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BUDGET DAY · 28 OCTOBER 2026

The 2026 Budget

for Small Business Owners

What changes, what it costs and what to do,
including last year's changes still on the way.

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Orange Umbrella

Published with
Ask JT

THE BUDGET AT A GLANCE

Healey's first Budget, in five minutes

No rise in the main rates of income tax, National Insurance or VAT.

Dividend tax went up 2 points in April 2026, from last year's Budget, and stays there. The new costs land on landlords, savers and business sellers from April 2027. Find your section below.

Key dates
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MTD, mileage, a new van and your January bill
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Not sure where your business stands? Get a red, amber or green score and a PDF report.

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01 KEY DATES

Most of the changes start on 6 April 2027

Matters if you're self-employed

6 April 2026
Already in force

- Dividend tax 10.75% basic and 35.75% higher rate
- 55p a mile for the first 10,000 business miles
- MTD for Income Tax: income over £50,000
- Inheritance tax business relief: 100% capped at £2.5 million

Budget day

28 October 2026

November 2026

- 7 November: next MTD quarterly update for April 2026 joiners
- 30 November: Founders' Relief consultation closes

1 January 2027

- Main-rate first-year allowance rises from 40% to 50%

1 April 2027

- National Living Wage £13.21 an hour
- **England: retail, hospitality and leisure rates relief to £18,000 until 2029**
- Companies' writing-down allowance falls to 12%
- From April: overseas suppliers charge UK VAT to unregistered businesses

6 April 2027
Tax year 2027/28

- Property and savings income taxed at 24%, 44% and 49%
- Business Asset Disposal Relief limit halves to £500,000
- Most unused pension funds count for inheritance tax
- MTD for Income Tax: income over £30,000
- 35p a mile above 10,000 business miles
- Sole traders' writing-down allowance falls to 12%
- Company cars, vans, fuel and medical cover go through payroll
- Trading allowance rises to £3,000

October 2027

- Online marketplaces collect VAT on UK sellers' sales

6 April 2028

- MTD for Income Tax: income over £20,000
- Most other benefits in kind go through payroll

April 2029

- Only £2,000 of pension salary sacrifice stays free of NI
- VAT invoices to registered businesses must be structured e-invoices
- More regular Self Assessment payments on account
- Direct debit required for VAT and PAYE bills

02 SOLE TRADERS

If you're self-employed

Your income tax and National Insurance rates don't change. These five things do.

Making Tax Digital reaches you next April. If your self-employment and property income, before expenses, was over £30,000 in 2025/26, you keep digital records and send quarterly updates from 6 April 2027. Over £20,000 in 2026/27 brings you in from April 2028. Page 12 has the detail.

Mileage pays more, car or van. On the simplified method you claim 55p a mile for the first 10,000 business miles, up from 45p since 6 April 2026. Above 10,000 miles it rises from 25p to 35p from 6 April 2027. Use the mileage rate for a vehicle and you stick with it while you keep that vehicle, and you can't also deduct what it cost.

Buying a van? You deduct its cost in the year you buy it: as an expense on the cash basis, which is now the default, or through the Annual Investment Allowance if you use traditional accounting.

Example: a £15,000 van used only for the business saves £3,900 in the year you buy it, if the whole deduction saves 20% income tax and 6% Class 4 NI. Private use, or profits that cross a tax band, change the saving.

Overseas apps and ads cost more if you're not VAT registered. From April 2027, overseas suppliers of software, apps and online advertising charge you UK VAT. Page 13 shows what that adds.

Your January bill. Payments on account are advance payments towards this year's tax, due on 31 January and 31 July. Each is half of last year's income tax and Class 4 NI; capital gains tax and student loan repayments aren't included. If last year's bill was under £1,000, or most of your tax was taken at source, you don't make them. From April 2029 they move to more regular, smaller payments.

What to do

- [ ] Check what you took in 2025/26 before costs. Over £30,000 means MTD from April 2027.
- [ ] Ask your accountant which MTD software or phone app you'll use, and who sends the quarterly updates.
- [ ] Keep a mileage log on your phone.
- [ ] Open a separate pot in your banking app and move a set amount in every Friday for your tax bill.

