

# Autumn Budget 2025:

A concise overview of the key tax measures from the Autumn Budget.

## Table of Contents

### 1. Introduction to the Autumn Budget 2025

A short overview of the government's newly announced Budget and what it means for households and the economy.

### 2. Key Financial Changes at a Glance

A simplified breakdown of the major tax updates and financial measures.

### 3. Impact on Individuals

How the new Budget affects personal finances, income tax, savings, and everyday planning.

### 4. Impact on Businesses

Essential updates relevant to companies, including tax measures and regulatory changes.

### 5. What Has Changed and What Hasn't

Quick reference to the confirmed adjustments and areas that remain frozen or unchanged.

The UK Government has just announced its 2025 Autumn Budget, detailing how its new policies will shape the economy and affect households nationwide. Staying informed about what has changed, and what hasn't, is essential for making smart decisions about your financial future.

We have simplified the key points below, allowing you to quickly focus on the areas that matter most to your finances and plans.

Here is a summary of the main points.

## Individuals

### ISA Allowances and Tax

Tax regulations and allowances may change over time, and any potential tax advantages will depend on your individual circumstances

#### Changes Ahead:

- The yearly allowance for Cash ISAs will be lowered to £12,000 for people aged under 65. This alteration becomes effective in April 2027.
- The overall annual amount permitted for ISA contributions will remain at £20,000. The government has confirmed this total limit will hold steady until the 2030/31 tax year.

**Financial Consideration:** Individuals should maximize their current ISA savings capacity before the 2027 change. Savers might also want to assess whether a Stocks & Shares ISA provides a better vehicle for achieving long-term goals, given the new, lower Cash ISA contribution cap.

### Income Tax

#### Changes Ahead:

- The current freeze on income tax thresholds has been extended until April 2031.
- The tax levied on property rental and Savings income will rise by 2% across all income bands starting April 2027.

For taxpayers paying devolved Scottish or Welsh rates (on non-savings and non-dividend income), the rates and bands for 2026/27 will be confirmed in the respective devolved Budgets.

**Financial Consideration:** It is essential to incorporate the sustained threshold freeze into future budgets, as a greater portion of future earnings could become subject to tax.

Landlords should recalculate their expected returns given the forthcoming property income tax increase. Alternative investment avenues should be considered as a substitute for buy-to-let properties.

## Dividend Tax

### Changes Ahead:

- Dividend tax rates are being raised: both the basic and higher rate bands will see a 2% lift from April 2026. The revised rates will be 10.75% (basic) and 35.75% (higher rate).

**Financial Consideration:** Investors should review the amount of dividend income they receive outside of ISAs or other tax wrappers. They should adjust their expected investment returns downwards to account for this higher tax liability. Company owners or directors should also review their strategy for extracting income from their business.

## Property Taxes

### Changes Ahead:

- A new annual levy ("surcharge") will be imposed on residential properties valued at £2 million or above, effective from April 2028. For 2028/29, the charging structure will have four bands:
  - £2m–£2.5m - annual charge £2,500
  - £2.5m–£3.5m - £3,500
  - £3.5m–£5m - £5,000
  - £5m+ - up to £7,500

Charges will increase annually in line with CPI.

- A consultation in early 2026 will cover:
  - A support scheme for those struggling to pay,
  - The design of reliefs and exemptions, and
- How the rules apply to complex ownership structures, including trusts and companies.
- Separately, ATED legislation will be updated to reinforce that ATED relief is available to companies holding property for qualifying commercial purposes, including where relief is claimed via late ATED returns, which will still attract late filing penalties.
- Standard stamp duty and other property transaction taxes remain untouched.

**Financial Consideration:** Any individual owning or intending to purchase a property valued over £2 million must factor this future annual surcharge into their long-term wealth projections and cash flow planning.

## Retirement Savings and Salary Exchange

### Changes Ahead:

- From April 2029, the National Insurance Contributions (NICs) exemption will be removed for pension contributions made via salary sacrifice that exceed £2,000 annually.

**Financial Consideration:** Individuals should review their overall retirement funding strategy, acknowledging the increased potential cost of contributions above the £2,000 limit after 2029. While salary exchange maintains its effectiveness, the primary NICs advantage for higher contributions will cease. Long-term savings models should be recalculated based on these impending changes to ensure adequate contribution levels.

## Capital Gains Tax (CGT) and Corporate Changes

### Employee Ownership Trusts (EOTs) – Relief Reduced

From November 26, 2025, the tax relief available for selling shares to a qualifying EOT will be significantly reduced:

- **Relief Change:** The CGT relief on these sales will be cut from 100% to 50% of the gain.
- **Effective Rate:** This policy results in an effective CGT rate of 12% on a qualifying EOT sale, up from the previous 0%.
- **Other Reliefs:** Where this 50% CGT relief is claimed, other existing reliefs like Business Asset Disposal Relief and Investors' Relief cannot be claimed on the remaining taxable portion of the gain.
- **Note:** Further information regarding the payment date for the CGT liability is pending.

## CGT Anti-Avoidance Updates

New rules have been published concerning anti-avoidance measures for share exchanges and company reconstructions:

- **Transitional Period:** "Grandfathering" rules apply if advance clearance was requested from HMRC before November 26, 2025.
- **Implementation Deadline:** For the transitional rules to apply, the transaction must be finalized by January 26, 2026, or within 60 days of receiving HMRC clearance (if later).
- **Action:** Taxpayers with pre-Budget clearance requests are strongly advised to review these time constraints for their planned transactions.

