Budget 2026

November 2026



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Outline of the webinar

- The political backdrop shaping the government's fiscal decisions
- The economic outlook and implications for growth, inflation and investment
- The key tax measures affecting rural landowners and businesses
- Look ahead
- Q&A



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The Political Backdrop

- **Political focus:** Cost of living and energy bills.
- **Public finances**: Tough choices ahead in the Spending Review and 10-Year Plan.
- **CLA's priorities:**
  - **Inheritance Tax:** Keep up the pressure.
  - **SFI:** Make sure 2027 is not a repeat of 2026.
  - **UK-EU SPS:** Agrifood deal implications for members.



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The Economic Outlook

- 2026 Budget against a backdrop of major geo-economic and geo-political events as well as a cost of living crisis
- Prices for natural gas, brent crude, heating oil and red diesel have either doubled or trebled since the start of Iran conflict
- Government wants to create “breathing space” for the general public but questionable whether this is extended to business
- Next 12 months will be crucial in terms of economic stability for the UK



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The Economic Outlook - Forecasts

- **Current data**:
  - Inflation - 3.5%
  - Interest rates - 3.75%

- **Forecasts**:
  - Bank of England very likely to increase interest rates by 0.25% to 4% on 5th November, first rise since 2023
  - Markets forecast further rate rises in first half of 2027, economists split
  - Inflation forecast to rise to 4% by 3rd quarter of 2027
  - Bond markets stable at present but geo-economic shocks will increase the cost of Government borrowing
  - Higher business costs, through higher inflation and interest rates will further restrict investment as confidence weakens



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Business Rates

- Changes only relate to Retail, Hospitality and Leisure sectors (RHL)
  - Small Business Rates relief ceiling up to £18,000 and tapered to £21,000
  - Rates Bills frozen for two years (2027 & 2028)
- Consultation on rates and investment
  - Moving from slab to slice still under consideration
  - Impact of business rates on Investment still being considered
  - No evidence of short-term lets being used to avoid tax (70/140 adequate)
  - Empty Properties - General Anti-Avoidance rules to be introduced
- Still a promise of Business Rate Reform!



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High Value Council Tax Surcharge (HVCTS)

- Little change since last year
  - HVCTS be imposed on the owners of properties worth £2m from 2028.
  - CLA suggestion of the full range of ATED style exemptions taken up.
- But what is new is that:
  - They will look at a discount for farmhouses and farm workers accommodation on working farms. May consider other tied properties in future.
  - Properties that are substantially unfurnished and unoccupied for more than 12 months will be charge a 100% premium



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Tax changes - Income tax

- Increase in rate income tax on property income and savings

	Tax year 2026/27	Tax year 2027/28
Basic rate	20%	24%
Higher rate	40%	44%
Additional rate	45%	49%
Trust rate	45%	49%



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Tax changes – Capital gains tax

- Reduction in the business asset disposal relief lifetime allowance
  - From £1m per person to £500K
  - BADR rate remains at 18%

Practical tips

- Bring forward planned disposals
- Date of disposal is exchange of contracts unless conditional contract



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Tax changes – Capital gains tax

New Founders relief

- Lifetime limit of £10m in gains
- CGT rate of 10%
- Will be very limited in application
  - Only to shares
  - Must have 25% of ordinary share capital
  - Held shares for at least 5 years
  - Must be in a trading company (but not one that is also excluded from EMI – e.g. so those that deal in land, financial services or property development)
  - £10m turnover in accounting period prior to disposal of shares
  - Employ at east 15 full-time employees



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Tax changes – Capital gains tax



New Founders relief

- Company will have to demonstrate success in growth and innovation by meeting 2 of 3 conditions
  - **Turnover test** – growth of 25% over 3 consecutive accounting periods once turnover reaches £10m
  - **Headcount test** – growth of 25% in qualifying full-time employees over 3 consecutive accounting periods within 10 years before disposal.
  - **Innovation test** – Must have incurred R&D expenditure of £1.5 or more within 3 years before disposal

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Looking ahead: Tax administration changes



Reporting benefits in kind

- Must report using payroll software and deduct tax in real time:
- From April 2027 applies to
  - medical benefit
  - company cars
  - vans
  - car and van fuel
- From April 2028 applies to all other benefits - but not employer provided loans or accommodation

Practical tip
Check payroll you use is ready for mandatory reporting of benefits and how you will deal changes within the tax year

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Looking ahead: Tax administration changes

Payment of self assessed tax

- Changes to timing of payments
  - Automated in-year payments (such as DD) will become the default approach from April 2029
  - Further detail expected in 2027 on frequency and timing of in-year payments; safeguards, compliance and transition to new arrangements
  - New digital tools will be available from 2028 to help taxpayers to estimate tax liabilities, etc

Practical tip
Improve cashflow forecasting, budgeting and record-keeping



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Looking ahead: Tax administration changes

VAT: E-invoicing – From 1 April 2029

- VAT invoices will have to be created, exchanged and processed in a standard digital format
- Applies to business-business and business to government transactions
- Involves the exchange of structured invoice data directly between buyers' and suppliers' financial systems.
- Details of requirements and exemptions will be confirmed between October 2027 and April 2028 – e.g. an exemption for digitally excluded VAT-registered persons.