SELF-EMPLOYED? THE FINANCE CHECK WORKS FOR YOU TOO

Get a red, amber or green score for your business and a PDF report to download straight away.

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03 EMPLOYERS

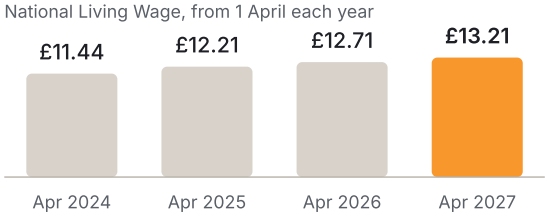
If you employ people

No staff? Skip this page.

The National Living Wage rises 3.9% to **£13.21 an hour** on 1 April 2027. The rate for 18 to 20 year olds goes to £11.27, and for 16 and 17 year olds and apprentices to £8.31. The apprentice rate covers apprentices under 19, and older apprentices in their first year; after that they get the rate for their age. Employer NI stays at 15% above £5,000 a year, with up to £10,500 Employment Allowance.

Up 15% in three years

National Living Wage, from 1 April each year



announced 28 Oct 2026

What the 50p rise costs

National Living Wage, 52 weeks, Employment Allowance already used

	Full-time worker, 37.5 hours	Five full-timers	One part-timer, 20 hours
Extra wages	£975.00	£4,875.00	£520.00
Employer NI at 15%	£146.25	£731.25	£78.00
Total	**£1,121.25**	**£5,606.25**	**£598.00**

If you have enough Employment Allowance left, it covers the extra employer NI, so you only pay the extra wages. Add any extra pension contributions and the rises needed to keep pay gaps between roles.

At a 40% contribution margin (sales less the direct cost of delivering them), you need **£14,016 of extra sales** to cover £5,606. On £400,000 of sales before VAT, a 1.4% price rise covers it, because a price rise adds no direct cost. That assumes you keep your customers and other costs don't move. Small, regular rises add up too: 20 customers paying 50p more a week covers a part-timer's £520 wage rise.

Using contractors? Check their status. The minimum wage applies to workers, which is wider than employees, while PAYE and employer NI depend on their tax status. Calling someone self-employed doesn't settle either. If HMRC decides someone you pay as self-employed is really an employee, you owe the tax and NI you should have deducted, plus interest and penalties. Two companies under the same owner get one Employment Allowance between them, not one each.

Benefits move into payroll. Company cars, vans, fuel and private medical cover go through payroll from 6 April 2027 instead of a P11D. Most other benefits follow from 6 April 2028.

Salary sacrifice gets an NI cap. From 6 April 2029, only the first £2,000 a year of pension salary sacrifice per employee is free of NI. Ordinary employer pension contributions are not affected.

What to do

- [ ] Rebuild your 2027/28 payroll forecast person by person.
- [ ] Review prices on the products or services with the weakest margin before you absorb the rise.
- [ ] Ask your payroll provider how they will handle benefits from April 2027.
- [ ] Model the 2029 NI cost before changing a salary sacrifice scheme.

04 COMPANY DIRECTORS

If you pay yourself from a company

Not a company director? Skip this page.

Dividend tax stays put. The rates are 10.75% basic, 35.75% higher and 39.35% additional, with a £500 allowance. The basic and higher rates went up 2 points on 6 April 2026.

Thresholds stay frozen until April 2031. The personal allowance is £12,570 and higher rate starts at £50,270 in England, Wales and Northern Ireland. The personal allowance tapers away above £100,000 of adjusted net income (income after pension contributions and Gift Aid).

Company pension contributions keep their tax breaks. They're free of NI and deductible for corporation tax when paid for the business. A low salary doesn't cap what the company can pay in.

Example: at 25% corporation tax, a £20,000 company pension contribution costs the company £15,000. A £5,000 contribution costs £3,750.

Check your annual allowance first. It's £60,000 a year across all your pensions, including what the company pays in. You can add unused allowance from the previous three tax years, for years you were in a pension scheme. Above £260,000 of adjusted income (with threshold income over £200,000), it falls by £1 for every £2, down to £10,000. If you've taken flexible payments from a pension pot, such as drawdown income or a lump sum beyond the tax-free cash, paying more than £10,000 a year into pots, including what the company pays in, triggers a tax charge, and carry forward can't raise that. Small-pot payments, a lifetime annuity and a forces or other final salary pension don't count.

