SUMER
Your Business Champion

National Budget. Local answers.

Autumn Budget

Expert Insights



2026

AUTUMN BUDGET

Insights for individuals & businesses



For individuals...

"The Budget always creates wide-ranging implications for personal finances that impact both the tax you pay today and the decisions you make about your future. And this year is no exception.

But with the absence of any headline changes to wealth taxes, a careful and thorough review is needed to understand how these changes affect your personal finances.

So, in this report we'll explore the tax changes for you personally that are worthy of note and what they could mean for you."

Jason Fayers

Co-Head of Tax

For businesses...

"This year's announcements have turned out to be more interesting than I initially expected, with plenty to consider for SMEs.

There were a number of positive changes for corporates to stimulate growth as well as founders with a surprising new relief.

By sharing our insights we'll help businesses understand the implications and plan their next steps."



Lisa Wilson

Co-Head of Tax

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KEY ANNOUNCEMENTS

What's changed at a glance

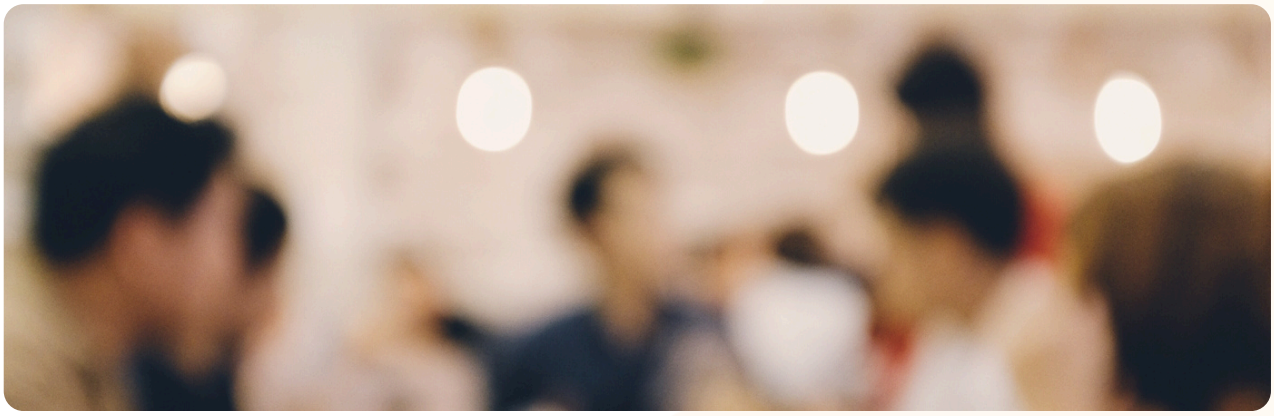
- National Minimum and National Living Wage rise
- Small business rates relief threshold up
- Business Asset Disposal Relief halved
- Founders' Relief introduced
- Enterprise Management Incentive (EMI) 2 share option limits doubled
- Tax on savings and property income rises
- Capital allowances reshaped

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Insights for Businesses



Major changes to Capital Gains Tax Reliefs for Business Owners and Founders



The government has announced two significant changes to the taxation of business disposals, effective from 6th April 2027.

While the existing Business Asset Disposal Relief (BADR) regime will become less generous, a new Founders' Relief is being introduced for entrepreneurs who have built and scaled high-growth UK businesses. The changes could have a significant impact on the after-tax proceeds received on a future business sale and may influence exit planning decisions over the coming years.

Business Asset Disposal Relief lifetime limit cut in half

From 6th April 2027, the lifetime limit for Business Asset Disposal Relief will reduce from £1 million to £500,000. However, the rate of Capital Gains Tax (CGT) payable on qualifying gains remains unchanged at 18% (a significant increase from the 10% rate of tax enjoyed pre April 2025).

New Founders' Relief introduced

Alongside the changes announced to BADR, the government also announced a new Founders' Relief which levies a reduced 10% CGT rate on qualifying gains up to a lifetime limit of £10 million per individual, for disposals made on or after 6th April 2027. The government has stated that the relief is intended to support founders and early investors who establish and grow innovative, high-growth UK businesses.

What does this mean for Owner Managed Businesses?

For many business owners, the reduction in the BADR lifetime limit will increase the tax cost of a future exit by £30,000. Individuals planning a disposal after April 2027 may find that a significantly smaller proportion of their gains qualifies for preferential tax treatment.

However, founders of some UK businesses could benefit from a substantially more generous relief than is currently available. A qualifying founder may be able to access a 10% CGT rate on gains of up to £10 million, representing a significant enhancement compared to the revised BADR regime.

Interaction with BADR/Investors' Relief

One important point is that the Founders' Relief lifetime limit will be reduced by any amounts claimed under Business Asset Disposal Relief or Investors' Relief from 6th April 2027 onwards.

Modernising the taxation of distributions and repayments of capital

The government has confirmed its intention to proceed with reforms to the taxation of company distributions and capital repayments, with a technical consultation in 2027 and implementation expected from April 2028.

