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CHARTERED ACCOUNTANTS

NEWS UPDATE - 4 September 2026

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Healey sets a pre-Halloween Autumn Budget

The Autumn Budget date has now been set for 28 October, with the new Chancellor facing some familiar challenges.

At the end of a fortnight heavily laden with announcements from Prime Minister Andy Burnham and his revised cabinet, what may prove to be the most significant statement made its appearance late on a Friday afternoon: the date of the Autumn Budget. The new Chancellor, John Healey, posted a video message revealing the Budget would be on Wednesday 28 October. That is about four weeks earlier in the year than the 2025 Budget but still leaves plenty of time for speculation to build.

So, what can we expect in late October from the second former defence minister named Healey to occupy 11 Downing Street? Among a long list to watch for are:

- **Income tax:** At the end of his first week, Burnham told The Times that the "frustration about the personal allowance" he experienced during his Makerfield by-election campaign had "lodged in my mind". Shortly afterwards, he was more cautious: "There is no commitment at this point to change, but we will look at that at the Budget". Any move away from the freeze that lasts until April 2031 would be costly.

- **The VAT cut to electricity bills:** This was Burnham's first "breathing space" announcement, which the government said was "expected to take around £45 off the yearly Ofgem price cap in October". However, it subsequently emerged the cut is only for six months, so it will be interesting to see whether Mr Healey makes any mention of its extension beyond March 2027.

- **State pensions and tax:** In her last Budget, Rachel Reeves said that "we are ensuring that people only in receipt of the basic or new State Pension do not have to pay small amounts of tax through Simple Assessment from April 2027". No more detail has emerged since; in the meantime, many tax experts have highlighted a variety of complex issues raised by the seemingly simple goal.

- **The fiscal rules:** When announcing the date of his Budget, John Healey was careful to say that "It will meet our fiscal rules". At present, this could mean tax rises as the latest estimates suggest more than half of the all-important fiscal headroom has disappeared since March, due to the fallout from the Iran war.

As ever, if you wish to undertake any pre-Budget planning, do not delay. The full Budget 2020 announcement can be found from the link below:

https://www.gov.uk/government/news/budget-to-move-power-and-money-out-of-westminster-and-into-every-postcode-around-britain

Increased tax take pulls more savers into the tax net

This July's tax take was 17% higher than just two years ago. The situation is set to worsen, with around 1.7 million more savers now expected to pay tax on their savings this year than originally forecast.

Recent governments have tried to avoid the backlash associated with increased tax rates by using a stealthier approach: keeping allowances and thresholds frozen.

Such fiscal drag has pulled more and more taxpayers into higher rates of tax, as well as bringing those who were previously non-taxpayers into the tax net. When it comes to capital gains tax (CGT), the government has gone further, with tax rates increased and the tax-free allowance severely cut. So it's not surprising that CGT receipts have seen a significant increase over the past year.

Careful CGT planning is more important than ever, and – where possible – it might make sense to try to hold on to assets where possible in case future government policy towards the taxation of investments becomes less punitive.

More savers forecast to pay tax

HMRC originally forecast that 2.7 million savers would pay tax on their savings income for 2026/27, but the latest estimate shows some 4.5 million now face a tax bill:

- Apart from the fiscal drag aspect, savings rates have remained high. At the time of writing (August 2026), NS&I is paying 4.82% on its one-year bonds, with slightly higher rates available elsewhere.
- The impact of fiscal drag is particularly harsh regarding savings income. Pay increases and higher self-employed earnings will mean that many savers are now paying higher rate tax instead of the basic rate. However, in addition, their personal savings allowance will have been reduced from £1,000 to £500.

Along with the 45% tax rate, anyone pushed into additional rate tax will have lost any entitlement to the savings allowance.

With rates of tax on savings income to increase by two percentage points across the board from 6 April 2027, the outlook for savers is somewhat bleak. Details of income tax rates and personal allowances for the current tax year can be found from the link below:

https://www.gov.uk/income-tax-rates

Making Tax Digital update for sole traders and landlords

HMRC will start signing up sole traders and landlords who should have joined Making Tax Digital (MTD) in April 2026 but haven't yet done so. Looking ahead, HMRC has opened the MTD exemption window for taxpayers who would otherwise have to join from next April.

Unless qualifying for an MTD exemption, sole traders and landlords with qualifying income over £50,000 should have already submitted their first quarterly update for 2026/27. However, of the 864,000 taxpayers required to register for MTD, only 570,000 have done so, with just 436,000 successfully filing so far:

- HMRC has decided to start signing up the remaining taxpayers it believes are within the scope of MTD for 2026/27, rather than wait for those taxpayers to sign up themselves.
- Although no penalty points will be charged for late quarterly updates in 2026/27, HMRC is obviously keen for taxpayers to be aware that MTD is not optional.