Mileage pays more. The company can pay you 55p a mile tax-free for the first 10,000 business miles in your own car, up from 45p since 6 April 2026. Above 10,000 miles the rate rises from 25p to 35p from 6 April 2027.

What to do

- [ ] Plan 2027/28 salary, dividends and pension contributions together, against company profit and what the household needs.
- [ ] Check distributable reserves and the paperwork before declaring dividends.
- [ ] Keep a mileage log and claim the full rate.

PLAN YOUR 2027/28 PAY WITH US

We'll model salary, dividends and pension together and show you the tax on each option.

Book a free call: orangeumbrella.co.uk/book-appointment

05 LANDLORDS AND SAVERS

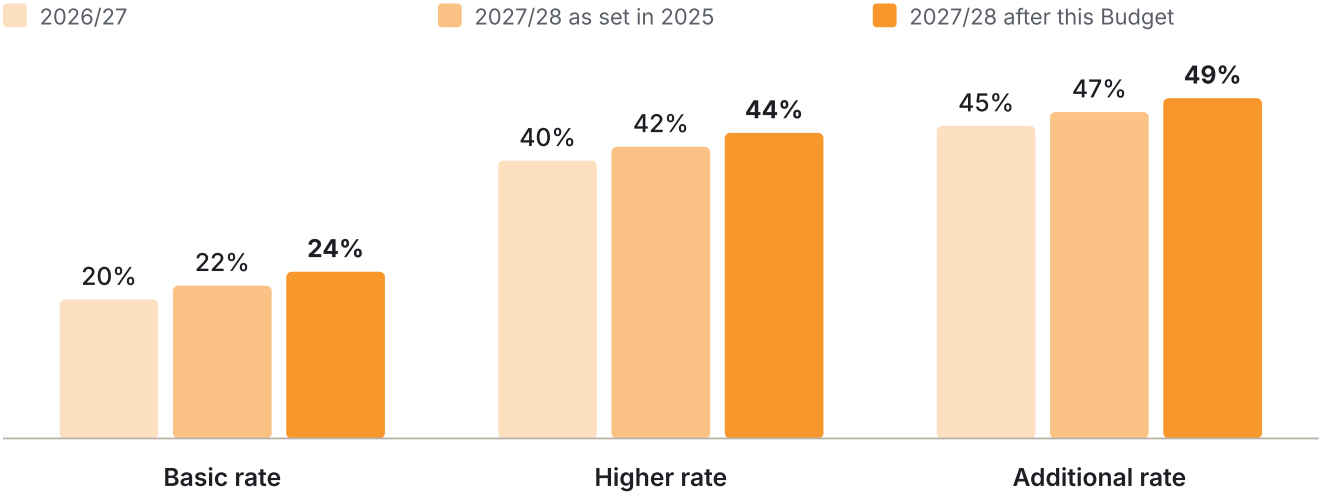
If you own rental property or savings

No rental income or taxable savings interest? Skip this page.

From 6 April 2027, rental profit and savings interest get their own income tax rates: **24%, 44% and 49%**. The property rates apply in England, Wales and Northern Ireland; the savings rates apply across the UK.

Landlords and savers pay 4 points more from April 2027

Income tax rates on rental profit and savings interest: 2 points set in 2025, 2 in this Budget



Example: £20,000 of rental profit taxed at the higher rate costs £8,000 now and £8,800 from April 2027, before the finance cost credit.

Relief on mortgage interest rises to 24%. For individual landlords with residential property, the tax credit for finance costs follows the property basic rate. Higher-rate landlords pay 44% on profit and get 24% back on interest. The credit is capped by your property profit and your income, so it can't create a refund. Companies, and loans for commercial property, follow different rules.

The cash ISA limit stays at £20,000. The £12,000 cap planned for April 2027 is scrapped.

What to do

- [ ] Work out your 2027/28 tax on rental profit and interest now.
- [ ] Talk to us before April 2027 if you're thinking about moving property into a company. Stamp duty and capital gains tax on the transfer can wipe out the saving, so it needs modelling first.
- [ ] Use ISAs for cash savings.