Key proposals include:

- Restricting capital repayments following share reorganisations to the amount originally subscribed
- Broadening statutory demerger relief
- Reforming the purchase of own shares rules (including a proposed 5% minimum shareholding requirement)
- Aligning the treatment of overseas distributions with UK distributions
- Introducing rules for certain overseas shareholder loans
- Strengthening the Transactions in Securities legislation



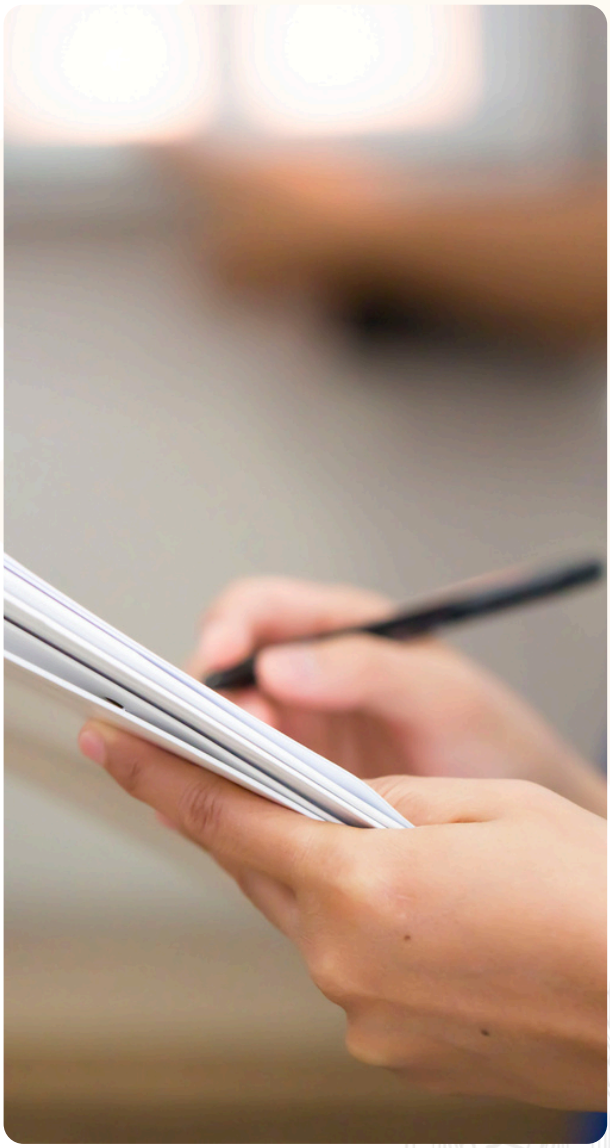
What does this mean for Owner Managed Businesses?

These changes could significantly affect owner-managed businesses undertaking corporate restructurings, shareholder exits, succession planning and share buybacks. The proposed relaxation of statutory demerger relief, including certain demergers ahead of third-party sales, is welcome.

However, restrictions on capital repayments and purchases of own shares could limit opportunities to secure capital rather than income tax treatment. The government has also acknowledged potential unintended consequences for EMI/CSOP shareholders and EIS/SEIS investors. The final legislation will be critical in determining whether genuine commercial transactions remain protected.

Reporting company payments to participators

Following consultation, the government has confirmed that it will not introduce additional reporting requirements for close companies at this stage, with no implementation date announced. The original proposals would have required more detailed reporting of transactions between companies and their participators (broadly shareholders), including loans and other payments.



Respondents raised concerns about increased compliance costs and administrative burdens. HMRC has acknowledged that many smaller companies already struggle to understand and comply with existing requirements and will instead prioritise clearer guidance and improved compliance before considering further reporting obligations.

What does this mean for Owner Managed Businesses?

This is welcome news for Owner-Managed Businesses, avoiding additional reporting obligations and associated professional costs at a time when compliance requirements are already substantial. However, the consultation highlights HMRC's concerns surrounding directors' loan accounts, shareholder withdrawals and the distinction between company and personal funds.

What to do now

OMBs should continue to make sure that transactions with shareholders and directors are properly recorded and correctly treated for tax purposes, with potential further reforms remaining under consideration as part of the wider modernisation of Corporation Tax administration.

National Living Wage



Businesses will face increasing employer costs from 1st April 2027 as the National Living Wage for workers aged 21 and over will increase by 3.9%, from £12.71 to £13.21 per hour.

The National Minimum Wage for 18–20 year-olds will rise from £10.85 to £11.27, while the rate for 16–17 year-olds and eligible apprentices will rise from £8.00 to £8.31.

The accommodation offset will also increase from £11.10 to £11.53 per day. The government has accepted the Low Pay Commission's recommendations in full and estimates that around 2.3 million workers will benefit.

What does this mean for Owner Managed Businesses?

Businesses have faced significant increases in their people costs over the last parliament with increased wage costs as well as the increase in employer NICs from April 2025. For smaller OMBs, the NIC pressure may be partially cushioned by the Employment Allowance; however, the majority of businesses will feel hard done by with another increase.

The impact is likely to be greatest for labour-intensive OMBs in sectors such as hospitality, retail, care and leisure. Businesses here will need to review staff budgets, pricing and wider pay structures, as employees earning above the minimum wage will also expect pay differentials to be maintained.

