



DAVIES TRACEY

CHARTERED ACCOUNTANTS & BUSINESS ADVISERS

SPRING FORECAST 2026



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WHAT THE UPDATED FORECAST MEANS FOR YOU

During a week dominated by news of the Middle East conflict, on 3 March 2026, Chancellor Rachel Reeves presented the Spring Forecast to Parliament. The Chancellor told MPs she had “restored economic stability” as she presented the Office for Budget Responsibility’s (OBR’s) economic forecasts.

The Chancellor focused on how the government’s policies are delivering economic growth, particularly when looking at gross domestic product (GDP) per person. However, the OBR’s report indicates a more nuanced picture and notes that the fiscal context for the next Budget will remain challenging.

As part of the government’s policy of one major fiscal event a year, the Chancellor announced no new tax or spending policies. However, the OBR’s forecasts do provide some early clues about future tax and spending pressures.

What does the Spring Forecast tell us about tax?

From a tax perspective, the OBR’s report points to a tax environment that will feel increasingly heavy over the rest of the decade. Taxes as a share of GDP are projected to climb to 38.5% by 2030/31, a post-war high.

Much of this increase comes from the freeze on income tax thresholds, which will continue until April 2031. Combined with rising wages, this means more people are being pulled into paying higher tax rates, even if their circumstances have not changed.

The state pension creates an interesting complication: from 2027/28 it is expected to exceed the personal allowance, bringing an estimated 600,000 more people into tax in 2026/27 and around 1 million by 2030/31. The government has said it does not intend for pensioners whose only income is the basic or new state pension to pay income tax during this Parliament. However, the final details on this policy and how it will work in practice have not yet been announced.



The OBR notes that the increase in employer national insurance contributions, which took effect last April, is also playing a significant role in the higher tax take. These increased costs are potentially feeding into business hiring decisions at a time when unemployment is forecast to rise to 5.3% in 2026, before falling to 4.1% by 2030.

Self assessment payments are also expected to rise sharply in 2026/27, partly due to the non-domiciled tax regime being abolished in 2025/26 and a subsequent temporary repatriation facility being offered. If you have overseas income or assets, it is still important to carefully review your tax planning.

The strong performance of UK equity shares in recent months means that the OBR are expecting receipts from capital taxes to rise. If you hold UK equity shares, this may be a good time to review your holdings and consider whether crystallising gains now, rebalancing your portfolio and/or making use of available allowances would put you in a better tax position. Any such planning needs to carefully navigate what are known as 'bed and breakfasting' rules (effectively selling to re-purchase), so please do get in touch if this situation applies to you.

The practical message from the OBR's report is that tax planning is becoming ever more important, and capital taxes and transactions are likely to remain on the government's radar. For individuals and businesses, this means keeping a closer eye on allowances, thinking about the timing of income and gains, and making sure you are using the reliefs available. Reviewing arrangements such as pension contributions, profit extraction techniques, and the way assets are held within a family may also lead to simple, practical steps that could help to keep future tax bills under control.

What tax changes are coming in 2026/27?

Most of the tax changes for 2026/27 were announced on 26 November 2025, when the Chancellor presented her second Budget to Parliament. The Scottish and Welsh Budgets took place in January 2026.

The following pages set out the key tax changes you need to be aware of from April 2026 and beyond.



TAXES ON INCOME - INDIVIDUALS

Your personal allowance

Your tax-free personal allowance will remain at £12,570 in 2026/27. The personal allowance is partially withdrawn if your income is over £100,000 and then fully withdrawn if your income is over £125,140.

Income tax rates and allowances

For 2026/27, the income tax thresholds are unchanged from 2025/26 and are set to remain frozen until 2030/31. The rate of income tax applied to dividend income will increase for basic and higher rate taxpayers from 6 April 2026. All other income tax rates remain unchanged.