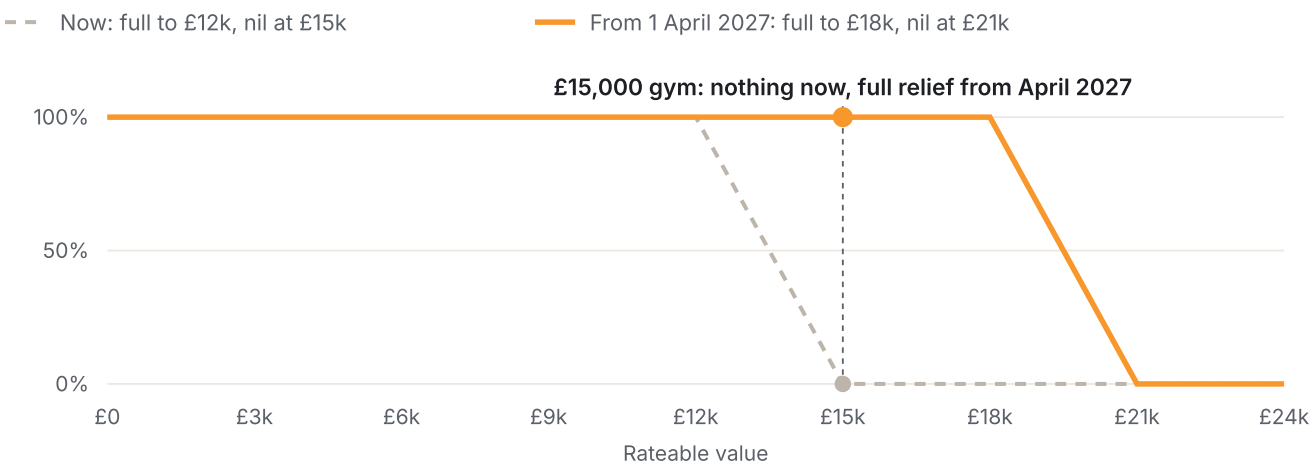
06 PREMISES AND KIT

If you rent premises

Business rates relief widens in England. For two years from 1 April 2027, qualifying shops, hospitality and leisure properties get full small business rates relief up to £18,000 rateable value, up from £12,000, tapering to nothing at £21,000. The thresholds will be reviewed at the 2029 revaluation. Bills for these properties, pubs and live music venues are capped at CPI inflation in 2027/28 and 2028/29, unless the rise comes from improving the property or losing another relief.

Full relief now reaches £18,000 of rateable value

Small business rates relief for qualifying shops, hospitality and leisure properties in England



Example: a gym at £15,000 rateable value gets no small business rates relief now. From April 2027 it gets full relief, worth £5,955 in 2027/28 at the 39.7p small business multiplier for these properties, before any other reliefs or adjustments.

Does a gym count? Gyms counted as leisure under the 2025/26 relief. Your council decides for 2027, so check with them.

Pubs and live music. Over the same two years, relief for pubs, social clubs and most live music venues rises to 35%.

More than one property? Relief is per business. Take on a second property and you keep relief on the first for three years (12 months if you took it on before 27 November 2025). After that, from 1 April 2027, you keep it only if each of the others has a rateable value under £2,900 and the total is under £30,000. Separate companies are tested separately.

What to do

- [ ] Find your rateable value on your rates bill or with GOV.UK's 'Find a business rates valuation' service.
- [ ] Ask your council for your 2027/28 rates bill before you count on a saving.