The continued freeze on the personal allowance may also drag more people into paying tax.

Corporation Tax simplification for business investment

As part of the 2026 Autumn Budget, the government has launched a targeted, evidence-led programme to simplify specific areas of the Corporation Tax system, with the aim of reducing avoidable complexity and administrative burdens, improving certainty and supporting business investment and growth.

The programme focuses on three broad areas: simplifying rules relating to financing and international activity, making it easier for businesses to invest and innovate, and creating a simpler, more modern Corporation Tax experience. Potential reforms may involve changes to guidance, tax administration or legislation.

The programme will be developed over the next year. Between November 2026 and April 2027, HM Treasury and HMRC will work with businesses, advisers and other stakeholders to refine and prioritise the areas of concern and develop and test potential solutions.

Between May and September 2027, detailed proposals will be developed for the highest-priority areas, followed by technical consultation ahead of a future fiscal event.

The government has made clear that this is a targeted programme and does not intend to revisit fundamental features of the Corporation Tax system, such as the distinction between capital and revenue expenditure.

What does this mean for Owner Managed Businesses?

There's no immediate change to the Corporation Tax liabilities or compliance obligations of OMBs as a result of this announcement. However, OMBs could benefit from future reforms where existing Corporation Tax rules create unnecessary complexity, uncertainty or administrative costs. In particular, potential simplification relating to investment and innovation and the wider Corporation Tax experience could reduce compliance burdens and provide greater certainty when making investment decisions. Some areas under consideration, particularly those concerning international taxation and complex financing arrangements, are likely to be more relevant to larger or internationally active groups. The eventual impact on OMBs will therefore depend on which reforms are ultimately taken forward.

Reduction of the main-pool writing down allowance rate

Following the reduction to the main pool writing down allowance (WDA) rate from 18% to 14% in April 2026, the government has announced a further decrease in the allowance from 14% to 12%. The impact will take effect for Corporation Tax purposes from 1st April 2027 and for Income Tax purposes from the 6th April 2027. This further enhances the importance of utilising the Annual Investment Allowance (AIA) and other first year allowances (FYAs).

Increase to the main-pool first year allowance rate

To mitigate the impact of the reduced WDA rates, the government has also announced changes to the recently-introduced 40% main-pool first year allowance (FYA) for qualifying expenditure incurred on or after 1 January 2026. For qualifying expenditure incurred from 1 January 2027 onwards, the rate of relief will increase from 40% to 50%. This increase will accelerate relief for taxpayers whose capital expenditure exceeds the £1m AIA limit, or who are otherwise unable to obtain 100% relief through AIA or Full Expensing FYAs.

Research & Development Tax Relief – simplification of administrative requirements



The government has announced measures to simplify the administration of Research and Development ('R&D') tax relief claims. From 1st April 2027, the requirement to submit a separate R&D Claim Notification Form will be removed, while the Additional Information Form ('AIF') will be simplified from autumn 2027.

What does this mean for Owner Managed Businesses?

These are welcome changes, particularly for SMEs making their first R&D claim or returning to the regime after a period without claiming. Removing the Claim Notification Form will reduce compliance obligations and eliminate the risk of otherwise qualifying businesses losing relief solely because they missed the advance notification deadline. Simplifying the AIF should also reduce the administrative time and costs associated with preparing claims. However, businesses will still need to demonstrate that their activities qualify for relief and maintain appropriate supporting documentation, with HMRC's wider compliance scrutiny expected to continue.

Enterprise Management Incentives 2 ('EMI2') – Expansion of CSOP

The government has announced significant enhancements to the Company Share Option Plan ('CSOP'), which will be rebranded as Enterprise Management Incentives 2 ('EMI2').

From 6th April 2027, the individual tax-advantaged option limit will double from £60,000 to £120,000, the interaction with the existing EMI option limit will be removed (allowing qualifying employees to benefit from both schemes), and the maximum option exercise period will increase from 10 to 15 years. The changes will be introduced through Finance Bill 2026-27.

What does this mean for Owner Managed Businesses?

These changes are particularly welcome for growing owner-managed businesses seeking to attract, incentivise and retain key employees. The increased option limit and extended exercise period provide greater flexibility, particularly for businesses that have outgrown EMI eligibility or do not qualify for EMI. Removing the interaction between the schemes also creates opportunities for businesses to offer more substantial tax-efficient employee incentives, potentially allowing employees to participate in both schemes and share further in the company's future growth.



EMI Schemes – Enhanced Flexibility

The government has announced further changes to the EMI rules, effective from 6th April 2027. The period during which individuals can exercise EMI options following a disqualifying event without losing favourable tax treatment will increase from 90 to 180 days.

Companies transitioning to an Employee Ownership Trust ('EOT') structure will also retain access to EMI. Changes will be introduced through Finance Bill 2026-27.

What does this mean for Owner Managed Businesses?

