

**THORNE  
WIDGERY**

Business Advisors  
& Chartered Accountants

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# The 2026 Tax Planning Handbook



info@thornewidgery.co.uk  
thornewidgery.co.uk

## Hereford

2 Wyevale Business Park  
Wyevale Way, King's Acre  
Hereford, HR4 7BS  
T. 01432 276 393

## Ludlow

Unit 3, The Business Quarter,  
Eco Park Road, Ludlow,  
Shropshire, SY8 1FD  
T. 01584 872222

## Shrewsbury

Unit 8, Knights Park,  
Battlefield Enterprise Park,  
Shrewsbury, SY1 3TE  
T. 01743 649300

# Preparing for tax changes in 2026 and beyond: A handy guide for business owners

As we look ahead to 2026 and beyond, the UK tax landscape is changing fast. Measures announced in the 2025 Autumn Budget, alongside wider reforms already in motion, are set to affect businesses and individuals across the board — from day-to-day cashflow and investment decisions, to succession planning and long-term wealth.

At the same time, business owners are juggling rising costs, uncertain markets and constant regulatory change. That's exactly why forward planning matters. The earlier you understand what's coming, the more options you have — and the more chance you have to protect profits, reduce risk, and spot opportunities others miss.

This handbook is designed to be your **ultimate practical guide** to the changes ahead — whether you're a **business owner**, a **company director**, a **high earner**, an **investor**, or you're thinking about **succession and family wealth planning**.

Inside, we break down the key measures, show you what they could mean in real numbers, and share practical next steps you can take now. And if you want help applying any of it to your own situation, We're here to support you with clear advice and a plan you can act on.

## NOTE

Any examples included in this article are for illustrative purposes only. Your personal or business circumstances may be different, and tax outcomes will depend on your specific situation. **Professional advice should always be taken before acting.**

Section	Topic	Who should read this?
1	Preparing for changes to APR and BPR	Farm owners, landowners, family businesses, and anyone who expects business/agricultural assets to form part of their estate in the next 5–15 years.
2	The impact of changes to capital allowances	Businesses planning to buy plant, machinery, equipment, or make big investment decisions (especially agriculture, construction, manufacturing, haulage, and trades).
3	EIS and VCTs: What is changing from April 2026?	Growth companies raising funding, founders planning investment rounds, and business owners/investors using EIS/VCTs as part of a wider tax strategy.
4	Employee ownership trusts: What is changing?	Owners thinking about an exit, succession plan, or business sale — especially if you want continuity, culture retention, and a smoother transition than a third-party sale.
5	Tax planning for take-home pay: What is changing?	Company directors and shareholders who take a mix of salary/dividends, and anyone being dragged into higher tax bands due to frozen thresholds.
6	Tax-free savings (ISAs): What is changing?	Savers building personal or family wealth, especially those who mainly use cash ISAs and want to keep interest/growth sheltered from tax.
7	Pensions and tax: What is changing from 2027–2029?	Higher earners, directors using salary sacrifice, and anyone with sizeable pension pots who also wants pensions to support estate planning.

# 1

## Preparing for changes to APR and BPR

From April 2026, the rules around Agricultural Property Relief (APR) and Business Property Relief (BPR) will change, but with a significantly higher relief threshold than originally proposed.

Each individual will benefit from a £2.5 million APR and BPR allowance, meaning a couple could potentially shelter up to £5 million of qualifying business or agricultural assets from Inheritance Tax (IHT).

Any qualifying value above £2.5 million per person will only receive 50 per cent relief, which can result in an effective 20 per cent IHT charge where other allowances have already been used.

The unused APR and BPR allowance will continue to be transferable between spouses and civil partners, even if the first death occurs before 6 April 2026.

With IHT thresholds frozen until 2031, estates that were previously fully protected may now face a tax liability if asset values continue to rise.