## CGT – Rollover Relief on Incorporation

From April 2026, the process for claiming rollover relief when incorporating a business will change:

- **New Requirement:** Claims must now be explicitly made via a Self-Assessment tax return.

## Inheritance Tax (IHT) Reforms

### Business and Agricultural Property Relief (BPR/APR)

The changes to these reliefs, initially announced in Budget 2024, are proceeding:

- **Relief Reduction:** From April 6, 2026, assets that currently qualify for 100% relief will instead receive 50% relief.
- **£1M Allowance:** Individuals and trusts will benefit from a 100% relief allowance up to £1 million.
- **Allowance Freeze:** This £1 million allowance will be frozen until April 2031 (an extension from the previous 2030 freeze), after which it will rise with inflation (CPI).
- **Transferability:** Any unused portion of the allowance can be transferred to a surviving spouse or civil partner, even if the first death occurred before April 6, 2026.
- **Non-UK Entities:** Legislation will be introduced from April 6, 2026, to treat UK agricultural property held by non-UK entities as UK-situated for IHT purposes, preventing certain trust charges.

### IHT Nil Rate Bands Extended Freeze

The key IHT thresholds will be frozen for an extended period:

- **Main Bands:** The standard Nil Rate Band (£325,000) and the Residence Nil Rate Band (£175,000) will now be frozen until April 2031 (extended from the previous 2030 freeze).
- **Taper Threshold:** The £2 million taper threshold for the Residence Nil Rate Band is also frozen until April 2031.

### IHT on Lifetime Gifting and Pensions

- **Lifetime Gifts:** No new measures were introduced to cap the total value of IHT-free lifetime gifts. Potentially Exempt Transfers (PETs) remain subject to the existing seven-year survival rule.
- **Pensions (From April 6, 2027):** Proposals to bring certain unused pension pots into the IHT charge upon death will move forward. Scheme administrators can be directed by the deceased member's representatives to withhold up to 50% of taxable benefits for up to 15 months to settle IHT due.

## IHT – Former Excluded Property Trusts

Retrospective "grandfathering" rules have been announced (effective April 6, 2025) for trusts established before October 30, 2024, by non-UK domiciled individuals, provided the assets were excluded property at that time:

- **Charge Cap:** The standard 6% ten-year anniversary charge and 6% exit charge will be capped at £5 million per trust every ten years.
- **Impact:** This cap applies only to trusts where the derived value from excluded property surpasses approximately £83.33 million.

## International, Anti-Avoidance, and Compliance

### Anti-Avoidance (Offshore)

The Government plans "ambitious reform and substantial simplification" of existing offshore anti-avoidance legislation for individuals. HMRC will collaborate with representative bodies to develop new policy and modernized law in this space.

### Residence-Based Tax Regime (Non-Dom Rules)

Draft legislation introduces technical amendments to the new residence-based tax regime, which officially replaced the former non-dom rules on April 6, 2025:

- **Purpose:** These changes aim to ensure the new regime operates exactly as originally intended.
- **Effect:** The amendments apply retrospectively from April 6, 2025.

### Temporary Non-Residence (TNR) Rules

From April 6, 2026, the exemption for "post-departure trade profits" from the scope of TNR rules will be removed:

- **Impact:** This change will subject distributions or dividends paid out of profits accrued in a close company (or one that would be close if UK resident) after the individual becomes non-resident to TNR rules. Currently, such profits escape the UK charge.

### Non-Resident Capital Gains Tax (NRCGT)

Two specific adjustments are being made to NRCGT for non-UK residents investing in UK land/property:

1. **Protected Cell Companies (PCC):** From November 26, 2025, a PCC will be assessed for being "property-rich" for NRCGT on a cell-by-cell basis, rather than evaluating the entire PCC as a single entity.
2. **Collective Investment Schemes (CIS):** An existing Extra Statutory Concession will be formalized, confirming that non-UK resident individuals investing through a CIS will not need to file a double tax treaty claim to benefit from treaty relief.

## Tax Support for Entrepreneurs

A Call for Evidence has been issued seeking views on the effectiveness of existing tax incentives and the overall tax environment for business founders and growing companies.

### EIS and VCT Update (Recap)

Changes to the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT) have two primary effects for individuals:

- **Investment Opportunity:** Limits on company gross assets and maximum annual/lifetime investment amounts for qualifying companies are higher.
- **Tax Relief:** The headline Income Tax relief for VCT investments is reduced to 20% (down from 30%).

## Miscellaneous and Compliance

### Air Passenger Duty (APD) Reforms

From April 1, 2027, the higher rate of APD will be extended to cover all private jets weighing over 5.7 tonnes.

### Stamp Taxes on Shares (Recap)

- **Digital Test:** Finance Bill 2025–26 will grant powers to test a new digital Securities Transfer Charge to replace the current Stamp Duty and Stamp Duty Reserve Tax (SDRT).
- **Listing Relief:** From November 27, 2025, transfers of a company's securities benefit from a three-year SDRT relief from the 0.5% charge following a new UK listing.