After your tax-free ‘personal allowance’ has been deducted, your remaining income will be taxed in bands in 2026/27 as follows:

		‘Other income’	Savings income	Dividend income	
		2026/27 (and 2025/26)		2026/27	2025/26
Basic rate	£1 - £37,700	20%	20%	10.75%	8.75%
Higher rate	£37,701 - £125,140	40%	40%	35.75%	33.75%
Additional rate	Over £125,140	45%	45%	39.35%	39.35%

‘Other income’ means income other than from savings or dividends. This includes salaries, bonuses, profits made by a sole trader or a partner in a business, rental income (but see below), pension income and various other income types.

Where the timing of dividend payments can be controlled, we would encourage you to talk to us to consider whether it is beneficial to accelerate the payment of dividends, before 6 April 2026. See the “Salary v dividends in 2026/27” section for our thoughts on the best approaches from April onwards.



Scotland

Different rates of income tax apply to your ‘other income’ if you are classed as a ‘Scottish taxpayer’. After your tax-free ‘personal allowance’ has been deducted, your remaining ‘other income’ will be taxed in bands in 2026/27 as follows:

	2026/27		2025/26	
Starter rate	£1 - £3,967	19%	£1 - £2,827	19%
Basic rate	£3,968 - £16,956	20%	£2,828 - £14,921	20%
Intermediate rate	£16,957 - £31,092	21%	£14,922 - £31,092	21%
Higher rate	£31,093 - £62,430	42%	£31,093 - £62,430	42%
Advanced rate	£62,431 - £112,570	45%	£62,431 - £112,570	45%
Top rate	Over £125,140	48%	Over £125,140	48%

While the rates of income tax remain unchanged, the basic and intermediate rate thresholds are being increased by 7.4%, with the other thresholds being frozen at their 2025/26 levels until 2028/29.

What this means in practice is that lower earners will see a very small increase in their take-home pay. However, because of fiscal drag, higher earners will be increasingly drawn into paying additional tax.

New rates for property and savings income in 2027

From 6 April 2027, the government will create separate income tax rates for property income and will increase the income tax rates on savings income as follows:

		2027/28	
		Property income*	Savings income
Basic rate	£1 - £37,700	22%	22%
Higher rate	£37,701 - £125,140	42%	42%
Additional rate	Over £125,140	47%	47%

*The new property income tax rates will apply to taxpayers in England and Northern Ireland. The Scottish and Welsh governments will have powers to set property tax rates in those jurisdictions. Both governments have confirmed they will not make any changes until 6 April 2027.

The rate of relief for finance costs for landlords will also increase from 20% to 22% in 2026/27.

Savings and dividend allowance

You will continue to be taxed at 0% within your personal savings allowance and dividend allowance. The savings allowance continues to be set at £1,000 for a basic rate taxpayer, £500 for a higher rate taxpayer and not offered to additional rate taxpayers. The dividend allowance continues to be set at £500.

Self-employed National Insurance Contributions (NICs)

Self-employed individuals pay 'Class 4' NICs in addition to their income tax liability. The Class 4 NIC rates and thresholds for 2026/27 remain at 6% on profits between £12,570 and £50,270 and 2% on profits thereafter.

As with the income tax thresholds, the Class 4 NIC thresholds will remain frozen until 2030/31.

Voluntary National Insurance Contributions (NICs)

From 6 April 2026, the Class 2 NICs rate will be increased from £3.50 to £3.65 per week and the Class 3 NICs rate will be increased from £17.75 to £18.40 per week.

The government will no longer allow people living abroad to pay voluntary Class 2 NICs. It will still be possible for taxpayers to pay voluntary class 3 NICs for time abroad. However, the minimum time you need to have lived or paid contributions in the UK to pay voluntary Class 3 NICs payments from overseas will go up from 3 years to 10 years.

Class 1 NICs for employees and employers are included in the Employment Taxes section.

Individual Savings Accounts (ISAs)

Income received within an ISA product is exempt from income tax. This includes both cash and stocks and shares ISAs. The limit on how much you can save into ISAs in 2026/27 remains at £20,000 overall.