06 PREMISES AND KIT

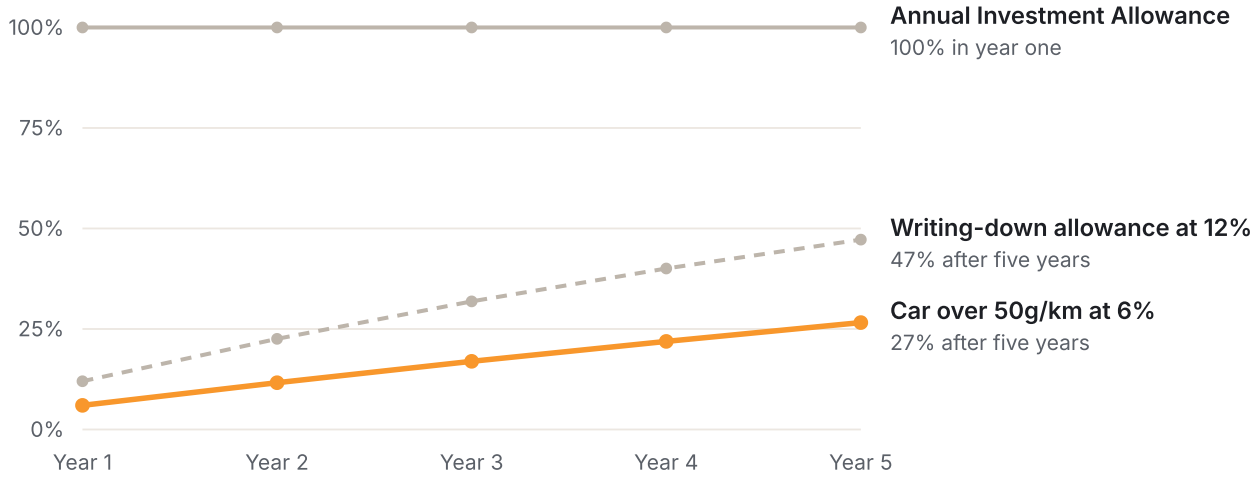
If you buy kit

Start with the Annual Investment Allowance. It gives a full deduction in year one for up to £1 million a year of plant and machinery (tools, equipment and vans), new or second-hand, but not cars. Full expensing gives companies the same for new main-rate kit, with no cap. Cars, special-rate items such as wiring and heating, and kit you lease out follow different rules.

Relief changes for everything else. The main-rate first-year allowance on new kit outside those rules rises from 40% to 50% from 1 January 2027. The main writing-down allowance falls from 14% to 12% from 1 April 2027 for companies and 6 April 2027 for sole traders, including balances already in your pool. Most cars get writing-down allowances only: 12% a year if they emit 50g/km of CO2 or less, 6% above that.

A car over 50g/km gets 27% relief in five years

Share of a purchase's cost relieved so far, at the rates from April 2027



Example: a £10,000 machine covered by the AIA saves a company paying 25% corporation tax £2,500 in year one. Sole trader buying a van? See page 4.

What to do

- [ ] Before a big purchase, check whether the AIA covers it and whether buying before your year end brings the relief forward.
- [ ] Check the CO2 figure before you buy a car through the business.

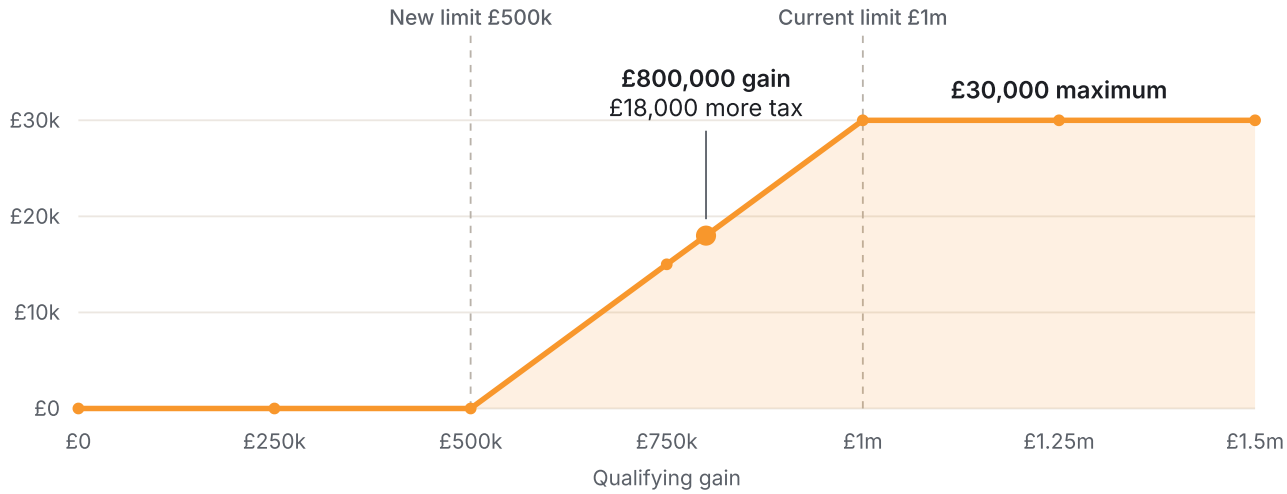
If you're selling the business

Not selling? Turn to page 11 for inheritance tax and pensions.