These reforms provide greater flexibility for businesses wanting to reward employees as the business grows, locking in and incentivising key individuals. Retaining EMI eligibility during EOT transitions is particularly welcome for OMBs considering employee ownership as an exit or succession strategy, while the changes to the disguised remuneration rules should provide greater flexibility for longer-term employee incentive arrangements.

EMI – Removal of Option Grant Notification Requirements



The government will simplify the administration of EMI schemes by removing the separate requirement to notify HMRC when qualifying EMI options are granted. From 6th April 2027, new option grants will instead be reported through the existing EMI annual return, removing a standalone compliance obligation. The reform is intended to reduce the administrative burden associated with operating EMI schemes.

What does this mean for Owner Managed Businesses?

This is a welcome simplification for OMBs, reducing administrative requirements and the risk of inadvertently failing to meet a separate notification deadline, which can have significant tax consequences. Businesses and advisers will nevertheless need to ensure that options are granted in accordance with EMI requirements and accurately disclosed through annual reporting. The reform should make EMI schemes easier to operate, particularly for smaller businesses without dedicated share scheme administration resources.

UK-resident individual members of LLCs and other reverse hybrids

The government has confirmed plans to introduce a new foreign tax credit mechanism for UK-resident individuals investing through US LLCs and certain other overseas entities, including US S-Corporations, Jersey LLCs and French SCIs. The reforms aim to address double taxation arising where foreign jurisdictions tax individuals on an entity's profits, but the UK subsequently taxes distributions without providing equivalent foreign tax relief.

The proposed elective mechanism would allow credit for eligible foreign taxes personally paid, including US federal, state and local taxes. A further technical consultation will follow, with claims expected to become available from early 2028.

What does this mean for Owner Managed Businesses?

This is a positive development for UK-resident entrepreneurs, shareholders and investors with US business interests. The reforms could significantly reduce double taxation, which respondents reported could produce effective tax rates exceeding 75% and remove a barrier to international expansion and investment.

They may also reduce the need for complex holding structures or restructuring undertaken solely to manage the UK tax position. The announcement is particularly welcome for internationally active OMBs and individuals relocating to the UK with existing US business interests.

Business Rate Changes

Business rates are a tax charged on commercial properties such as shops, restaurants, pubs, offices, and warehouses, with the amount payable broadly based on the property's rateable value. The government has announced further support for businesses in the retail, hospitality, and leisure sectors by increasing the Small Business Rates Relief threshold from £12,000 to £18,000 of rateable value. This is expected to remove around 70,000 additional businesses from paying business rates altogether.

Those businesses that remain within the charge will also benefit from a cap that will prevent the charge from rising above inflation for the next two years. Pubs and eligible live music venues not benefiting from the Small Business Rate Relief will continue to receive a 20% reduction in their business rates bills.

There are exceptions: vape shops and adult gaming centres will no longer qualify for certain reliefs.

What does this mean for Owner Managed Businesses?

Businesses operating in the retail, hospitality and leisure sectors could see lower business rates bills, with some smaller businesses becoming fully exempt from business rates. This should reduce annual operating costs and provide some support as businesses continue to manage rising expenses.

However, vape shops and adult gaming centres are expected to lose access to certain reliefs and may therefore face higher business rates bills.



Tackling Lower-Value Tax Debts

The government has confirmed its intention to introduce new powers enabling HMRC to recover certain lower-value tax debts directly from UK bank and building society accounts where taxpayers have persistently failed to engage with HMRC's attempts to collect the debt. The proposed measure would apply to established tax debts across multiple taxes, including Income Tax, VAT, PAYE and Corporation Tax, and is expected to be limited to debts of up to £5,000 for individuals and £10,000 for businesses.

Rather than collecting the debt through a single lump-sum deduction, HMRC would seek to recover amounts through affordable monthly instalments after issuing advance notice and providing opportunities for the taxpayer to pay, appeal or agree an alternative arrangement.

The proposals would only apply after HMRC's usual collection processes have been exhausted and would include a number of safeguards for vulnerable taxpayers and those experiencing financial difficulties.

What does this mean for Owner Managed Businesses?

For most owner-managed businesses, these proposals are unlikely to have any impact provided tax liabilities are paid on time, or businesses engage with HMRC when payment difficulties arise.

HMRC has made clear that the measure is aimed at taxpayers who repeatedly ignore correspondence and fail to engage with existing debt collection processes.

Businesses experiencing temporary cash flow difficulties should continue to be able to agree payment arrangements with HMRC in the usual way.

However, the proposals demonstrate HMRC's increasing focus on debt recovery and may make it easier for HMRC to pursue smaller outstanding balances where taxpayers fail to respond to requests for payment.

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Insights for Individuals





INSIGHTS FOR INDIVIDUALS

Changes to income tax rates on savings income

From the 2027/28 tax year, the income tax rates applicable to savings income will be as follows:

Savings basic rate: 24% (currently 20%)
Savings higher rate: 44% (currently 40%)
Savings additional rate: 49% (currently 45%)

These rates will apply across the UK.

In the 2025 Budget, it had been announced that these tax rates would increase by two percentage points from April 2027 but will now increase by four percentage points.

