. Most cars are excluded from the AIA, full expensing and the new 50% main-rate FYA.

Although the dedicated 100% allowance for electric vehicle chargepoints will also end, most qualifying chargepoint expenditure may still receive full relief under the £1 million AIA or full expensing.



Business rates

From 1 April 2027, additional support will be available for qualifying retail, hospitality and leisure (RHL) properties in England. The rateable value threshold for 100% Small Business Rate Relief (SBRR) will increase from £12,000 to £18,000, while tapered relief will apply to properties with a rateable value of up to £21,000 rather than £15,000. The government estimates that around 70,000 more high street businesses will pay no business rates as a result.

Business rates relief for pubs, social clubs and most live music venues will increase from 15% to 35%. The additional relief will not apply to live music venues with a rateable value of £1 million or more.

For other qualifying RHL properties, increases in business rates bills will be capped at CPI inflation in 2027/28 and 2028/29, providing a two-year freeze in real terms. The cap will not apply to increases caused by property improvements or the loss of other reliefs.

From April 2027, vape shops and adult gaming centres will no longer qualify for the RHL multipliers or SBRR.

For 2027/28, the small business multiplier will be 44.7p and the standard multiplier will be 49.7p. The small business and standard RHL multipliers will be 39.7p and 44.7p respectively. The high-value multiplier, applying to properties with a rateable value of £500,000 or more, will be 52.5p.

Machine Games Duty

The rate relief measures will be funded in part by increasing the rate of Machine Games Duty from 20% to 25%, but only for higher-stakes machine games (stakes over £1 or maximum prizes over £100), in order to protect pubs and seaside arcades. The new rate will apply from April 2027.

Trading allowance

Since April 2017, individuals have been able to earn £1,000 of income before expenses from a self-employed business without having to report or pay tax on a profit. Unlike the savings allowance for interest income, the trading allowance extinguishes the income completely – it does not use up any of the basic rate band, so it does not affect the tax on other sources of income. If the turnover is more than £1,000, it is possible to claim a fixed deduction of £1,000 instead of the actual expenses incurred, which is simple and also beneficial if the expenses are a lower amount.

From 6 April 2027, the trading allowance will be increased to £3,000.

Corporation Tax (Table G)

Rate of tax

The 2024 Budget appeared to rule out changes for the life of the Parliament, and this was confirmed in this Budget: the government will set the charge for corporation tax as it does every year, and maintain the main rate at 25% and the small profits rate at 19%, for the financial year beginning 1 April 2028. However, the surcharge which has been levied on the profits of banking businesses will increase from 3% to 6% for



15 months from 1 January 2027, in order to fund the measures introduced to relieve cost of living pressures.

Research and Development (R&D)

From 1 April 2027, companies will no longer need to submit a claim notification form for R&D reliefs. HMRC will introduce a simplified and rationalised Additional Information Form for companies making claims in autumn 2027. Further details will be published before its introduction to give stakeholders time to prepare.

Value Added Tax

Registration threshold

The VAT registration and deregistration thresholds last increased to £90,000 and £88,000 with effect from 1 April 2024. The March 2024 Budget stated that they would be frozen at these levels, but it did not say for how long. No changes or dates have been announced.

Electricity bills

The temporary zero-rating of domestic electricity bills has been extended for another 3 months to 30 June 2027. On the other hand, the government will pass a law to ensure that electricity supplied at public charging points for electric vehicles is not counted as 'domestic' (as it was held to be by a tax tribunal earlier this year) and is therefore subject to 20% VAT with effect from 1 November 2026.

Sales of land to housing associations

From 1 April 2027, sales of land to relevant social housing providers (e.g. registered Housing Associations) will become zero-rated. Where the seller has opted to tax the land, a Housing Association can cancel that option and require the supply to be exempt, but this can cause an input tax restriction for the seller which may cause the deal to fall through. Zero-rating the supply will remove a significant obstacle to such sales.

Reverse charge from abroad

When a UK business buys services from a UK supplier, it will normally pay VAT to the supplier and claim it back as input tax from HMRC. When a UK business buys services from a foreign supplier, the foreign supplier will not normally charge VAT in either country. Instead, the UK business is subject to a 'reverse charge': it has to account for output tax as if it had sold the service, and then claim it back if it is entitled to input tax. This stops businesses that cannot recover input tax obtaining an advantage by buying in services VAT-free from abroad. Such reverse charge services also count towards the £90,000 threshold for registering for VAT.

The government will introduce legislation to restrict the reverse charge from April 2027 so that it only applies if the receiving UK business is VAT registered. This change means that where a UK business customer is not VAT registered, the overseas supplier will be required to charge and account for UK VAT. Presumably this could require the overseas supplier to register for UK VAT, which they may be unwilling to do.