## Tax Administration, Compliance, and Debt Management

The Government remains focused on lowering the tax gap (currently 5.3% in 2023–24), with small businesses accounting for roughly 60% of it. A substantial package is designed to raise an additional £2.3 billion by 2029–30, targeting:

- **High-Value Fraud:** Multinational transfer pricing, construction industry fraud, and non-compliant tax advisers.
- **Specific Abuses:** Issues concerning late filers and the use of image rights to reduce employment income.
- **Informants:** A reward scheme offering up to 30% of tax collected in high-value cases (over £1.5 million) to informants.

HMRC will also increase its focus on debt collection by assigning more debt (including older debt) to external agencies and boosting internal debt management staffing. The cumulative effect of compliance measures is expected to reduce the tax gap by 0.7 percentage points by 2030–31.



# Key business tax measures

## Corporation tax rate

The Government has confirmed that the main corporation tax rate will remain at 25 percent.

## Capital Allowances and Investment Incentives

The Budget includes key adjustments to the treatment of capital expenditures and the introduction of a new incentive for investment:

### Changes to Depreciation Rates (WDAs)

The standard rates for calculating depreciation for tax purposes are being revised:

- The Writing Down Allowance (WDA) for the general pool of plant and machinery will drop from 18% to 14%, effective from April 1, 2026.
- The special rate pool will maintain its current WDA rate of 6%.

## New First-Year Allowance (FYA)

A significant new incentive is being introduced:

- **New Rate: A 40% First-Year Allowance (FYA)** will apply to expenditure qualifying for the main rate pool, commencing January 1, 2026.
- **Flexibility:** This new FYA will operate with fewer restrictions compared to other existing First-Year Allowances.
- **Existing Schemes:** The current Annual Investment Allowance and the Full Expensing regimes remain unchanged.

## Impact on Leasing

This 40% FYA is particularly important for companies that lease new plant and machinery, as these companies are generally excluded from claiming the 100% Full Expensing relief. This measure appears to be a partial response to previous consultations on extending Full Expensing benefits to the leasing sector.

- **Eligibility:** The incentive is limited to leases provided to UK companies only.
- **Exclusions:** Cars and previously used (second-hand) assets are specifically excluded from this new allowance.
- **Market Effect:** This change could increase the appeal of UK lease financing, especially for businesses that are not currently profitable enough to fully utilize their own capital allowances.



## Extensions to Existing FYAs

The existing First-Year Allowances designed to encourage green investment will be extended:

- The FYAs for zero-emission cars and electric vehicle charging points will both be extended by 12 months to March 31, 2027.

## Corporation tax late filing penalties

Automatic penalties for late filing of corporation tax returns will double:

- The basic penalty will increase from £100 to £200, and
- If the return is more than three months late, from £200 to £400.

If there are three successive late filings, penalties will rise further to:

- £1,000 and
- £2,000 respectively.

## International Controlled Transactions Schedule (ICTS)

The Government has confirmed that the International Controlled Transactions Schedule (ICTS) will be introduced through the Finance Bill 2025–26. This will give HMRC powers to require certain taxpayers to file an annual ICTS return, capturing standardised information on cross-border related party transactions.

The information will be used for automated risk profiling and manual risk assessments. It is estimated that around 75,000 businesses within the scope of the UK transfer pricing, permanent establishment, and foreign permanent establishment rules may be required to file.

### Next steps:

- A technical consultation on the detailed design is planned for Spring 2026.
- Regulations are expected after Royal Assent of the Finance Bill 2025–26.
- The obligation is expected to apply to accounting periods starting on or after 1 January 2027, with first submissions likely in 2028, alongside corporation tax return deadlines.

## Business rates

The Government has announced:

- Permanent lower business rates for certain retail, hospitality and leisure properties; and
- A support package to cap increases in some sectors.

### Additionally:

- The 40 percent business rates relief for film studios will be maintained for ten years, until 2034.

## Stamp Duty Reserve Tax, UK listing relief

A new exemption from the 0.5 percent Stamp Duty Reserve Tax (SDRT) on agreements to transfer securities will apply where:

- The company's shares are newly listed on a UK regulated market on or after 27 November 2025.

### Key features:

- The exemption will last for three years from the date of listing.
- It will apply to all of the company's securities during this post-listing period, not just shares.
- It will also apply to depositary interests over a company's securities where those depositary interests are newly listed.

However:

- The relief will not extend to the 1.5 percent higher SDRT rate on transfers into depositary receipt systems or unelected clearance services, nor to transfers forming part of mergers or takeovers involving a change of control.

## Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) limits

The Government will increase EIS and VCT limits to boost support for growing businesses.

Changes include:

- The gross assets requirement for qualifying companies will rise:
  - From £15 million to £30 million immediately before the share or securities issue; and
  - From £16 million to £35 million immediately afterwards.
- The annual investment limit a company can raise will increase to:
  - £10 million (from £5 million), or
  - £20 million (from £10 million) for knowledge-intensive companies.
- The lifetime investment limit will increase to:
  - £24 million (from £12 million), and
  - £40 million (from £20 million) for knowledge-intensive companies.

### At the same time:

- The income tax relief on investments in VCTs will be reduced from 30 percent to 20 percent, bringing it more in line with EIS relief.

These increased limits will apply only to qualifying companies that are not registered in Northern Ireland and not trading in:

- Goods, or
- The generation, transmission, distribution, supply, wholesale trade, or cross-border exchange of electricity.