From 6 April 2027, the annual ISA cash limit will be set at £12,000 for those under 65, within the overall annual ISA limit of £20,000. Savers aged 65 and over will continue to be able to save up to £20,000 in a cash ISA each year.

Tax relief for pension contributions

Income tax relief is generally given in full for qualifying pension contributions, meaning that they are an important component in many tax planning exercises.

Generally, you can get tax relief for pension contributions up to the level of your relevant earnings in a tax year. This is subject to an annual allowance, which remains at £60,000 for 2026/27. If you have no relevant earnings in a tax year, you can still have tax relief on up to £3,600 of contributions per year.

Child Benefit and the High-Income Child Benefit Charge (HICBC)

You may have to pay the HICBC if your income exceeds £60,000 and child benefit is being paid in relation to a child that lives with you, regardless of whether you are a parent of that child. If you are living with another person in a marriage, civil partnership or long-term relationship, you will only be liable for the HICBC if you are the higher earner of the two of you.

For 2026/27, the HICBC continues to be calculated at 1% of the child benefit received for every £200 of income above £60,000. This means that child benefit is fully clawed back where income exceeds £80,000.



Qualifying Care Relief

The amount of income tax relief that foster carers and shared lives carers can claim will increase for 2026/27, as follows:

	2026/27	2025/26
Annual fixed amount	£20,440	£19,690
Weekly rate for children under 11	£435	£415
Weekly rate for children 11 and over and adults	£515	£495

Penalty reform: Updates to the penalty regime for self assessment

The government will apply a new penalty regime for late submission and late payment to all self assessment taxpayers from 6 April 2027. Under the new regime, penalties for late filing are more lenient, but those for late payment are more punitive.

Venture Capital Trust (VCT)

From 6 April 2026, the rate of VCT income tax relief will decrease from 30% to 20%.

DIGITAL RECORD KEEPING AND QUARTERLY REPORTING REQUIREMENTS FOR TRADERS AND LANDLORDS (“MTD”)

HMRC’s ‘Making Tax Digital for Income Tax’ (‘MTD for IT’) becomes mandatory from 6 April 2026 for sole traders and property landlords who generated gross trade and rental income (‘qualifying income’) of more than £50,000 in the 2024/25 tax year.

If affected, you will need to use ‘MTD-compatible software’ to keep transaction-level records, send quarterly summaries of your business and/or property income and expenses to HMRC, and submit a year end tax return.

The government has confirmed that for individuals mandated into MTD for IT in 2026/27, penalty points for late quarterly summaries will not be imposed. It is important to note that record keeping and end of year return late filing penalties can still apply, as can late payment penalties.

If you would like to discuss what you need to do to meet the new requirements, please do get in touch. We are happy to help!



SALARY V DIVIDENDS IN 2026/27

For shareholders of owner managed companies, you will want to determine the optimum way to draw profits out of your company. While there are several possible options, it often comes down to a combination of salary and dividends.

For many individuals, taking a small salary equal to the £12,570 personal allowance and then dividends to support living needs can be a good approach. This will continue to apply in 2026/27, even though the income tax on dividends will be higher. This additional tax may mean you need to increase the amount of your dividends to retain your net income.

In some cases, taking a higher salary may be advisable, including where the employers’ NIC employment allowance is available to offset any employers’ NIC arising on salaries.

Please do contact us for personalised advice on how to maximise your income from your company.

MINIMUM WAGE RATES

The minimum hourly rates that employers must pay their employees go up from 1 April 2026. Employers must pay their employees at least these minimum rates to avoid penalties, back payments and other regulatory action.

If you have employees paid at or just above these levels, you need to ensure that birthdays, full working hours and deductions are properly captured and dealt with. Please contact us for any support you need with your payroll, including how to apply minimum wage rules.