Locum doctors

The supply of temporary staff is usually subject to VAT, which is a problem for businesses that are exempt and therefore cannot recover input tax, including healthcare businesses. The UK law contains a provision that the supply of locum doctors is itself an exempt supply. HMRC recently lost a court case in which they argued that the law should not be applied because it was contrary to European law; the court held that the UK law had to be applied as it was written.

The Budget includes the announcement that the law will be changed with effect from 1 May 2027 to restore the 'previously intended position'. Where a deputising service is responsible for providing medical care (i.e. it is responsible for the treatment of patients), it will continue to be exempt; however, where a business is only providing doctors to a healthcare business or NHS Trust which is responsible for care, it will have to charge VAT which the business will not be able to recover.

Online marketplaces

Where foreign businesses sell goods to UK consumers through an online marketplace, the marketplace is generally liable to account for VAT on the sale. From October 2027, this will be extended to sales made by UK businesses, even those that are VAT registered. This is intended to combat non-compliance with the VAT rules: presumably HMRC consider it easier to find and collect VAT from a large online marketplace than a large number of small suppliers who sell through those marketplaces.

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

Private hire vehicles

The VAT treatment of taxis has been the subject of high-value court disputes over several years, with businesses such as Uber and Bolt claiming that they should only have to account for VAT on the difference between what the passenger paid them and what they paid to the driver. The courts have held that this is a possible answer, but only if the firm is acting as the driver's 'agent' in arranging the ride – it depends on the contracts in place between the driver and the firm. Licensing regulations may determine what the contract must provide: in London, for example, the firm has to act as a 'principal', taking responsibility for supplying the ride to the passenger.

The Chancellor announced that 'large' taxi firms will be deemed to be acting as principal, and therefore subject to VAT on the whole fare, regardless of the contractual arrangements. There will be a consultation on the level and manner in which this will operate, with the intention that smaller taxi operators will still be able to charge VAT on an agency basis. A possible figure for 'large' has been mentioned: turnover of £50 million. The change is intended to come into effect on 2 January 2028.

E-invoicing

The Budget has repeated last year's announcement that from April 2029, it will be a requirement to issue all VAT invoices in a specified electronic format. The government has published an implementation roadmap, which sets out the further details about e-invoicing and a timeline setting out when it will share further information and publish guidance.



Low value imports: customs duty

As announced last year, 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. The Budget announced that this change is now intended to be brought in 6 months earlier than previously suggested, in October 2028.

Property Taxation

'Mansion taxes'

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. It was announced by Chancellor Reeves in 2025, and no significant changes to the proposals were included in the current Budget.

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

Meanwhile, the Annual Tax on Enveloped Dwellings (ATED) charges will increase by 3.5% in line with inflation. For example, the top rate (properties valued above £20 million) will increase from £303,450 in 2026/27 to £314,050 in 2027/28.

Other measures

Making Tax Digital for Income Tax

Making Tax Digital for Income Tax was introduced from 6 April 2026 for sole traders and landlords whose combined qualifying income from self-employment and property exceeded £50,000. From 6 April 2027, it will be extended to individuals whose qualifying income for 2025/26 was more than £30,000. Those with qualifying income of more than £20,000 are currently due to join from April 2028.

The threshold is based on combined gross income from self-employment and property before expenses, rather than taxable profit, using the income figures reported on the individual's Self-Assessment return (the 2026/27 threshold was based on the 2024/25 tax return). Individuals within MTD must use compatible software to keep digital records, provide quarterly updates to HMRC and submit their annual Self-Assessment return.

Those entering MTD from April 2027 will not receive late-submission penalty points for their four quarterly updates during 2027/28. Taxpayers who entered MTD in April 2026 will become subject to the normal quarterly late-submission penalty regime for 2027/28.

Fuel duty

Following the same course as his predecessor, the Chancellor decided to maintain the freeze in fuel duty and to retain the 5p cut beyond January 2027, when it was supposed to come to an end. The intention now is to end the freeze on 1 July 2027, when inflation-linked increases should resume.

This booklet is prepared for guidance only. We recommend that you contact us before acting on any information contained in the booklet and we cannot accept responsibility for any action taken without such advice.

Income Tax Rates and Allowances (Table A)

Main Allowances	2027/28	2026/27
Personal Allowance (PA)*†	£12,570	£12,570
Pensions Tax Allowance (PTA)**	13,037	N/A
Blind Person's Allowance	3,370	3,250
Rent-a-room Relief §	7,500	7,500
Trading Income Allownce §	3,000	1,000
Property Income Allownce §	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.
** The PTA gives a 20% tax credit on state pension income above £12,570. It is withdrawn at £1 for every £3 of income above £13,037 and is therefore fully removed at income of £13,319.
§ If gross income exceeds this, the limit may be deducted instead of actual expenses.