There was no mention of changes to the starting rate for savings, which is currently 0% for the first £5,000 of savings income where the taxpayer's non-savings income is equal to or less than the tax-free personal allowance. There was also no mention of any change to the Personal Savings Allowance which is currently £1,000 for basic rate taxpayers and £500 for higher rate taxpayers.

What does this mean for you?

This will impact those taxpayers with considerable amounts held in bank / building society accounts or in investment portfolios generating taxable interest. They may wish to consider whether funds should be moved into ISAs or other investments where interest can be generated free of tax. However, access to these funds may be restricted e.g. it may only be possible to withdraw funds from these investments a certain number of times within a defined period.

Those affected may wish to seek advice from their financial adviser on how to proceed with their savings and investment strategy in the future.

Changes to income tax rates on property income

As with the savings rate, from the 2027/28 tax year, the income tax rates applicable to property income have changed and will increase by four percentage points.

Property basic rate: 24% (currently 20%)
Property higher rate: 44% (currently 40%)
Property additional rate: 49% (currently 45%)

These rates will apply across England, Wales and Northern Ireland as the Scottish government has the ability to set their own property income tax rates.

In the 2025 Budget, it had been announced that these tax rates would increase by two percentage points from April 2027; this has now increased to four percentage points.

There has been no mention of changes to the Property Income Allowance of £1,000. This allowance is available per taxpayer rather than property e.g. if two taxpayers jointly own one property, they would each be able to claim the Property Income Allowance.

What does this mean for you?

This will impact landlords who receive income from let properties (who have been subject to numerous changes over recent years) such as the restriction of relief on mortgage interest to 20%. Prior to April 2017, full relief had been available for mortgage interest.

Following the change to the relief on interest, landlords with multiple properties may wish to consider incorporating their property businesses where reliefs are more generous.

ISA Changes Announced

The government has announced a number of changes to the ISA landscape, providing welcome certainty for savers whilst also introducing new products aimed at encouraging investment and supporting first-time buyers.

- **Cash ISA allowance retained at £20,000 -** The government has confirmed that the annual Cash ISA allowance will remain at £20,000, reversing previously proposed plans to reduce the limit to £12,000. This will allow savers to continue benefitting from tax-free interest on up to £20,000 of annual ISA subscriptions. The Junior ISA subscription limit remains at £9,000.

- **No tax on cash held within Stocks & Shares ISAs -** Plans to introduce a tax charge on interest earned from uninvested cash held within Stocks & Shares ISAs have been abandoned. Investors can therefore continue to hold cash within their ISA wrapper without losing the tax advantages associated with the account.

- **New Starter ISA for first-time investors -** The government has confirmed that it will work with the investment industry to develop a new "Starter ISA", designed to encourage individuals who are new to investing to begin building long-term wealth in a tax-efficient environment.

- **First Time Buyer ISA to Replace the Lifetime ISA -** The government has also consulted on the introduction of a new First Time Buyer ISA, which is intended to replace the existing Lifetime ISA (LISA) from April 2029. The proposal follows concerns that the LISA has become overly complex, with many savers facing withdrawal penalties and, in some cases, losing part of their original capital. The new First Time Buyer ISA is expected to provide a simpler, more focused product aimed solely at helping individuals save towards their first home. Existing LISA holders will be able to retain and continue contributing to their accounts under the current rules.

Personal Allowances and Income Tax Thresholds



No changes to Personal Allowances or Income Tax thresholds were announced in the Budget. The current Personal Allowance of £12,570 and existing Income Tax thresholds remain frozen until April 2031. The government made no further announcements on the future direction of these allowances, which is disappointing.

What does this mean for you?

For owner-managed businesses, the Budget provides certainty that the current Income Tax thresholds will continue to apply. However, in the absence of any increases to allowances or thresholds, business owners and employees may continue to see a greater proportion of their income taxed as earnings rise over time. Remuneration strategies should therefore continue to be reviewed to ensure income is extracted as tax efficiently as possible.

Pension Tax Allowance

The Chancellor has announced that those pensioners whose total income is up to the value of the full new State Pension (i.e. the flat-rate, non-means-tested amount for those taxpayers reaching State Pension age on or after 6th April 2016) will not have the administrative burden of paying small amounts of income tax under Self Assessment “in this Parliament”.

The new State Pension is currently £241.30 per week.

It has been confirmed that this allowance will be available in the tax years 2027/28, 2028/29 and 2029/30, hence the reference to “in this Parliament”.

For those individuals with total income above the value of the full new State Pension, the Pension Tax Allowance will be reduced by £1 for every £3 of income above this level.

What does this mean for you?

This will prevent taxpayers of State Pension age in receipt of the new State Pension only, from paying income tax on part of that income, and from having to report the income via Self Assessment.

Note however the reference by the Chancellor to “in this Parliament” which suggests this may well be a temporary measure. It remains to be seen whether it will be extended into the next Parliament or more optimistically the standard personal allowance is increased at that point, so any pension payments do not take an individual over the Self Assessment threshold.