	1 April 2026 – 31 March 2027	1 April 2025 – 31 March 2026
National Living Wage (for employees aged 21 and over)	£12.71	£12.21
National Minimum Wage (for employees aged 18-20)	£10.85	£10.00
National Minimum Wage (for employees aged 16-17 and apprentices)	£8.00	£7.55

EMPLOYMENT TAXES

National Insurance Contributions (NICs)

NICs deducted from employee wages remain at the same levels as we head into 2026/27. This means that, for most employees, no NICs are deducted on the first £12,570 of pay, then a rate of 8% applies on earnings up to £50,270, with a rate of 2% applied thereafter.

For employers, the rate of NICs will remain at 15% after the first £5,000* paid to each employee. The available employment allowance to offset this cost remains at £10,500 for eligible claimants.

*A higher threshold of £50,270 applies for employees who are under 21 and apprentices under 25. Other variations can also apply.

Salary sacrifice for pension contributions

From 6 April 2029, the amount that is exempt from NICs will be capped at £2,000 a year for pension contributions made via salary sacrifice. Any contributions above this amount made under salary sacrifice will be subject to employer and employee NICs.

While employees will be able to continue using salary sacrifice arrangements in respect of pensions to access benefits such as tax-free childcare, or to mitigate the impact of the HICBC or tapering of the personal allowance, this may come at an increased NICs cost from April 2029.



For those liable to make Student Loan repayments, employers calculate amounts due based on the same gross pay that is used to calculate the employer's NICs. As such, it is likely that where pension salary sacrifice arrangements in excess of £2,000 remain in place from April 2029, increased Student Loan repayments will be due.

It is worth noting that the change is still three years away, and salary sacrifice for pension contributions will continue to be given full NICs relief during that time.

Removal of tax relief on non-reimbursed homeworking expenses

From 6 April 2026, employees will no longer be able to claim tax relief on additional household expenses incurred in employment duties that are not reimbursed by the employer. To date, a claim at the rate of at least £6 per week has been allowed.

Employers can still reimburse employees for these costs where eligible without deducting income tax and NICs.

Enterprise Management Incentive (EMI) company eligibility expansion

The following limits increase for EMI contracts granted on or after 6 April 2026:

- The maximum value of shares that a company can grant under EMI options will be increased from £3 million to £6 million.
- The gross assets test will be increased from £30 million to £120 million.
- The number of employees will be increased from 250 to 500.
- The exercise period will increase from 10 to 15 years.

These limits can also apply retrospectively to existing EMI contracts which have not already expired or been exercised.

The EMI notification requirement will also be removed from April 2027.

Expanding workplace benefits relief

From 6 April 2026, the income tax and national insurance exemption for employer-provided benefits will be extended to cover reimbursements for eye tests, home working equipment, and flu vaccinations. Currently, the exemption for these costs only applies where the employer provides the benefit directly.



Company car tax

There will be a delay on bringing employee car ownership schemes (ECOS) into scope of the benefit in kind (BIK) rules until 6 April 2030. This was originally planned to apply from April 2026. Transitional arrangements will be in place until April 2031.

There is a temporary BIK easement for plug-in hybrid electric vehicles (PHEVs) that applies retrospectively from 1 January 2025 and will run until 5 April 2028. New emissions standards mean that PHEV users could see their BIK charge increasing, however the easement reduces the effect of this. A qualifying vehicle made available to an employee on or before 5 April 2028 will remain eligible for the easement until the earlier of a change in car or 5 April 2031.

The BIK charge for vans as well as for car and van fuel will increase from April 2026, as follows:

	2026/27	2025/26
Van benefit charge	£4,170	£4,020
Van fuel benefit charge	£798	£769
Multiplier for the company car fuel benefit charge	£29,200	£28,200

Mandatory payroll of benefits

From 6 April 2027, it will become mandatory to report most taxable benefits and employment expenses in real time through payroll software. This is a delay to the original commencement date of April 2026. Draft interim guidance and legislation has now been published to help in preparing for the change.

If you are an employer, preparing early and ensuring your payroll processes are sufficiently robust will help to avoid disruption and minimise cost. Please get in touch if you would like any help with this.