Business Asset Disposal Relief halves. The lifetime limit drops from £1 million to £500,000 for disposals from 6 April 2027. Gains inside the limit are taxed at 18%. Gains above it pay normal capital gains tax, which is 24% on most of a large sale. Contracts signed before 6 April 2027 that complete later get special rules, and the detail isn't out yet. If you're mid-deal, talk to us before you sign.

The lower BADR limit costs up to £30,000 more tax on a sale

Extra capital gains tax from 6 April 2027 by size of gain, for an owner with no previous claims



Example: an £800,000 gain for an owner with no previous claims costs £144,000 under the current limit and £162,000 after April 2027: 18% inside the limit, 24% above it, before the £3,000 annual exemption.

No previous BADR claims and a gain of £500,000 or less? The lower limit doesn't change your tax. A £250,000 gain pays £45,000 at 18% before and after April 2027, before the annual exemption.

Founders' Relief won't fit most owner-managed businesses. It's proposed at 10% capital gains tax on up to £10 million of lifetime gains, from 6 April 2027. The proposed conditions include: you held at least 25% when the company started trading and have held the shares for at least five years; the company had at least £10 million of turnover and at least 15 qualifying full-time employees in the year before the sale; and it passes two of three growth and innovation tests. BADR and Investors' Relief claimed from 6 April 2027 reduce the £10 million cap. Consultation closes on 30 November 2026.

Inheritance tax on your pension and business

Pensions join your estate. From 6 April 2027, most unused pension funds count for inheritance tax. Pensions left to a spouse or civil partner stay free of it, and death-in-service payouts are outside it. If you die aged 75 or over, whoever inherits also pays income tax on what they draw. The seven-year rule on gifts is unchanged.

Example: an unused £200,000 pension pot left to your children

Estate already over the nil-rate bands

£200,000
Unused pension pot
Counts towards your estate from 6 April 2027

-£80,000
Inheritance tax at 40%
Today it would be £0

-£48,000
Income tax at 40%
If you die aged 75 or over and they pay 40% on what they draw

£72,000
What your children keep
36% of the pot. Die before 75 and they keep £120,000.

SEPARATELY
+£20,000
If the pot tips your estate over £2m
A £1.9m estate plus this pot loses £50,000 of its residence band. That tax falls on the whole estate.

Over £2 million? The £175,000 residence nil-rate band shrinks by £1 for every £2 your estate is over £2 million, and from April 2027 your pension counts towards that figure. Lose the whole band and that's £70,000 more inheritance tax on the estate, or £140,000 if you've inherited your spouse's band.

100% inheritance tax relief on business assets is capped at £2.5 million. Since 6 April 2026, 100% relief covers the first £2.5 million of qualifying business and farm property per person, and 50% applies above that. Allowance unused on the first death can be claimed on the second, so spouses or civil partners can pass on up to £5 million of qualifying property with 100% relief.

What to do

- [ ] Review wills, pension nominations and share valuations together before 6 April 2027.
- [ ] Keep trading assets separate from investments. Surplus cash and property held in a trading company can reduce business relief.
- [ ] Write down who runs each business if you're off sick for three months.

SELLING UP OR PLANNING AHEAD?

We'll model the tax before and after 6 April 2027 so you can plan the timing.