Such companies will remain subject to the current scheme limits.

## Transfer pricing, medium-sized enterprises

After a consultation earlier in 2025, the Government has decided not to proceed with changes that would have:

- Removed the current exemption for medium-sized enterprises, bringing them into the transfer pricing rules.

This decision is intended to avoid additional administrative burdens for SMEs and is aligned with the Government's industrial strategy to support firms to start, scale and stay in the UK.

## Reform of transfer pricing, permanent establishment and Diverted Profits Tax

The Government is continuing reforms of UK law on:

- Transfer pricing,
- Permanent establishment, and
- Diverted Profits Tax

following a recent consultation on draft legislation. A summary of responses has now been published.

### Key points:

- The draft legislation is being refined based on stakeholder feedback.
- HMRC has identified areas where specific guidance will be produced to support interpretation.
- The final legislation will be included in the Finance Bill 2025–26.
- In general, the changes will apply for chargeable periods beginning on or after 1 January 2026.

## Multinational and domestic top-up tax (Pillar 2)

A series of updates are being made to the Multinational Top-up Tax and Domestic Top-up Tax – the UK's implementation of the G20–OECD Global Minimum Tax (Pillar 2).

These amendments will:

- Align UK rules with the OECD's Global Anti-Base Erosion (GloBE) Model Rules administrative guidance;
- Reflect feedback from stakeholder consultations.

Most changes will apply to accounting periods beginning on or after 31 December 2025, although some may be elected into earlier periods.

One specific change – affecting the treatment of pre-regime deferred tax assets – will apply to accounting periods ending on or after 21 July 2025.

## Digital Services Tax (DST) review

The Government has released a review of the Digital Services Tax to mark five years since its introduction.

The review confirms:

- DST is still viewed as an interim measure.
- The preferred long-term solution remains reform of the international tax framework.
- Revenues raised were estimated at £380 million in 2021–22, rising to £808 million in 2024–25.

## Corporate Interest Restriction (CIR)

Two key aspects of the CIR regime will be updated.

### 1. Appointing a reporting company

- a. For periods ending on or after 31 March 2026, CIR groups will no longer need to appoint a reporting company by notice to HMRC within 12 months.
- b. Instead, details of the appointed reporting company will be included in the group's interest restriction return.
- c. The 12-month time limit for appointment will be removed.
- d. Authorisation of the reporting company will need approval from over 50 percent of the group and must be renewed annually.
- e. Filing an interest restriction return without valid authorisation could lead to a £1,000 penalty.

### 2. Tax-EBITDA calculations

- a. The rules on calculating tax-EBITDA for certain businesses will be amended to exclude capital expenditure deducted under reliefs for:
  - i. Waste disposal site preparation and restoration
  - ii. Cemeteries and crematoria
  - iii. Flood and coastal erosion risk management projects

This is to avoid a mismatch that could arise for UK-only groups.

- b. These changes will apply to periods ending on or after 31 December 2021.
- c. Under current CIR rules, groups have:
  - i. Three years from the end of a period of account to amend a CIR return if subject to an interest restriction
  - ii. or Five years if there is no interest restriction.
- d. It is not yet clear whether these time limits will be extended in light of the change.

## Creative industries and R&D Expenditure Credits

The Government has clarified that payments made for surrender of:

- Research & Development Expenditure Credits (RDEC),
- Audio-Visual Expenditure Credits (AVEC), and
- Video Games Expenditure Credits (VGEC)

within a group will be ignored for corporation tax purposes, provided they do not exceed the credit surrendered.

Additional administrative changes to VGEC will also be introduced, including:

- Rules for companies transitioning from Video Games Tax Relief, and
- Adjustments to the calculation of the special credit for visual effects (VFX).

These changes will apply for accounting periods beginning on or after 26 November 2025.

## R&D tax relief, advance clearances

The Government has responded to its consultation on the use of advance clearances for R&D tax reliefs.

HMRC will launch a limited pilot of a new targeted advance assurance service for SMEs in Spring 2026. Under this service, applicants will be able to request assurance on:

1. Whether a project meets the definition of R&D for tax purposes
2. Whether overseas expenditure qualifies for relief
3. Which party can claim relief for contracted-out expenditure
4. Whether the company qualifies for exemption from the PAYE/NICs cap

The existing advance assurance regime will continue while the pilot is running.

## Advance tax certainty for major projects

From July 2026, the Government will launch an advance tax certainty service for major investment projects in the UK.

### Key features:

- It will provide confirmation of how certain taxes will apply to a project if it proceeds as planned.
- It is available to UK and non-UK resident entities.
- It applies to “major projects” involving expenditure above £1 billion.
- A major project is broadly defined as new investment in a specific UK project which is not just ordinary ongoing spend.

## Betting and gaming duties

Following consultation, the Government will not introduce a single tax on remote betting and gaming. Instead, it will amend existing Gambling Duty rules.

### Key changes:

- From 1 April 2026:
  - Remote Gaming Duty will increase from 21 percent to 40 percent.
  - Bingo Duty will be abolished.
- From 1 April 2027:
  - A new 25 percent Remote Betting Duty rate will be introduced within General Betting Duty.
  - This will not apply to self-service betting terminals, spread betting, or pool betting.