PAYE changes for umbrella companies

From 6 April 2026, recruitment agencies (or the business acquiring the services of the worker, if there is no agency in the supply chain) will be made liable for Pay as You Earn (PAYE) and NICs on payments to workers supplied through umbrella companies, if the umbrella company fails to pay HMRC.

Umbrella companies are used to act as an intermediary between the worker and the agency or business that hires them. While umbrella companies can be used legitimately, some are being used to avoid tax, commit tax fraud and fund criminal gangs. Making recruitment agencies, and potentially the business acquiring the labour, jointly responsible for PAYE and NICs is meant to encourage them to keep non-compliant umbrella companies out of their labour supply chains.

This change will mean that if your business uses workers supplied by third parties, you will need to carry out some checks to avoid being caught out by an unexpected tax bill.

CAPITAL GAINS TAX (CGT)

As we head into 2026/27, it should be remembered that, for most sales of capital assets, CGT will apply at 18% for basic rate taxpayers and 24% otherwise. The rate of CGT for business asset disposal relief (BADR) purposes will increase from 14% to 18% from 6 April 2026.

Particularly in relation to business disposals, timing is important, so please do talk to us about optimising your tax position before any capital disposal takes place.

Employee Ownership Trusts (EOT)

Since 26 November 2025, the CGT relief on the sale of shares to an EOT has been halved from 100% to 50%. This means 50% of the gain will be treated as the vendor's chargeable gain and subject to CGT. The remaining 50% of the gain will be held over with no CGT to pay until there is a future disposal of the shares by the trustees.

A further sting in the tail for the vendor is that the chargeable element of the gain is excluded from BADR and investors' relief (IR), so tax will be payable at the full rate. On the other hand, the change means that the trustees will now have a higher base cost and so will pay less CGT on a future disposal.

Incorporation relief

From 6 April 2026, a claim for incorporation relief will now be needed for transfers of a business into a company. Previously, the relief was granted automatically with the ability to opt out.

Incorporation relief applies to individuals, partners in a partnership and trustees where a business is transferred to a company in exchange for shares. Time limits apply to the claim.

Depending on your circumstances, there may be advantages to using other CGT reliefs rather than claiming incorporation relief. If you are considering incorporating your business, please talk to us about how you can do so in the most tax effective manner.

Share exchanges and reorganisations

Amendments to anti-avoidance rules took effect on 26 November 2025. Usually, when shares in a company are exchanged or reorganised, any gain is rolled over into the new shares so that no CGT is payable at the time of the reorganisation. Existing rules prevent the relief from applying if the main purpose, or one of the main purposes, of a reorganisation is to reduce or avoid liability to CGT, corporation tax or income tax. New rules allow HMRC to look deeper and consider individual shareholder motives.

If you are considering a share exchange or reorganisation, we will be happy to discuss how you can do so without falling foul of the new rules.



INHERITANCE TAX (IHT)

IHT can apply to certain lifetime transfers/gifts as well as the value of an individual's estate at the time of death. The IHT nil rate band is £325,000, with an additional £175,000 'residence nil rate band' available in some cases for leaving a qualifying residence to direct descendants. Any remaining value, after nil rate bands and applicable IHT reliefs and exemptions, is taxed at up to 40%.

The IHT nil rate band has been frozen at £325,000 for a further year until 2031. The residence nil rate band will also remain frozen at £175,000 until 2031.

The residence nil rate band continues to be withdrawn where an estate has a net value over £2 million. The residence nil rate band is tapered away at a rate of £1 for every £2 above £2 million.

Where the residence nil rate band has not been restricted, a married couple will continue to have a combined IHT allowance of £1 million.

IHT reliefs for business owners and farmers

The government is pressing ahead with its plans to reform IHT agricultural property relief (APR) and business property relief (BPR) from 6 April 2026. These reliefs have previously been unlimited, but from 6 April 2026, a cap will apply to the amount of relief given at 100%.

Initially, the cap was announced at £1 million; however, 100% relief will now be capped at up to £2.5 million of combined agricultural and business property. Thereafter, the available relief reduces to 50%.