### EXAMPLE

**Let's look at an example of a couple facing a potential IHT bill under the changes:**

Estate value on death of second spouse

- Business assets: £5.5 million
- Personal assets (property, savings and investments): £895,000
- Total estate value: £6.395 million

### Available reliefs and allowances

- APR and BPR allowance for a couple: £5 million
- Business assets covered by full relief: £5 million
- Excess business assets: £500,000
- Relief on excess business assets at 50 per cent: £250,000
- Taxable business value: £250,000

### Personal allowances

- Nil rate band (combined): £650,000

Personal assets of £895,000 fall within available allowances, so no IHT is due on those assets.

### Tax calculation

- Taxable business value: £250,000
- Personal assets: £895,000
- Total taxable estate before allowances: £1,145,000
- Less nil rate band: £650,000
- Taxable estate after allowances: £495,000
- IHT at 40 per cent: £198,000

Despite the higher APR and BPR thresholds, the estate still faces an IHT bill because business assets exceed the combined £5 million allowance.

To reduce the potential liability, it may be worth reviewing succession and estate planning early. Options can include lifetime gifting (subject to the seven-year rule), restructuring ownership, or planning how any future IHT could be funded. The right approach will depend on control, cashflow and family circumstances.

# 2

## The impact of changes to capital allowances

From April 2026, the rules on capital allowances will change, affecting businesses that invest heavily in plant and machinery, including those in agriculture, construction and contracting.

The changes take effect from:

- 1 April 2026 for **Corporation Tax**
- 6 April 2026 for **Income Tax**

- From April 2026, the rules on capital allowances will change, affecting businesses that invest heavily in plant and machinery, including those in agriculture, construction and contracting.
- The writing-down allowance (WDA) for main rate plant and machinery will reduce from 18 per cent to 14 per cent, slowing the rate at which costs can be written off for tax.

- From 1st January 2026, a new 40 per cent first-year allowance (FYA) will be introduced for certain main rate assets that do not qualify for full expensing or the £1 million Annual Investment Allowance (AIA).

**Second-hand assets and vehicles, including cars, are excluded from the new FYA, although they will still qualify for the reduced 14 per cent WDA.**

### EXAMPLE

A farming partnership (Income Tax payer) buys new machinery in May 2026 costing £200,000.

The business has already used its Annual Investment Allowance elsewhere, so AIA is not available.

#### First-year allowance

- The new machinery qualifies for the 40 per cent FYA.
- FYA claim: 40 per cent of £200,000 = £80,000
- Remaining balance: £120,000

#### Writing-down allowance

The remaining £120,000 goes into the main pool and qualifies for WDA at 14 per cent.

- WDA claim: 14 per cent of £120,000 = £16,800

#### Tax impact (assuming 40 per cent Income Tax)

Tax relief in year one: £80,000 x 40 per cent = £32,000

Tax relief in year two: £16,800 x 40 per cent = £6,720

### Why this matters

Under the old rules, the business would have relied solely on WDA, resulting in slower relief and a higher tax bill in the early years.

The new 40 per cent FYA provides faster tax relief where AIA or full expensing is unavailable, making it easier for businesses to invest, modernise equipment and manage cash flow more effectively.

For businesses planning significant capital expenditure, reviewing investment timing and asset eligibility before April 2026 will be essential to maximise relief and avoid unexpected tax costs.

# 3

## EIS and VCTs: What is changing from April 2026?

From April 2026, the Government will make significant changes to the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCTs).

The aim is to modernise these schemes and allow growing businesses to raise more capital, while adjusting the level of tax relief available to investors.

Higher gross asset limits

- Companies can now have:
- Up to £30 million in gross assets before issuing shares

- Up to £35 million immediately after investment
- Previously, these limits were £15 million and £16 million.

### Increased annual investment limits

- £10 million per year for most companies (up from £5 million)
- £20 million for knowledge-intensive companies (up from £10 million)

### Higher lifetime funding limits

- £24 million for general companies (up from £12 million)
- £40 million for knowledge-intensive companies (up from £20 million)

### Reduced VCT Income Tax relief

- VCT Income Tax relief will fall from 30 per cent to 20 per cent

These changes apply to companies raising funds, individual investors and advisers involved in structuring EIS and VCT investments.

### What this means in practice

For growing businesses, the changes are largely positive. Companies that were close to breaching the old limits will now be able to remain within EIS and VCT for longer, raising more capital without losing access to tax-advantaged funding.