Remote bets on horseracing will remain taxed at 15 percent, aligned with land-based betting, recognising operators' 10 percent contribution to the statutory Horserace Betting Levy.

The Gross Gaming Yield bandings for gaming duty will be frozen from 1 April 2026 to 31 March 2027.

## Private Hire Vehicle Operators (PHVOs), the "Taxi Tax"

Following several non-VAT cases (including the Upper Tribunal decision in Bolt Services Ltd) and an ongoing VAT case, some PHVOs acting as principals have been applying the Tour Operators' Margin Scheme (TOMS), paying VAT only on their margin (after paying non-VAT-registered drivers), instead of on the full fare.

Business Brief 8/25 confirms that from 2 January 2026:

- PHVOs will be excluded from TOMS.
- Legislation will exclude suppliers of private hire and taxi journeys from TOMS, except where those journeys are supplied with and ancillary to certain other travel services.

### This change:

- Does not affect journeys where PHVOs or taxi operators act as disclosed agents, or
- Journeys supplied directly by the driver to the passenger.

The rules are not intended to change the treatment of traditional tour operators.

Exceptions and ancillary services may include accommodation or other passenger transport services.

## Behavioural penalties reform

The Government has issued its response to the consultation on modernising HMRC's penalties for:

- Inaccuracies, and
- Failures to notify.

The intention is to develop draft legislation that:

- Simplifies behavioural penalties
- Avoids penalising those trying to "do the right thing", and
- Strengthens penalties where taxpayers do not take reasonable steps to correct known issues.

No specific timeline has been given yet.

In 2026, the Government will also consult on introducing a new "recklessness" criminal offence for fraudulently evading direct taxes, aligning with existing offences in the indirect tax space.

## Oil and gas sector, Oil and Gas Price Mechanism (OGPM)

The Government has confirmed details of a new Oil and Gas Price Mechanism (OGPM), a permanent windfall tax that will take effect when the Energy Profits Levy (EPL) ends.

Under the OGPM:

- An additional 35 percent tax rate will apply to revenues above thresholds of:
  - \$90/barrel for oil, and
  - 90p/therm for gas,

with thresholds adjusted annually for inflation.

Current forecasts suggest that oil and gas prices may soon approach the Energy Security Investment Mechanism (ESIM) price floor.

If average prices fall below ESIM thresholds:

- The EPL will end immediately, and
- The OGPM will come into effect.

This will return the tax rate to a 40 percent headline rate under the permanent regime, with the OGPM only applying when prices exceed the thresholds.

If ESIM is not triggered, the EPL will end by March 2030 and be replaced by the OGPM.

The Government will now begin engaging on the draft legislation and implementation.



## Cross-border VAT grouping amendment

The Budget 2025 report notes that from 26 November 2025 the Government will “clarify the rules relating to operating cross-border VAT grouping by reverting to the UK’s previous position.”

HMRC has now issued Revenue and Customs Brief 7 (2025): Revised VAT grouping rules and the Skandia judgment, explaining the revised stance on intra-entity services.

### Key changes:

- The Brief replaces RCB 2 (2015), 18 (2015) and 23 (2015), which had adapted UK policy following the CJEU Skandia (C-7/13) judgment.
- Under the post-Skandia position, UK businesses had to account for reverse charge VAT on intra-group services supplied by overseas establishments that were VAT-grouped in an EU member state with “establishment-only” grouping (such as Sweden).

This post-Skandia position is now withdrawn. From 26 November 2025:

- An overseas establishment of a business that is VAT-grouped in the UK should be treated as part of that UK VAT group,
- Even if located in an EU member state without whole-entity VAT grouping.
- Intra-group charges between them would therefore be outside the scope of VAT.

Although the Brief suggests the change is prospective, it also invites VAT groups that over-accounted VAT under HMRC’s previous policy to submit error correction notifications to reclaim overpaid VAT, taking into account anti-avoidance provisions (s43(2A) VATA).

## Cryptoasset Reporting Framework, extension to UK residents

The Cryptoasset Reporting Framework (CARF) supports cross-border information sharing between tax authorities.

Previously, UK reporters under CARF did not have to collect information on cryptoasset activity undertaken by UK residents.

The new measure will require UK reporters to collect information where:

- The customer is a UK resident, or
- Has controlling persons who are UK resident.

## Modernisation of Stamp Taxes on shares – Securities Transfer Charge

The Government will legislate in Finance Bill 2025–26 to introduce a power enabling regulations to:

- Test a new digital service for the Securities Transfer Charge, which will replace Stamp Duty and Stamp Duty Reserve Tax as part of wider modernisation.

## Local Government Pension Scheme reform, SDLT relief

The Government will amend Stamp Duty Land Tax (SDLT) rules so that:

- Property transfers within Local Government Pension Schemes benefit from an SDLT relief.

This measure will be legislated through the Finance Bill 2026–27.

## Interest on reversed Controlled Foreign Company (CFC) state aid recoveries

The Government will legislate in Finance Bill 2025–26 to:

- Require interest to be paid on interest amounts returned to taxpayers following the reversal of CFC state aid recovery decisions.

Currently, the law provides for the repayment of tax and interest, but only requires interest to be applied on the tax element.

### This new measure:

- Will operate alongside the Controlled Foreign Companies (Reversal of State Aid Recovery) Regulations 2024, and
- Is intended to take effect from 2 December 2025.