Any unused APR or BPR allowance on death will be transferable to the surviving spouse or civil partner. This means that a couple may be able to pass on up to £5 million of agricultural and/or business assets free of inheritance tax (in addition to any nil rate bands available).



Also, from 6 April 2026, the BPR available on AIM shares and similar investments will reduce from 100% to 50%. The £2.5 million BPR allowance does not apply to AIM shares.

Care is needed when planning for these changes, as transitional rules mean that even gifting before 6 April 2026 will not necessarily achieve the desired effect. Please do talk to us about how best to organise your estate with business or agricultural assets.

Paying tax by instalments

The inclusion of more agricultural and business property within the IHT net means more tax may be payable. From April 2026, the ability to pay IHT in interest-free instalments over 10 years will be extended to include all property which is eligible for APR and BPR.

Pension funds

From April 2027, the value of unused pension funds will be included in an individual's estate at death, regardless of any efforts by individuals to write their policy into trust. This is to counter what the government perceived as an increasing trend of using pensions as a method for IHT tax planning rather than for simply funding an individual's retirement.

CAPITAL ALLOWANCES

For 2026/27, the annual investment allowance (AIA) will remain at £1 million, and the full expensing regime will continue to be available to companies.

The rate of writing down allowance (WDA) applicable to qualifying capital expenditure in the main rate pool will drop from 18% to 14% on 1 April 2026 for companies and 6 April 2026 for unincorporated businesses. Businesses with an accounting period that spans the date of change must use a hybrid rate. The 6% rate of WDA for qualifying expenditure in the special rate pool remains unchanged.

For qualifying expenditure incurred on or after 1 January 2026, a new 40% first year allowance (FYA) is now available to companies and unincorporated businesses. The new FYA can be used against assets used for leasing (overseas leasing is excluded), but not for cars or second hand assets. It will mainly be of benefit where the AIA or other FYAs are unavailable.



FYAs giving 100% relief for qualifying expenditure on electric cars and charging points were due to end in April 2026, but are now extended to April 2027.

VAT

From 1 April 2026, the VAT registration and deregistration thresholds will remain at £90,000 and £88,000 respectively. There have been no changes to the rates of VAT and the standard rate continues to be set at 20%.

Electronic invoicing

The government plans to make electronic invoicing mandatory for all VAT invoices starting in 2029. Broadly, this will be a requirement for suppliers and buyers to exchange invoice information digitally, system-to-system. A detailed implementation roadmap is expected to be published later this year at Budget 2026.

The possibility of introducing real time reporting (RTR) is also being considered. This is where invoice information is automatically shared with HMRC, perhaps as soon as it is sent to a customer. However, the government has confirmed that this will not start in 2029. RTR would only be introduced once electronic invoicing is widely in use and well established.

BUSINESS MATTERS

Business rates

England

From 1 April 2026, two new lower multipliers will be introduced for eligible retail, hospitality and leisure (RHL) properties with rateable values (RV) below £500,000. The new multipliers replace the 40% relief given to RHL businesses in 2025/26. The new rates are as follows:

Multiplier	2026/27	2025/26
Small business RHL multiplier • Rateable value under £51,000	38.2p	-
Standard RHL multiplier • Rateable value between £51,000 and £499,999	43p	-
National small business multiplier • Rateable value under £51,000	43.2p	49.9p
National standard multiplier • Rateable value between £51,000 and £499,999	48p	55.5p
High-value multiplier • Rateable value of £500,000 or above	50.8p	-

Transitional reliefs may be available if you are facing a large bill increase due to the 2026 revaluation or from losing Small Business Rates Relief.

Eligible pubs and live music venues will receive a 15% discount on their business rates bill in 2026/27. Rates bills will then be frozen in real terms for a further 2 years.

Scotland

The Scottish government has announced decreases to the basic, intermediate and higher property rates for 2026/27. The new rates are as follows:

Multiplier	2026/27	2025/26
Basic property rate • Rateable value up to £51,000	48.1p	49.8p
Intermediate property rate • Rateable value between £51,001 and £100,000	53.5p	55.4p
Higher property rate • Rateable value above £100,000	54.8p	56.8p

Transitional reliefs may be available if you are facing a large bill increase due to the 2026 revaluation or from losing Small Business Bonus Scheme Relief.