Book a free call: orangeumbrella.co.uk/book-appointment

08 TAX ADMIN

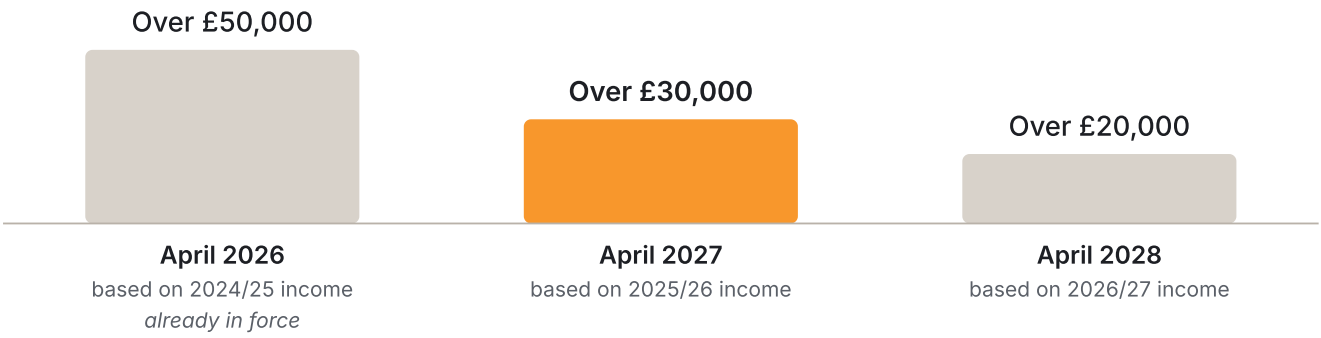
Making Tax Digital

Trade through a limited company? MTD for Income Tax doesn't cover your company's income. It only counts self-employment and property income you receive yourself.

Making Tax Digital reaches more sole traders and landlords. Once your self-employment and property income together, before expenses, passes the threshold, you keep digital records and send quarterly updates. The test uses your income from two tax years earlier.

MTD drops to income over £30,000 next April and £20,000 in 2028

Making Tax Digital for Income Tax: self-employment and property income together, before expenses



Some people are exempt or can defer, so check your own start date. April 2027 joiners get no penalty points for late quarterly updates in 2027/28, but you still have to send them before you can file your return. If you joined in April 2026, your next quarterly update is due on 7 November 2026.

The trading allowance triples. From 6 April 2027, side-business income of up to £3,000 before expenses doesn't need declaring, up from £1,000. It doesn't cover rental income, or income from your own company or employer.

Getting ready?

BOOK
Making Tax Digital Without the Panic
Simple systems for sole traders and landlords. More on page 15.

FREE VIDEO
Why Every MTD Video Is Wrong (And What To Do Instead)
Watch on YouTube

FREE DOWNLOAD
The Making Tax Digital Checklist
See where your system stands before you choose software

What to do

- [ ] If you took over £30,000 in 2025/26, before any costs, ask your accountant this week which MTD software or phone app you'll use, and who sends the quarterly updates.

09 TAX ADMIN

VAT and paying HMRC

Overseas services get dearer if you're not VAT registered. From April 2027, overseas suppliers of services such as software, apps and online advertising will charge you UK VAT.

Example: a £30 a month app or ad spend

£360
A year now
£30 a month with no UK VAT

+£72
UK VAT at 20%
£6 a month from April 2027

£432
A year from April 2027
£36 a month, with no VAT to reclaim

To check a supplier now, look for a VAT line on the receipt in your email or app store.

Marketplaces start collecting VAT. From October 2027, online marketplaces collect VAT on sales by UK sellers who are VAT registered or sell over £90,000 a year on that platform. Second-hand goods, personal sales and business-to-business sales are excluded.

Paying HMRC changes in April 2029.

- VAT-registered businesses, including public bodies, must be able to send and receive VAT invoices as structured e-invoices. A PDF sent by email won't count. Limited exemptions apply.
- Self Assessment payments on account (explained on page 4) move to more regular, smaller instalments, with an option to pay through PAYE.
- VAT and PAYE bills need a direct debit in place.

What to do

- [ ] If you're not VAT registered, check which overseas subscriptions don't charge UK VAT now, and budget for up to 20% more.
- [ ] If you sell online, map gross sales, fees, refunds and payouts into your accounts now.
- [ ] Ask your bookkeeper whether your invoicing software will send structured e-invoices by April 2029.

10 AUTOMATION AND AI

Fix the foundations first

Rising wage costs make automation and AI worth a look. The businesses we see get stuck on two things: weak tech foundations, and not knowing which questions to ask.

Fix these before you connect anything

- The business, not a former employee or your web designer, owns its domain, email and key software accounts, including your booking or payments app.
- Everyone has their own login, with access that matches their job.
- Two-step login is on for email, banking and accounts, and at least two people can get into every admin account.
- Current files live in one shared place, not in personal inboxes or on laptops.
- You've tested getting your data back after a failure.