Collecting the right tax from wealthy individuals



HMRC increases focus on wealthy individuals

HMRC has reaffirmed its dedicated approach to ensuring that wealthy individuals pay the correct amount of tax, with a greater focus on data, technology and specialist compliance activity to identify tax risks and errors. HMRC defines a "wealthy individual" as someone with income of at least £200,000 or assets of £2 million or more in any of the previous three tax years, a population now estimated at around 850,000 taxpayers.

What does this mean for you?

Clients with significant wealth, complex investment portfolios, business interests and overseas assets etc. should expect increased scrutiny from HMRC, who are investing further in specialist compliance teams, technology and data analysis to identify inaccuracies and challenge arrangements it considers high risk. Whilst most enquiries arise from genuine errors rather than deliberate non-compliance, it is increasingly important to ensure tax filings are accurate, records are maintained, and complex transactions are reviewed in advance. Taking professional advice at an early stage can help minimise risk and provide confidence that tax affairs remain compliant with HMRC's evolving expectations.

Increase to the Trading Income Allowance

Both the allowance and the reporting threshold for Self Assessment will be increased from £1,000 to £3,000.

What does this mean for you?

This allowance provides relief for those taxpayers with trading and / or miscellaneous income, and simplifies the tax reporting administration for those choosing to claim this relief. It would appear that those taxpayers whose trading and / or miscellaneous income is expected to remain below £3,000 per annum will not (subject to any other income received in the tax year) be required to submit Self Assessment Tax Returns. It may however be prudent for them to continue doing so.

Timely Payment of Self-Assessment Tax

The government has announced reforms to the Self-Assessment Payments on Account system from April 2029. Under the current system, taxpayers who meet the relevant conditions generally make two advance payments each year, due on 31 January and 31 July, calculated by reference to their previous year's tax liability.

The new regime will require affected taxpayers to make smaller, more regular payments throughout the tax year in which income is earned, bringing the timing of tax payments closer to the receipt of income. The exact payment frequency has not yet been determined, with the government expected to consult further on the detailed design and publish additional information during 2027.

A transitional year is anticipated in 2029/30, when taxpayers will need to complete their obligations under the existing system while beginning payments under the new arrangements.

What does this mean for you?

The changes will be relevant to sole traders, landlords, owner-managers and other individuals who are required to make Self-Assessment Payments on Account. Whilst the overall amount of tax payable is not changing, affected taxpayers will need to adapt to a new cashflow cycle, with tax being paid closer to the point at which income is earned rather than many months later. This may help reduce the risk of large, unexpected tax bills and simplify budgeting for some taxpayers. Businesses and individuals will need to prepare for the transition period and the potential short-term cashflow impact of making more frequent payments.

Further details on the payment timetable and implementation process are expected before the new system comes into effect.



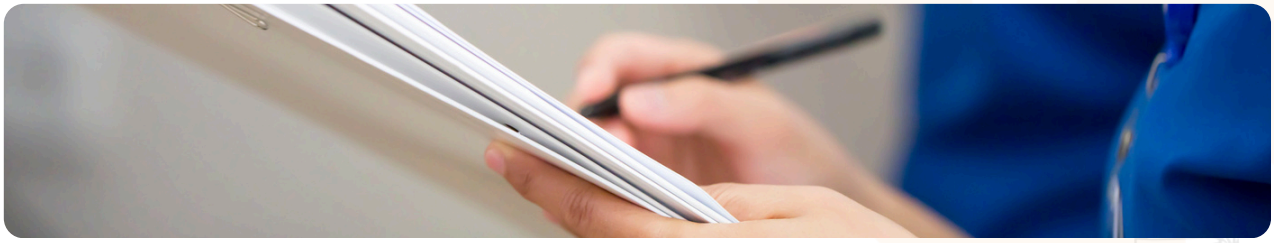
Indirect Tax

VAT and PAYE direct debit collections

Earlier this year, the government consulted on proposals that would have required most businesses to pay their VAT and PAYE liabilities by Direct Debit, effectively removing other payment methods. Following feedback from businesses and professional bodies, the government has now confirmed it will not proceed with mandatory Direct Debit payments. Instead, businesses will continue to be able to pay VAT and PAYE using their preferred payment method. However, where liabilities remain unpaid after the due date, HMRC intends to collect the outstanding amount automatically by Direct Debit. The proposals form part of HMRC's wider efforts to reduce late payments and improve tax collection through greater automation.

What does this mean for Owner Managed Businesses?

The outcome will be welcomed by many owner-managed businesses, as it preserves flexibility over how and when VAT and PAYE liabilities are paid. Had the original proposals gone ahead, businesses would have been required to make all payments by Direct Debit regardless of their existing processes or cashflow management preferences. Whilst that requirement has been dropped, businesses that regularly pay close to deadlines should be aware that overdue liabilities could be collected automatically by HMRC. As a result, maintaining robust payment processes and ensuring sufficient funds are available at payment dates will remain important.



British Industrial Competitiveness Scheme (BICS)

The government confirmed that it will deliver BICS, which provides energy-intensive manufacturing firms (to an estimated 10,000 eligible businesses in the UK) with a 20-25% electricity discount. The relief starts in April 2027 and will include a back payment for 2026-27.

