MOORE Kingston Smith

Budget 2026

Key Chancellor's Budget takeaways for businesses

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#MKSTax



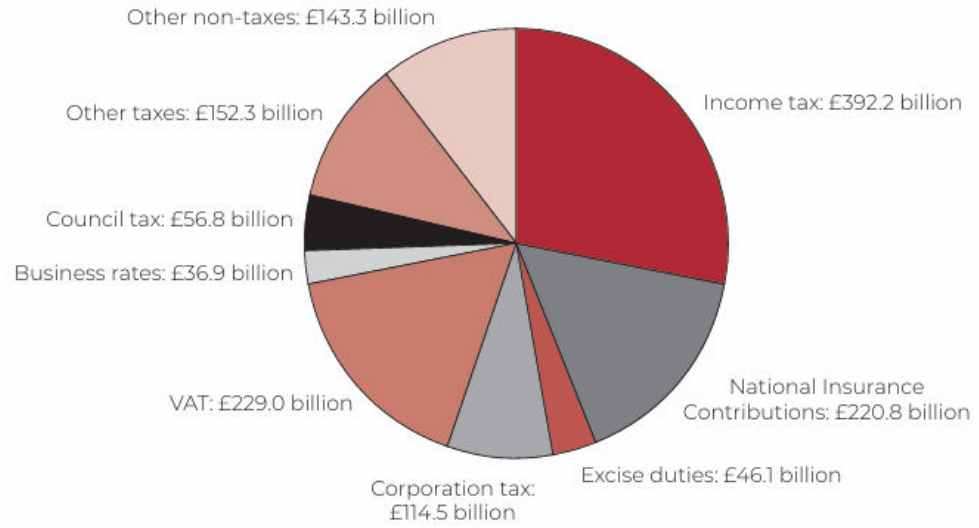
CONTEXT

How will taxes be raised in 2027/28?

Annex C: Public sector receipts and spending

C.1 Chart C.1 shows public sector current receipts by main type. Public sector current receipts are expected to be around £1,392 billion in 2027-28.

Chart C.1: Public sector current receipts 2027-28



Figures may not sum due to rounding.
Other taxes includes capital taxes, stamp duties, vehicle excise duties, customs duties and other smaller tax receipts.
Other non-taxes includes interest and dividends, gross operating surplus and other smaller non-tax receipts.

Source: Office for Budget Responsibility.

HEADLINE

The business lens: dates for the diary

COST	Minimum wage increases from April 2027
PEOPLE	More room in CSOP/EMI from April 2027
INVEST	50% main-rate FYA from Jan 2027
OWNER	BADR lifetime limit halves from April 2027
SYSTEMS	VAT e-invoicing planned from April 2029

The right response depends on workforce mix, investment plans, ownership and readiness.

WORKFORCE

People costs: check the wage bill beyond the headline

Rates from 1 April 2027

National Living Wage: £13.21/hour

18–20-year-olds: £11.27/hour

16–17-year-olds and apprentices: £8.31/hour

Where to stress-test

- Employees directly on or near new rates
- Pay differentials above entry-level roles
- Shift, overtime and seasonal patterns
- Labour assumptions in project pricing

Management response

Model the direct payroll effect first. Then test whether recruitment plans, pay bands or project budgets need revisiting. Any wider wage adjustments are a business decision.

Budget states a 3.9% increase across the listed rates. Build your own cost scenario.

EMPLOYMENT & PEOPLE

Talent and incentives: options are changing

CSOP changes from 6 April 2027

- Individual option limit rises to £120,000
- Exercise period extends to 15 years
- Interaction with EMI individual limits removed

EMI changes from 6 April 2027

- 180-day exercise window after a disqualifying event
- EOT exception extended to companies arranging to become EOT-controlled
- Grant notification moves to end-of-year reporting

Start with the retention objective, eligible workforce and scheme fit—not the headline limit.

OWNERSHIP & SUCCESSION

Owners and exits: review relief assumptions early

Confirmed change

BADR lifetime limit falls from £1m to £500,000 for qualifying disposals from 6 April 2027.

Proposed Founders' Relief

Intended 10% CGT rate from 6 April 2027; proposed £10m lifetime limit. Subject to consultation and legislation.

Proposed gates

Includes 25% shareholding, five-year holding/residence tests, >£10m turnover, 15+ employees and growth/R&D conditions.

Do not assume qualification: test proposed conditions and track final legislation.

CAPITAL ALLOWANCES

Investment: timing and asset classification matter

From 1 Jan 2027

Main-rate first-year allowance increases to 50% for qualifying expenditure.

From April 2027

Main-rate writing-down allowance falls to 12%.

Before committing

Map planned equipment and other spend to the applicable asset rules, timing and business case. The measure does not make every purchase eligible.

Revisit capex schedules and procurement timing; confirm asset eligibility before claiming.

INNOVATION

R&D: simpler administration, not automatic eligibility

Claim process changes

- Claim Notification Form removed for claims made from 1 April 2027
- Additional Information Form requirements simplified from Autumn 2027

Business actions

- Identify projects that may meet the R&D rules
- Keep clear project and cost records
- Confirm deadlines and revised filing requirements
- Do not equate innovation spend with an automatic R&D claim

Treat process simplification as a compliance opportunity—not a change to project eligibility.

CORPORATION TAX

Corporation tax: stable headline rates, watch future reforms

Headline rates

Main Corporation Tax rate remains 25%; small profits rate remains 19% for the financial year beginning 1 April 2028.

Banking surcharge

Temporary increase to 6% from 1 January 2027 to 31 March 2028.

From April 2028

Distribution and repayment-of-capital reforms planned, including Purchase of Own Shares rules; detail remains to be assessed when published.

Do not redesign extraction or buyback plans around proposals before the detailed rules are known.

VAT & DIGITAL

VAT and digital operations: prepare systems early

E-invoicing

Mandatory e-invoicing planned from April 2029; legislation will enable prescribed electronic formats for VAT invoices.

Online marketplaces

From October 2027, VAT online marketplace liability extends to qualifying sales by UK businesses; platforms will be responsible for collecting VAT on qualifying sales.

Overseas services

From April 2027, reverse charge restricted to VAT-registered UK recipients. Non-registered UK businesses may need overseas suppliers to charge UK VAT.

Map sales channels, customer VAT status and invoice workflows; engage finance/software teams early.

OPERATIONS & COMPLIANCE

Compliance and administration: changes to embed

PAYE / VAT payments

Direct Debit instruction planned for PAYE and VAT return liabilities from April 2029; other payment methods remain possible before a cut-off date.

Company Tax Returns

Mandatory online filing of amended Company Tax Returns from April 2028.

Return accuracy

A general obligation to correct inaccuracies in tax returns and documents is planned from April 2028.

Add owners, controls and system changes to the finance compliance calendar.

Closing Takeaway

Budget headlines matter most when translated into decisions.

PEOPLE

Cost base, pay bands and employee incentives.

INVESTMENT

Capex timing, R&D evidence and digital readiness.

OWNERS

Exit planning, extraction and emerging proposals.

Discussion: Which one change will your business act on first?

Thank you for listening!

Contact Details

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