Taxpayers signed into MTD by HMRC will receive a letter or digital message depending on contact preferences. They will be advised about the next steps, such as obtaining and using MTD-compatible software.

Exemption window

Sole traders and landlords with income between £30,000 and £50,000 for 2025/26 will join MTD from 6 April 2027, unless they qualify as digitally excluded, with HMRC recently opening up applications for an exemption. Taxpayers might qualify for an exemption if the following applies:

- **Internet access:** This means no internet access at home or business because of the location, and where access is not available at a suitable alternative location.
- **Age, health or disability:** Taxpayers will need to show that their age, health condition or disability stops them from using a computer, tablet or smartphone to keep digital records or submit them to HMRC.
- **Religious reasons:** This will apply to practising members of a religious society or order whose beliefs mean they do not use a computer, tablet or smartphone for business or personal use.

The fact that additional costs will be incurred, or that extra time will be required for MTD, is not a valid reason for HMRC to grant an MTD exemption.

HMRC guidance on applying for an exemption from MTD can be found from the link below:

https://www.gov.uk/guidance/apply-for-an-exemption-from-making-tax-digital-for-income-tax-if-you-are-digitally-excluded

Company cars make a green comeback

The number of directors and employees with company cars declined by 240,000 between 2015/16 and 2020/21, but numbers have rebounded every year since – largely due to the beneficial tax treatment of electric and hybrid vehicles.

HMRC's latest figures for the 2024/25 tax year show that there are now 920,000 directors and employees with company cars.

Lower emission vehicles

The most marked change applies to fully electric company cars. Before 2020/21, this type of company car was something of a novelty, but numbers have since taken off, accounting for just over half of the total by 2024/25. Add in low emission hybrid variants (CO_2 emissions between 1 and 50 grams per kilometre) and it's just about three-quarters of the total. In fact:

- The tax cost of having a low emission company car is significantly lower compared to a petrol or diesel variant. For the current tax year, a fully electric company car has a 4% benefit-in-kind rate.
- This means that the annual tax cost for a higher rate taxpaying director with a company-provided Tesla Y Performance Auto is around £990 – despite such a car costing well in excess of £60,000.

There is also no taxable benefit if the employer provides a charging point for directors and employees to recharge an electric company car either at work or at home, adding to the tax advantages.

The tax position is less advantageous for low emission hybrids, as the benefit-in-kind rate will typically be between 10% and 16%. For a Toyota Prius plug-in hybrid costing around £38,000, the annual tax cost for a higher rate taxpaying employee will be just over £1,500; still not excessive.

Future changes

By 2029/30, the current benefit-in-kind rate of 4% will increase to a much less favourable 9%, putting up the annual tax cost of the Tesla to just over £3,300. Future increases will push up the tax cost of the Toyota Prius hybrid to around £2,870.

The tax cost of having a company car can be calculated using HMRC's company car and car fuel benefit calculator. which can be found from the link below:

https://www.tax.service.gov.uk/guidance/work-out-company-car-and-fuel-benefit/start/tax-year

Unfair dismissal changes in the new year

From 1 January 2027, the qualifying period for protection against unfair dismissal will be cut from two years to six months. At the same time, the cap on compensatory awards for unfair dismissal will be removed.

Currently, the dismissal of an employee might be considered unfair if the employee has been employed for at least two years and there is no fair reason for the dismissal, or the reason is not sufficient to justify dismissing the employee.

A fair reason for dismissal includes:

Gross misconduct: For example, if an employee has defrauded the business, physically assaulted another employee, or refused to accept reasonable orders from a supervisor.

Capability: When the employee is unable to do the work that they were employed for, or they do not have the right qualifications. Capability also covers long-term illness, but employers need to be very careful here, with dismissal only as a last resort.

A legal reason: For example, a lorry driver who has been banned from driving.

The changes

From 1 January 2027, employers will only be protected from claims for unfair dismissal for the first six months of employment. However, as is currently the case, employees will still have day-one protection against automatically unfair dismissal (for example, dismissal for making a flexible working request or being pregnant) and wrongful dismissal (for example, the employer does not give the correct notice period). The changes will apply across England, Scotland and Wales, but not Northern Ireland where unfair dismissal legislation is devolved.

Compensatory awards

Unfair dismissal compensation is made up of two parts:

- The basic award is not going to change; this is based on an employee's age, length of service and weekly pay.
- A compensatory award which reflects the employee's actual financial loss. This is currently capped at the lower of 52 weeks' gross pay or £123,543. Although the majority of awards are not affected by these limits, the ceiling will be removed from 1 January 2027.

In future, employers will need to be particularly careful if dismissing a highly paid employee.

Acas guidance on dismissals can be found from the link below:

https://www.acas.org.uk/dismissals

Should you wish to discuss this News Update in further detail please contact BGM at: communications@bgm.co.uk