This is a significant relief, and eligible businesses must register before 30 November 2026 to qualify, so time is of the essence.

Land sales to social housing providers

As part of the government's strategy to promote social and affordable housing investment and development, with effect from 1st April 2027 a new zero rate is to be introduced for sales of land to registered social housing providers.

For social housing providers, and those in the land supply chain, this will come as a very welcome change. Whilst it shouldn't affect the tax take overall (planning arrangements meant that little VAT was suffered on such sales in any event), it removes a lot of the commercial issues associated with the planning that delayed and prevented schemes from going ahead.

Carbon Border Adjustment Mechanism (CBAM)

CBAM takes effect from 1 January 2027, with information now fully available in respect of the initial iteration. A consultation is to be launched on a potential expansion of CBAM to include refined products. In addition, more accurate values will be introduced from 2029, replacing the default up to the end of 2028.

Affected businesses should review the wider CBAM rules in detail, if they haven't already done so - these rules add additional complexity for those importing affected products (requiring information from overseas suppliers on carbon consumption within production), and could add significant cost.

Extending VAT liability rules for online marketplaces

The government is extending the VAT online marketplace rules so that online marketplaces will be responsible for collecting and accounting for VAT on B2C sales made by UK suppliers through their platforms (subject to certain exclusions). The aim is to reduce VAT evasion and create a level playing field for businesses that comply with their VAT obligations.

This will add some complexity for affected businesses, mainly from a systems perspective. Detailed guidance will be issued before the rules take effect from October 2027.

Tour operators' margin scheme (TOMS)

The government has published a call for evidence seeking views on how TOMS is currently working and options to change, improve and simplify the application of VAT to travel services. It is also reviewing the treatment of travel services outside of the TOMS that are enjoyed in the UK but supplied by tour operators based outside the UK.

We would strongly recommend that affected businesses consider responding to this call for evidence, as any changes will affect the administrative burden, the competitiveness vs overseas suppliers and VAT accounting and profitability going forward.

Tariff suspensions

From 26 November 2026, to support cost-of-living issues, the government is suspending tariffs on a selection of "over 100" food products and (following the conflict in the Middle East) kerosene heating oil until 31 December 2028, and fertiliser until 31 December 2027.

The hope, clearly, is that these savings will be passed on to the consumer as opposed to being retained by the importers, but initial information suggests that there is no accompanying imperative to do so.

Alcohol duty

Mixed news for producers of alcoholic drinks. Alcohol duty rates will be increased in line with RPI for the majority of producers, but the relative value of Small Producer Relief will be increased compared to the main rates. A more generous discount will be available for products under 3.5% ABV, while the marginal discount for products between 3.5% and 8.4% ABV will be increased. These changes will be implemented from 1 February 2027.

VAT zero-rate for donated medicines

After lobbying from interested parties the government has confirmed that it will introduce a zero-rate of VAT for medicines donated in qualifying circumstances, including through early and expanded access schemes. The zero-rate applies to qualifying donations made on or after 23 June 2026.

This will be a big relief (many will say it is common sense finally prevailing!) for pharmaceutical companies, who faced a potential VAT exposure on medicines supplied free of charge - often in compassionate circumstances, at the end of trials to retain patients' wellbeing, and at their own cost.

VAT on public electric vehicle charging

Having lost a case in the First-tier Tribunal on the VAT liability of public electric vehicle charging the government has announced that it will change the law to make public and workplace charging subject to 20% VAT. The legislation will take effect from 1 November 2026.

Whilst this will impact the average consumer, this should have limited impact on most fully taxable businesses, as much of the VAT incurred will be recoverable if used for business purposes.

Energy saving materials

Revert to reduced rate on energy saving materials (ESMs) as planned and include heat batteries in scope – The government will add heat batteries to the list of materials that qualify for the reduced rate of VAT of 5% applying to energy saving materials, when installed in residential accommodation and charitable buildings. This will be legislated for via secondary legislation and take effect from 1st April 2027.

VAT on Deposit Return Schemes (DRS)

Changes are to be made to the VAT treatment of DRS, with the aim of simplifying VAT accounting. Under the existing rules, the deposit element charged (on eligible drinks containers) is disregarded for VAT purposes on sale, with VAT only becoming due where a deposit is not returned - the responsibility for accounting for that VAT currently rests with certain manufacturers or importers.

Under the new measures, the core treatment will remain unchanged; however, responsibility for accounting for VAT on unredeemed deposits will transfer to the scheme administrator of each national DRS – relieving the burden from businesses in the supply chain.

Other VAT admin changes

With effect from 1st April 2029, e-invoicing will be mandatory for most UK businesses. The full e-invoicing roadmap has now been published and can be found here - Roadmap for e-invoicing implementation - GOV.UK. This document maps out what HMRC believe the e-invoicing 'journey' will look like for a typical business, providing the key dates in the journey.

From April 2029, HMRC will use a direct debit mandate to collect any VAT that remains unpaid after the due date. Some businesses that don't presently have a UK bank account, such as holding companies or overseas businesses, may need to take action in advance to ensure that they remain compliant.