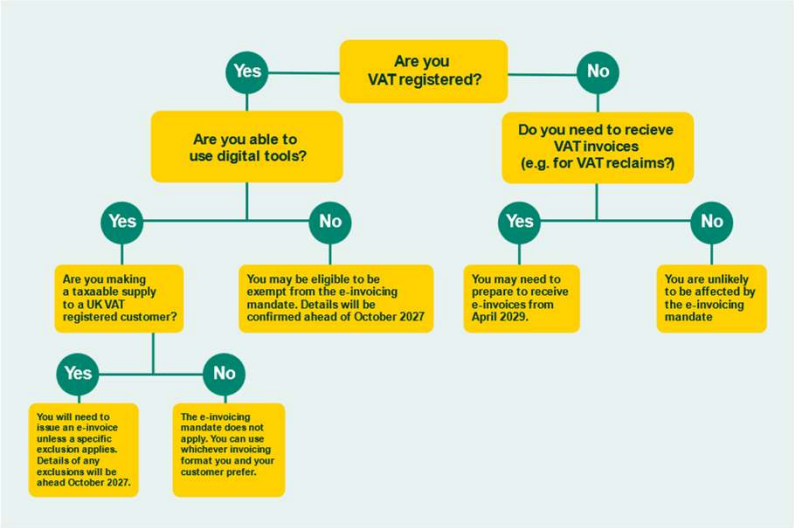
Practical tip
Check accounting software (e.g. Xero, Quickbooks, etc) has built-in or add-on Peppol capabilities



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Looking ahead: Tax administration changes

VAT: E-invoicing – From 1 April 2029



Source: HMRC Roadmap for e-invoicing implementation



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Looking ahead: Tax administration changes

Collecting payments VAT and PAYE by Direct Debit

- HMRC require taxpayers to set up a direct debit instruction for VAT and PAYE return liabilities from **April 2029**
- Businesses can continue pay VAT and PAYE using existing methods BUT the DD mandate will be used by HMRC to collect any unpaid liability on the due date

Practical tip
Review bank accounts arrangement, file VAT and PAYE returns promptly



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Looking ahead: Tax administration changes

Corporation tax

- **Modernising the administration of corporation tax** – Government is considering long-term future of Corporation Tax administration and how it could make it easier for businesses to understand and meet their obligations
- **Modernising and standardising company tax returns** – the project has been significantly slowed down, no final implementation date set; further consultation in 2027
- **Modernising the taxation of distributions and repayments of capital from companies**
  - New rules from April 2028 - designed to protect capital treatment for genuine changes in ownership, including families passing down their business
  - Detail to be provided by draft legislation in 2027



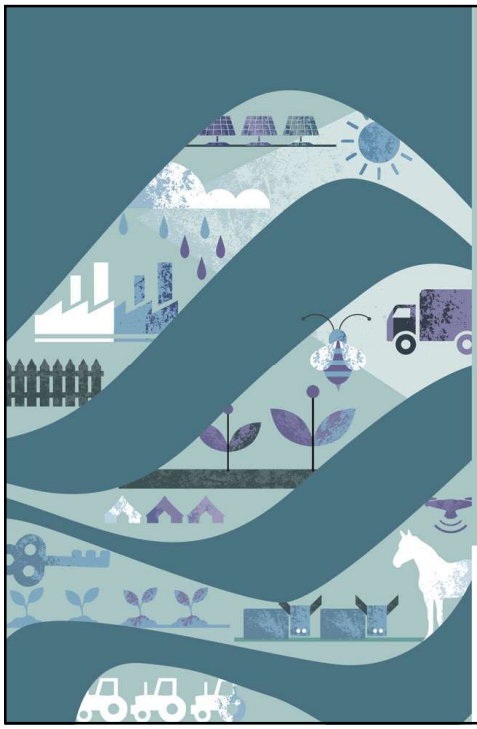
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Looking ahead: Fiscal Devolution

- Mayoral Strategic Authorities to have power to retain 20% of business rates in 2027 and 100% by end of decade
- MSAs will also be able to retain a proportion of income tax receipts from 2028
- Fiscal devolution roadmap sets out plans for an equalisation mechanism – could benefit rural
- Roadmap raises the prospect of local land value property taxes in the medium term to fund devolution projects
- Local Property Taxes depend on the definition of unimproved and improved land – CLA modelling shows major regional impacts on farm income



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Q&A

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