Ask these questions before you buy or build

- Which task does it replace, and how many paid hours a week does that task take now?
- Does software you already pay for do it?
- What customer or staff data will it see, and are you allowed to share it?
- Who owns the data, and can you get it out if you leave?
- What happens when it gets something wrong, and who checks?
- Who keeps it running if the person who set it up leaves?
- What does it cost in year one, including setup and training, and every year after?

Start with one process. Pick a frequent task with clear rules: an enquiry form that creates a task, appointment reminders, an onboarding checklist, or invoice reminders that stop when the client pays. Keep a person checking anything that touches payments, payroll or a customer promise.

Example: saving five hours a week

£4,600

Time saved in year one

5 hours × 46 weeks × £20 an hour

-£1,280

Year-one cost

Software at £40 a month, plus £800 setup and training

£3,320

Net value

Cash only if you cut overtime, avoid a hire or bill the extra hours

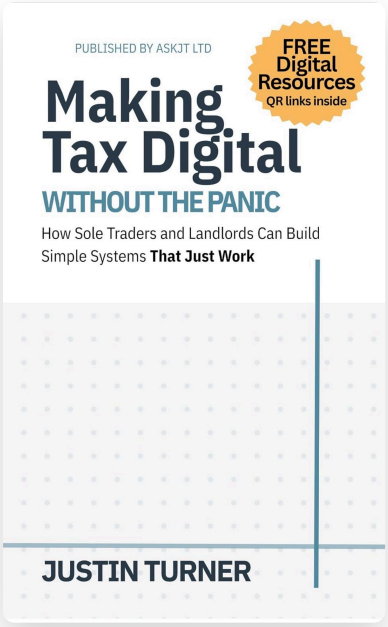
Year two: £4,600 saved less £480 software = £4,120. On your own? Start with invoice reminders that stop when the client pays.

Go deeper: *That'll Do* and *The Field Guide* go deeper on getting these foundations right. Details over the page.

GO FURTHER WITH ASKJT

Books from Justin

Practical books on the systems behind your business, from getting MTD-ready to sorting the tech you depend on and scoring how modern your business is.



Making Tax Digital Without the Panic

How sole traders and landlords can build simple systems that just work.

£10

Scan to find it on Amazon

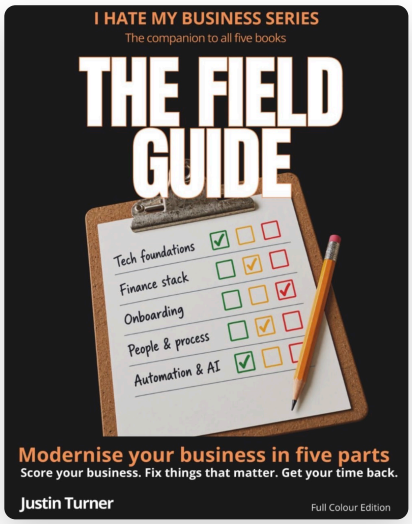


That'll Do

Book 1 of 5 in the I Hate My Business series. Take control of the tech your business depends on: ownership, access, files and recovery.

£14.99

Scan to find it on Amazon



The Field Guide

The companion to all five books in the series. Score your business, fix the things that matter and get your time back. Launches 1 November 2026.

£29.99, full colour

Scan to find it on Amazon

AskJT is Justin's education company: videos, podcasts and books on running a modern small business. Justin is founder and director of Orange Umbrella. His other books include *The Science of Business*. More at askjt.co.uk.

YOUR NEXT STEP

How healthy are your business finances?

Take our free 5-minute finance check. It works for sole traders and limited companies.

Scan to start your free finance check

It scores five areas red, amber or green:

1. Tech foundations
2. Finance stack
3. Onboarding
4. People and process
5. Automation and AI

Download your PDF report straight away. Nobody chases you: if you want help, you get in touch.

orangeumbrella.co.uk/finance-check

Rather talk it through? Book a free call at orangeumbrella.co.uk/book-appointment and bring your figures. We'll agree what to change first.

This guide is general information, not advice on your circumstances. Figures checked on 28 October 2026 against the Budget documents and HMRC guidance. Some measures still need legislation and could change.