Rate Bands	2027/28	2026/27
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	2027/28			2026/27		
Rates differ for **G**eneral, **P**roperty, **S**avings and **D**ividend income within each band:						
	G	**P&S**	**D**	**G**	**P&S**	**D**
	%	%	%	%	%	%
Basic	20	24	10.75	20	20	10.75
Higher	40	44	35.75	40	40	35.75
Additional	45	49	39.35	45	45	39.35

From 2027/28, personal allowance, basic rate band and higher rate band are allocated against income in the following order: General income (e.g. salary, pensions, business profits), property income, savings income (mainly interest), then dividends.

To the extent that savings income falls in the first £5,000 of the basic rate band, it is taxed at nil rather than 24% (2026/27: 20%).

The PSA taxes interest at nil, where it would otherwise be taxable at 24% or 44% (2026/27: 20% or 40%).

The DA taxes the first £500 of dividend income at nil, rather than the rate that would otherwise apply.

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

The Scottish rates and bands do not apply for savings and dividend income, which are taxed at normal UK rates. **The Scottish rates for 2027/28 are expected to be announced in the Scottish Budget on 3 December 2026.** From 2026/27, The Scottish Government can set its own property tax rates.

Income Tax Rates and Allowances (continued)

High Income Child Benefit Charge (HICBC)

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

Making Tax Digital Income Tax (MTD IT) (Table B)

Reporting period (2027/28)	Reporting deadline
6 April to 5 July	7 August 2027
6 April to 5 October	7 November 2027
6 April to 5 January	7 February 2028
6 April to 5 April	7 May 2028

From 6 April 2027, self-employed traders and landlords with qualifying income of more than £30,000 are mandated into MTD.

Registered Pensions (Table C)

	2027/28	2026/27
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 D)

Cars

Taxable benefit: List price multiplied by chargeable percentage.

CO_2 emissions g/km	Electric range Miles	2027/28 %	2026/27 %
0	N/A	5	4
1-50	>130	5	4
1-50	70-129	8	7
1-50	40-69	11	10
1-50	30-39	15	14
1-50	<30	17	16
51-54	N/A	18	17
55-59	N/A	19	18
60-64	N/A	20	19
65-69	N/A	21	20
70-74	N/A	21	21
75-79	N/A	21	21

Then a further 1% for each 5g/km CO_2 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%.

A car is deemed to have a nominal emissions figure of 1 where the following conditions are met:

- Vehicle was first registered on or after 1 January 2025
- Vehicle's actual emissions figure is 51 or more
- Vehicle was registered under any emission standard other than Euro 6d-ISC-FCM or Euro 6e
- Vehicle's electric range figure is 1 or more.

Car Fuel

Where employer provides fuel for private motoring in an employer-owned car, the CO_2-based percentage from the above table is multiplied by £30,200 in 2027/28 (£29,200 in 2026/27).

National Insurance Contributions 2027/28 (Table E)

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 NICs 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 £7,355 (voluntary)	£3.80

Class 3 (Voluntary)	
Flat rate per week	£19.05

Class 4 (Self-employed)	
On profits £12,570 – £50,270	6%
On profits over £50,270	2%

Employees with earnings above £133 per week and the self-employed with annual profits over £7,355 (or who pay voluntary Class 2 contributions) can access entitlement to contributory benefits.

Capital Gains Tax (Table F)

Rates from	2027/28	2026/27
Annual exempt amount		
Individuals and deceased's estates	£3,000	£3,000
Most trusts	1,500	1,500
Tax rate		
Individual (to basic rate limit)	18%	18%
Individual (above basic rate limit)	24%	24%
Business Asset Disposal Relief (BADR)	18%	18%
Founders Relief (FR)	10%	N/A
Lifetime limit on qualifying gains		
BADR	£500,000	£1m
FR	10m	N/A

Corporation Tax (Table G)

	1.4.2027	1.4.2026
Main rate (profits above £250,000)	25%	25%
Small profits rate (profits up to £50,000)	19%	19%
Marginal relief band (MRB)	£50k - £250k	£50k - £250k
Marginal relief fraction	3/200	3/200
Effective marginal rate in MRB	26.5%	26.5%

National Minimum Wage (Table H)

From	1.4.2027	1.4.2026
Rate per hour		
Aged 21 and over (National Living Wage)	£13.21	£12.71
Aged 18 – 20	11.27	10.85
Aged 16 – 17	8.31	8.00
Apprentices	8.31	8.00

143 Station Road
Hampton
Middlesex
TW12 2AL

Tel 020 8783 1711
email office@alviscompany.com
website www.alviscompany.com

James Bolger FCCA
Kayleigh Brooker FCCA
Mollie Lucas FCCA
Brian Mason FCCA

Members of the Association of Chartered Certified Accountants