A 15% relief will be offered to eligible retail, hospitality and leisure (RHL) businesses liable to the basic and intermediate property rates in 2026/27, and will be available for three years. For RHL businesses on Scottish islands (as defined by the Islands (Scotland Act 2018) and in the remote areas of Cape Wrath, Knoydart and Scoraig, a 100% relief will be available. These reliefs will be capped at £110,000 per business per year.

Wales

Two new multiplier rates are being introduced from 1 April 2026, as follows:

Multiplier	2026/27	2025/26
Retail multiplier • Small to medium sized shops with a rateable value below £51,000	35.0p	-
Standard multiplier • Non-retail properties with a rateable value below £51,000 • All properties with a rateable value between £51,000 and £100,000 • Properties with a rateable value above £100,000 which are not subject to the higher multiplier	50.2p	56.8p
Higher multiplier • Most properties shown in a local or central listing with a rateable value above £100,000	51.5p	-

Transitional relief is available where your liability increases by more than £300 because of the 2026 revaluation. 33% of the additional liability is paid in 2026/27, 66% in 2027/28 and the full amount in 2028/29.

Eligible pubs, restaurants, cafes, bars and live music venues will be able to apply to their local authority for a 15% reduction on their business rates bill, subject to a cap of £110,000 per business across all their properties in Wales.

Northern Ireland

The Northern Ireland Executive is increasing the regional rate portion of the rates for non-domestic properties by 3.0% from 1 April 2026. The district rate portion is set annually by each district council.

Local visitor levy in England

The government has opened a consultation on providing mayors, and potentially other local leaders, in England with the power to introduce a local visitor levy. In Scotland and Wales, all local authorities already have the legal power to apply a visitor levy.

In areas where it is adopted, the visitor levy would apply to short-term overnight stays in commercially let visitor accommodation.

There are no changes to prepare for yet, but if you provide visitor accommodation, it would be worth watching the outcome of the consultation.

LAND AND PROPERTY

Council tax

England

A high value council tax surcharge (HVCTS), otherwise known as the 'mansion tax', will be introduced from 1 April 2028. This will be applied to properties with a value over £2 million.

The surcharge will range from £2,500 to £7,500, depending on the property's value, and will be applied to the homeowner, not the occupier.

The government has confirmed that the surcharge will not be calculated based on council tax bands. Instead, the Valuation Office Agency (VOA) will carry out a targeted valuation exercise in 2026. Properties assessed at £2 million or more will be slotted into one of four new HVCTS bands. Existing council tax bands will remain in place, and a change in council tax band will not affect HVCTS.

Especially if you own property in London or other high-value areas in England, the new surcharge could potentially add a significant recurring cost from 2028. In addition, as the surcharge uses up-to-date property valuations (not 1991 values), properties that escaped high "band" classification under

the old system could now be subject to the surcharge if their current market value is high.

If you have any concerns about how the new surcharge will affect your situation or are thinking about selling property and would like to understand your tax position, please do get in touch. We would be happy to provide you with personalised advice.

Scotland

The Scottish government has announced plans to introduce new high value council tax bands for the most expensive residential properties from 1 April 2028. Two new bands will be created above the current highest band, one for properties valued between £1 million and £2 million, and one for properties valued above £2 million.

The new bands will be based on up-to-date values for affected properties only, with all other homes remaining on the existing council tax framework.

Wales and Northern Ireland

No plans to introduce a high value council tax surcharge or high value council tax bands have yet been announced in Wales or Northern Ireland.



STAMP DUTY LAND TAX

England and Northern Ireland

If you are planning to purchase residential property, the good news is that there have been no increases to stamp duty land tax (SDLT) for 2026/27. The main threshold above which you start to pay SDLT remains at £125,000. You will still pay a higher rate of SDLT on additional dwellings you buy, such as second homes.