It targets UK-resident groups and multinational groups that were previously subject to state aid recoveries in relation to the CFC rules.

## Carbon Border Adjustment Mechanism (CBAM)

CBAM will be introduced from 1 January 2027.

In addition:

- The inclusion of indirect emissions within the scope of CBAM will be delayed until 2029.

## Low Value Imports (LVI) relief

Low value imports (LVIs) are defined as:

- Individual consignments worth £135 or less,
- Sent by a business outside the UK to a UK recipient.

Currently, LVIs can be imported without customs duty.

## Annual Tax on Enveloped Dwellings (ATED) – time limit for relief claims

ATED is an annual charge on dwellings worth over £500,000 that are held by companies (and certain other non-natural persons).

A new measure will:

- Increase the time limit for companies, collective investment schemes, and partnerships with corporate members to claim relief where the actual tax due is lower than initially charged.

This change is to have effect as if it had always been in force.

## Fuel duty

- The current fuel duty freeze will be extended for five months, from March 2026 to September 2026.
- The 5p per litre cut will then be reversed gradually from September 2026.
- From April 2027, fuel duty rates will be uprated annually in line with RPI.

## Air Passenger Duty (APD)

From 1 April 2027:

- All rates of APD will be increased in line with RPI and rounded to the nearest penny.

Previously announced plans to:

- Extend the higher APD rate to private jets over 5.7 tonnes will go ahead.

The Government has published a summary of consultation responses confirming this.

## Climate Change Levy (CCL)

From 1 April 2027:

- The main rates of CCL for gas, electricity and solid fuels will be uprated in line with RPI.
- The main rate for liquefied petroleum gas (LPG) will remain frozen.
- Reduced rates will stay at a fixed percentage of the main rates.

Following a consultation at Spring Statement 2025:

- Electricity used for electrolysis to produce hydrogen, and
- Natural gas used as a CO<sub>2</sub> source in sodium bicarbonate production

will be exempt from CCL, subject to parliamentary approval, by Spring 2026.

## Landfill Tax

The Government has published its response to the Landfill Tax reform consultation. It has decided:

- Not to proceed with a single rate of tax by 2030,
- To prevent the gap between the standard and lower rates widening further, and
- To retain the exemption for quarries with disposal permits.

For 2026/27:

- The standard rate of Landfill Tax will be uprated by RPI.
- The lower rate will increase by the same cash amount as the standard rate increase, maintaining the cash differential.

## Alcohol Duty

From 1 February 2026:

- All Alcohol Duty rates will be uprated in line with RPI.
- Small Producer Relief discounts will also be uprated so that small producers retain relative duty reductions.

## Tobacco Duty

From 6pm on 26 November 2025:

- Duty rates on all tobacco products will be increased by RPI plus 2 percentage points.

From 1 October 2026:

- A one-off increase of £2.20 per 100 cigarettes or 50g of other tobacco will apply.
- Annual uprating of tobacco duty by RPI plus 2 percentage points will continue and will be legislated in Finance Bill 2025–26.

## Deposit Return Schemes (DRS), VAT

The requirement for individual producers to account for VAT on unreturned deposits will be removed. Instead:

- This VAT will be accounted for by the Deposit Management Organisation.

## VAT charity tax relief, business donations

From 1 April 2026:

- A new VAT relief will apply to business donations of goods to charity, where the goods are:
  - Distributed to those in need, or
  - Used in the delivery of charitable services.

## Promoters of tax avoidance schemes

The Government has proposed several measures aimed at those who promote or enable marketed tax avoidance schemes.

**Changes include:**

- Amending civil penalty regimes under:
  - Disclosure of Tax Avoidance Schemes (DOTAS), and
  - Disclosure of Tax Avoidance Schemes for VAT and other indirect taxes (DASVOIT)

to remove the need for Tribunal approval before penalties are charged.

- Extending HMRC's powers to allow targeted action against legal professionals involved in the promotion of tax avoidance.

Three new tools are proposed:

### 1. **Universal Stop Regulations (USRs)**

- Would prohibit the promotion of avoidance arrangements with no real prospect of success.
- Sanctions could include publication, financial penalties, and criminal prosecution.

### 2. **Promoter Action Notices (PANs)**

- Would require certain businesses (such as financial institutions, insurers, and social media platforms) to stop providing goods or services to promoters of tax avoidance:

- Where those goods/ services are used to promote avoidance, and
- The promoter is in breach of a USR or stop notice.

- Certain legal and audit services and basic internet access would be excluded.

- Failure to comply could result in publication, financial penalties, or reports to professional bodies or regulators.

### 3. **Anti-avoidance information notices (AAINs)**

- Would allow HMRC to request information and documents from those they reasonably suspect are connected to the promotion of a marketed avoidance scheme.
- Non-compliance could result in civil penalties or criminal prosecution in serious cases.
- Notices could also be issued to financial institutions, with Tribunal approval, to access promoters' banking data.

## **Securitisation anti-avoidance**

A new tax main purpose anti-avoidance rule will apply to securitisation transfers, where:

- Financial assets are transferred to a securitisation vehicle, which issues debt secured on those assets, and
- The transferor (or another group company):
  - Continues to recognise the transferred assets on its balance sheet,
  - Recognises a liability related to the transfer, and
  - Claims a deduction related to that liability.