Fiscal Devolution Roadmap



The government has published a Fiscal Devolution Roadmap giving regional and local authorities greater control over locally generated revenues.

From 2027, Mayoral Strategic Authorities (MSAs) will receive a 20% share of locally retained business rates, with the government aiming for 100% of business rates income to be retained across local and regional government before the end of the decade.

From April 2028, MSAs will also receive an assigned share of the Income Tax generated within their areas, although Income Tax rates and thresholds will continue to be set nationally.

The roadmap also provides strategic authorities with powers to introduce an Overnight Visitor Levy on short-term visitor accommodation.

Impact on Owner Managed Businesses

For most OMBs, there is no immediate change to the tax they pay, as the reforms primarily change how existing revenues are retained and allocated. Greater local retention is intended to incentivise authorities to support economic growth and invest in areas such as infrastructure, transport and skills, which could indirectly benefit local businesses.

The impact is more direct for OMBs providing visitor accommodation, where an Overnight Visitor Levy is introduced, as accommodation providers will be responsible for calculating, collecting and paying the levy to the relevant authority.

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Sector insights



Construction & Real Estate

"There are some positive measures here for SME housebuilders, and the government's continued focus on increasing housing delivery is welcome. The removal of Biodiversity Net Gain requirements for smaller brownfield sites is a sensible step towards reducing regulatory burdens, while additional affordable housing funding has the potential to create new opportunities, provided smaller developers are able to access them.

"However, we should be careful not to overstate the impact. Beyond previously announced initiatives such as Your First Home, there is relatively little in these proposals that fundamentally changes the landscape for SME housebuilders.

"The reality is that smaller developers are not lacking ambition, development opportunities or the appetite to invest. What they need is greater certainty. Lengthy planning processes, expensive development finance, elevated construction costs and ongoing challenges in buyer affordability continue to constrain growth and delivery. Unlike larger housebuilders, SMEs often do not have the financial resilience to absorb these pressures for extended periods.

"If the government is serious about accelerating housebuilding across the UK, it must focus on creating an environment where SME developers can access finance more easily, achieve sustainable returns and bring sites forward with confidence. Today's announcements contain some sensible measures and deserve recognition, but meaningful progress will depend on tackling the structural barriers that continue to hold smaller housebuilders back."

"Ultimately, increasing housing supply requires more than good intentions. It requires practical support for the businesses that are best placed to deliver homes at scale within local communities."



Stuart Stead
Construction & Real Estate Lead
Sumer



Manufacturing

“For manufacturers, certainty matters, and this Budget largely delivers that with no major policy surprises and a continued focus on long term growth.

While manufacturers will have hoped for broader support on energy costs, the Government's emphasis on industrial competitiveness suggests it is listening to the challenges facing the sector.

Equally the commitment to devolution with retention of business rates and share of income tax receipts from 2028 by regional mayors should also help strengthen local skills pipelines and create closer links between manufacturers, training providers and economic development strategies, supporting growth across the UK's industrial base."



James Hallett
Manufacturing Lead
Sumer

Sector insights

Healthcare

"For doctors across the NHS, and especially GPs who run their practices as small businesses, it's a huge relief that the Chancellor left income tax and pension tax untouched.

"That relief will be undermined, though, by the minimum wage increase. Many surgeries are still recovering from the last rise, and the Health Secretary will need to make sure enough capital flows into practices to cover this one. Without it, GP practice budgets face further risk.
"It could have been worse. Many people were worried about what this Budget would mean for their personal finances. The tax burden is high, and I know many GPs are weighing up cutting their hours.

But while there's cause for celebration on that front, the NHS got very little air time in the Statement, and that needs to change. Building an NHS fit for the future is rightly a top priority for the Government, but it will take greater, more proactive support for healthcare to make those ambitions a reality.

"The last Prime Minister set out a ten-year plan for the NHS, with a concerted push to bring more care into our communities. The Government has been relatively quiet on it since the leadership changed. I'm concerned that the reluctance to commit funding, as we saw today, means progress will stay limited and leave many of our valued healthcare professionals in the dark."



Katie Collin
Healthcare Lead
Sumer

Agriculture

"This Budget was about what we expected: some tinkering around the edges, with the big, difficult decisions pushed down the road.

Farmers and rural businesses across the South may be relieved to have featured so little, after absorbing significant changes in Labour's first two Budgets. But it's disappointing not to hear more vocal support for a sector under pressure from every angle.

The £100 energy payment and extended VAT cut on electricity bills will help many households, but they'll make little difference to the farms and rural businesses we work with. And plans to bring down energy costs over the longer term don't help those facing high bills today.

The fertiliser tariff cuts were announced in advance and are welcome, but as the NFU has said, they're unlikely to make a meaningful difference. The Countryside Alliance will also be disappointed that many of its ten asks went unmet.

As business champions for the rural community, we'll keep working side by side with our clients across the South to navigate the challenges ahead. Today's Budget doesn't change our plans, and we're ready to help them plan, adapt and grow."



Jack Deal
Agricultural Lead (South)
Sumer

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Get in touch with a local tax expert near you to book an Autumn Budget Business Review.

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