If you are a first-time buyer, no SDLT is payable on a purchase up to £300,000, with 5% SDLT payable on the portion between £300,000 and £500,000.

Scotland and Wales

Property purchasers in Scotland and Wales do not pay SDLT. Rather, if you buy a property in Scotland, you pay land and buildings transaction tax, and in Wales, you pay land transaction tax (LTT). The Scottish and Welsh rates remain unchanged for 2026/27.

In Wales, there are adjustments to the Multiple Dwelling Relief regime, and a new refund rule will be introduced for private landlords who buy a dwelling subject to the LTT higher residential rates and then lease it to a local authority in Wales through the Leasing Scheme Wales. This new rule will mean that the landlord only pays the main residential rate of LTT.

COMPANIES

Rates from 1 April 2026

There are no changes to corporation tax rates and thresholds for the financial year commencing 1 April 2026. These include the main rate of 25% for companies with profits over £250,000 and a small profits rate of 19% available to companies with profits below £50,000; an effective marginal rate of 26.5% applies to profits between the limits. If a company is part of a group or has associated companies, those profit limits are divided between them.

Loans to participators

Where a close company (usually one with 5 or fewer shareholders) makes a loan to a participator (broadly a shareholder) and that loan is still outstanding more than nine months after the company's year-end, the company must pay a tax charge on the outstanding loan balance.

The tax charge is then repaid to the company nine months and one day after the end of the accounting period in which the loan is repaid, released or written off.

The rate of this tax charge is matched to the dividend upper rate of income tax, i.e. 33.75% before 6 April 2026.

As the dividend upper rate increases to 35.75% from 6 April 2026, the tax charged on loans to participators also increases to 35.75% for loans made on or after 6 April 2026.

If you anticipate taking a loan from your company imminently, timing could be important. Contact us to discuss any opportunities for planning.

Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT)

From 6 April 2026, the eligibility limits for EIS and VCT schemes will increase significantly, in most cases doubling. If your company is growing or you are looking to scale up, these increases may give you additional options for raising investment.

From the same date, the rate of income tax relief available to an individual investor in a VCT will be reduced from 30% to 20%. This change does not apply to the EIS.

DEALING WITH HMRC

Penalties

Late filing penalties for corporation tax returns are set to be doubled where the filing date is on or after 1 April 2026. Filing a corporation tax return late will now result in a £200 penalty, which will increase to £400 if the return is more than 3 months late. Where the deadline is missed for three consecutive returns, the penalty increases to £1,000, or £2,000 if it's more than 3 months late.

From April 2027, penalties for late payment of VAT and Income Tax Self Assessment will increase to 4% (previously 3%) if the payment is up to 15 days late, with an additional 4% (previously 3%) if the payment is up to 30 days late. There will be no change to the rate payable after 30 days; this remains at 10% per year.

The government will also be consulting soon on other changes to HMRC's penalty system, aiming to encourage people to fix mistakes as quickly as possible while coming down harder on anyone who deliberately tries to evade tax.

Digital communications

From spring 2026, if you use HMRC's digital services you will start to receive digital letters by default instead of letters by post. It will still be possible to opt out if digital is not for you.

Tax debt

HMRC is continuing to explore ways to reduce unpaid tax and speed up payments. This includes looking at whether businesses should be required to pay PAYE and VAT by Direct Debit. They also plan to hire more staff to focus on debt recovery and to use debt collection agencies more often to deal with older or harder-to-recover debts.

IN CONCLUSION

With just a few weeks until we reach the 2026/27 tax year, we know that many of our clients and contacts will be looking at how upcoming tax changes will impact their affairs. Income tax rates and thresholds being frozen for a further three years, and increases in taxes on savings, dividends and property income will mean many end up paying more over the coming years. It may be worth taking another look at your business and personal plans for 2026 and beyond to make sure they still put you in the best possible tax position. Remember, we are here to support you to ensure your business and personal success. Please do get in touch if there is anything that you would like to discuss.

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