## **Economic Crime (Anti-Money Laundering) Levy**

From financial years beginning April 2026 onwards, changes to the Economic Crime Levy will affect entities that:

- Are regulated for anti-money laundering purposes, and
- Have UK revenue over £10.2 million per year.

The previous bands will be replaced by four new bands:

- **Band A:** UK revenue > £10.2m and ≤ £36m ☒ Levy £10,200
- **Band B:** UK revenue > £36m and ≤ £500m ☒ Levy £36,000
- **Band C:** UK revenue > £500m and ≤ £1bn ☒ Levy £500,000
- **Band D:** UK revenue > £1bn ☒ Levy £1 million

These changes will apply from 2026–27, based on UK revenue for accounting periods ending in that year. First payments under the new rates will be due after the year end and before 30 September 2027.

The Government also intends to review the levy by the end of 2027.

## Changes to charity tax rules

From April 2026, three key changes will be made to charity compliance rules, updating previously published draft legislation:

### 1. Definition of a tainted donation

a. The test will consider both:

- i. The outcome of the transaction, and
- ii. The motivation of the donor.

b. The threshold for determining whether a donation is tainted will be lowered by replacing the test of “financial advantage” with “financial assistance”.

### 2. Qualifying investments

a. Currently, only one of the 12 categories of qualifying investments for charitable tax relief is subject to an anti-avoidance requirement.

b. Legislation will extend this requirement to all 12 categories.

### 3. Legacies and attributable income

a. Legacies received by charities and community amateur sports clubs – which can benefit from significant Inheritance Tax relief – will be brought into the definition of “attributable income”.

b. This means the legacy must be spent on the charity’s charitable purposes, otherwise it will be taxable.

c. As the residual value of an estate is already treated as attributable income, this change will help equalise the treatment of income from estates.

HMRC is also working on changes to guidance that would:

- Improve its ability to encourage compliance, and
- Introduce potential sanctions for trustees and charity managers who fail to meet their tax obligations.

## Overnight Visitor Levy

An Overnight Visitor Levy has already been announced for certain cities in Wales and Scotland. The Government now plans to give “Mayoral Strategic Authorities” in England the power to introduce local Overnight Visitor Levies.

A consultation (due to complete by February 2026) will seek views on:

- The design of the new powers,
- Whether to set a minimum threshold above which providers become liable, and
- The rate structure, which could be:
  - A percentage of accommodation cost (the Government’s preferred option), or
  - A flat rate per person or per room, per night.

### Key points:

- All types of commercially let short-term accommodation are expected to be in scope.
- Accommodation providers, not guests, will be liable for the Levy (though they may pass the cost on in their prices).
- Levy amounts charged to visitors will be subject to VAT.
- Local leaders are expected to have powers to set rates locally, possibly within central limits.

## Electric vehicles – Electric Vehicle Excise Duty (eVED)

From April 2028, a new Electric Vehicle Excise Duty (eVED) will be introduced alongside existing Vehicle Excise Duty (VED).

The charge will be mileage-based:

- £0.03 per mile for fully electric cars, and
- £0.015 per mile for plug-in hybrid cars.

The Government has issued a consultation explaining how eVED will operate and inviting views on its implementation.

## Motability scheme – reform of tax reliefs

HMRC has published “Motability Scheme: reforming tax reliefs”, confirming that:

- VAT relief on top-up payments to lease more expensive cars will be removed for new leases from July 2026.
- The scope of the Insurance Premium Tax (IPT) exemption for vehicles leased under qualifying motor vehicle schemes will be narrowed.



- From 1 July 2026, the IPT exemption will only apply to vehicles that are:
  - Substantially and permanently adapted for wheelchair or stretcher users, or
  - Originally designed for their use.

Standard-rate IPT will apply to insurance contracts for other vehicles provided through qualifying schemes.

## **VAT treatment of land intended for social housing**

The Government will shortly consult on reforming VAT rules to encourage the development of land intended for social housing.

## **Vaping Products Duty (VPD)**

From 1 October 2026, a new Vaping Products Duty will apply to vaping products that are:

- Produced in, or
- Imported into,

### **The UK.**

VPD will be charged at:

- £2.20 per 10 ml of vaping liquid, regardless of nicotine content.

## **Plastic Packaging Tax (PPT)**

For 2026–27:

- The PPT rate will increase in line with CPI.

In light of developments in chemical recycling since PPT was introduced in April 2022, the Government will:

- Revise the legislation to:
  - Allow a mass balance approach (MBA) to calculating recycled content, and
  - Update the definition of “recycled plastic”.

To claim PPT relief for plastic packaging made from chemically recycled plastic:

- UK manufacturers and importers will need to prove that the entire supply chain from waste to final packaging is covered by a commercial certification scheme that meets PPT MBA standards.

In early 2026, a further consultation will be launched on:

- Mandatory certification for mechanically recycled plastic packaging for businesses wanting to claim a PPT exemption.

## Penalty reform – VAT late payment penalties

From 1 April 2027, late payment penalties for VAT will be increased, through secondary legislation.

## Electronic invoicing

Following consultation, the Government has confirmed that mandatory e-invoicing for all VAT invoices will be introduced from April 2029.

### Key points:

- All VAT invoices must be issued and received electronically.
- From January 2026, the Government will begin working with stakeholders, including:
  - The software industry, and
  - Making Tax Digital providers,

to design and develop the UK e-invoicing regime.

- A detailed implementation roadmap will be published at Budget 2026.

## VAT refunds for Combined County Authorities

Section 33 of the Value Added Tax Act 1994 allows certain local government bodies to reclaim what would otherwise be irrecoverable VAT on non-business statutory activities, ensuring this VAT does not become a cost on local taxation.

A new measure will:

- Add Combined County Authorities to the list of bodies eligible for section 33 refunds, with effect from Royal Assent of Finance Bill 2025–26, for purchases and imports from 1 December 2025 onwards.

## Vehicle Excise Duty (VED)

From 1 April 2026:

- VED for cars, vans and motorcycles will be updated in line with RPI.
- VED for heavy goods vehicles (HGVs) and the HGV Levy will also be updated in line with RPI.

## Expansion of tax conditionality to new licensing sectors

Following a consultation response, the Government will extend tax conditionality (linking licence approvals to tax checks) to:

- The waste sector,
- Animal welfare licensing (including breeding, boarding, and pet selling), and
- Additional transport licences, including taxi/private hire and pedicabs.

## Other measures – consultations and administrative changes

In 2026, the Government plans several consultations on tax administration and reporting, including:

- Delivery timescales and enforcement for prescribing the content and tagging of Corporation Tax computations;
- New requirements to report transactions between close companies and their shareholders; and
- Enhancements to the existing notification regime for uncertain tax treatments.

## Other measures targeting tax evasion

Several additional measures are proposed to tackle tax evasion:

- Establishing a new small business evasion and enforcement team, deploying HMRC criminal investigators to focus on serious fraud and evasion by small businesses.
- Introducing rewards of up to 30 percent of the additional tax collected in cases of high-value tax fraud (where additional tax exceeds £1.5 million) for informants who provide useful information.
- Strengthening HMRC's framework for publishing details of deliberate tax defaulters.

Other areas of interest:

- The Government will work with industry stakeholders to explore targeted changes to ensure the Qualifying Asset Holding Companies (QAHC) regime continues to function effectively.
- A Tax Update event is expected in early 2026, at which further plans to simplify and improve tax and customs administration will be outlined.

## Employer

For employers, the main announced measures were:

- A cap on NIC-free pension contributions under salary sacrifice, from April 2029, and
- The pre-Budget announcement of a 4.1 percent increase in the National Living Wage.

Other measures include:

- Easements to certain benefit-in-kind rules
- Increased limits for tax-advantaged Enterprise Management Incentives (EMI)
- More information on mandatory payrolling of benefits-in-kind from April 2027

A more detailed summary is set out below.

## National Minimum Wage (NMW) and National Living Wage (NLW)

As previously announced, from 1 April 2026:

- The NLW for those aged 21 and over will rise from £12.21 to £12.71 per hour.
- For 18–20 year olds, NMW will increase from £10.00 to £10.85 per hour.
- For 16–17 year olds, NMW will increase from £7.55 to £8.00 per hour.
- The accommodation offset rate will increase from £10.66 to £11.10 per day, or £74.62 to £77.70 per week.

## **Mandatory payrolling of benefits-in-kind**

HMRC has published interim guidance and draft legislation to help employers prepare for mandatory payrolling of benefits-in-kind from April 2027.

### **Key points:**

- HMRC continues to work with stakeholders on how the new process will operate.
- The interim guidance will be updated as design decisions are made.
- Full official guidance is expected from Autumn 2026.

## **Employer's National Insurance Contributions (NIC)**

From 6 April 2026:

- Employer's NICs (secondary Class 1, Class 1A, Class 1B) will remain at 15 percent.
- The Earnings Threshold above which employer NIC is due will remain frozen at £417 per month (or £5,000 per year) until 2030/31.

## **Benefits-in-kind – plug-in hybrid electric vehicles (PHEVs)**

New temporary easements have been introduced to address higher benefits-in-kind for certain PHEVs resulting from updated emissions testing standards.

### **Key details:**

- The easement applies retrospectively from 1 January 2025 to 5 April 2028, with transitional arrangements for some PHEVs until 5 April 2031.
- During the easement, certain PHEVs will be allocated a nominal CO<sub>2</sub> emissions figure for tax purposes, reducing benefit-in-kind charges.
- Employees affected by the retrospective change will be able to claim repayments via the system used by their employer to report the benefit.

## **Income tax exemption for certain employer-reimbursed benefits**

Currently, exemptions from income tax on:

- Employer-provided eye tests,
- Home working equipment, and

- Flu vaccinations,

apply only where the employer provides the benefit directly.

**From 6 April 2026:**

- The tax and NIC treatment of reimbursing the employee for these costs will be aligned with the treatment of employer-provided benefits, simplifying the position.

## **Tackling Construction Industry Scheme (CIS) fraud**

Further CIS anti-fraud measures (first announced at Budget 2025) will apply from 6 April 2026.

Where HMRC can demonstrate that a business knew or should have known it was involved in a transaction linked to tax evasion:

- Its Gross Payment Status (GPS) may be cancelled immediately.
- The business may be liable for the lost tax.
- The business, its directors and other connected persons may face a penalty equal to 30 percent of the lost tax.

Where GPS is revoked under these rules, the reapplication time limit will increase from one year to five years.

## **Disclaimer**

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