For VCT investors, the reduction in upfront Income Tax relief makes the decision more nuanced.

While the immediate tax benefit is lower, the Government's intention is to support higher-growth investments that may offer stronger long-term returns.

### EXAMPLE

A technology company has:

- Gross assets of £18 million
- Already raised £11 million under EIS

#### Under the old rules:

The company would have exceeded the £15 million asset limit and been unable to raise further EIS funding.

#### Under the new rules from April 2026:

- Asset limit increases to £30 million
- Lifetime EIS limit increases to £24 million

This allows the company to raise up to £13 million more under EIS, supporting further growth without needing alternative funding too early.

#### Example two: A VCT investor

An individual invests £20,000 into a VCT.

#### Before April 2026:

Income Tax relief at 30 per cent = £6,000

#### From April 2026:

Income Tax relief at 20 per cent = £4,000  
While the immediate tax saving is £2,000 lower, the investor may still benefit from tax-free dividends and potential capital growth if the underlying investments perform well.

### Planning ahead

Businesses approaching existing EIS or VCT limits should review their funding plans now to take advantage of the increased thresholds from April 2026.

Investors should reassess how VCTs fit into their wider tax and investment strategy, particularly where upfront Income Tax relief has been a key driver.

With changes coming soon, early advice can help ensure both businesses and investors make informed decisions and avoid missed opportunities.

# 4

## Employee ownership trusts: What is changing?

Employee Ownership Trusts (EOTs) have become a popular succession option for UK business owners, offering a way to exit while preserving the company's culture and rewarding employees.

Since their introduction in 2014, EOT transitions have grown rapidly, with more than 500 completed in 2024 alone.

However, changes announced in the 2025 Autumn Budget mean that selling to an EOT is no longer as tax-efficient as it once was.

An EOT is a trust that acquires a controlling stake (more than 50%) in a trading company on behalf of its employees.

The trust holds the shares collectively for the benefit of the workforce.

Existing owners can remain involved as directors or minority shareholders, provided they do not retain control.

### The key tax change from the Autumn Budget

Previously, shareholders selling to an EOT could benefit from 100% Capital Gains Tax (CGT) relief on the disposal of their shares.

For disposals on or after 26 November 2025, the relief is reduced so that only 50% of the gain is relieved, meaning that half of the gain will now be subject to CGT.

The Government has cited the rising cost of EOT CGT relief as the reason for this change, with HMRC estimating that the relief could cost up to £2 billion a year by 2028/29 if left unchanged.

### Why EOTs still matter

Despite the reduction in CGT relief, EOTs remain attractive for many business owners because they still offer:

- Tax-free employee bonuses of up to £3,600 per year
- No Inheritance Tax on shares sold to the trust
- Improved employee engagement and retention, as staff benefit directly from business performance
- Greater certainty than a third-party sale, helping to protect the company's values, brand and long-term direction

For founder-led and family businesses, this can be just as important as maximising sale price.

### EXAMPLE

**EOT sale under the new rules**  
A business owner sells 100 per cent of their company to an Employee Ownership Trust.

- Sale value: £4 million
- Original cost of shares: £500,000
- Total capital gain: £3.5 million

#### Before April 2026

- 100% CGT relief
- CGT payable: £0

#### From April 2026

- 50 per cent of the gain remains exempt
- Taxable gain: £1.75 million
- CGT at 24%: £420,000

While the tax cost is higher than under the old rules, the seller still avoids CGT on half of the gain and benefits from IHT protection and long-term business continuity.

#### Planning ahead

For business owners considering an exit, EOTs remain a valuable option but are no longer a default tax-driven decision.

The balance between tax efficiency, employee outcomes and business legacy is now more important than ever.

#### Early advice allows you to:

- Model the tax impact under the new rules
- Assess whether an EOT still meets your objectives
- Structure the transition to maximise value and certainty

With the right preparation, EOTs can still offer a compelling route to succession, even in a less generous tax environment.

# 5

## Tax planning for take-home pay: What is changing?

For many years, business owners and directors have used a mix of salary, dividends and pension contributions to manage their take-home pay efficiently.

That balance is becoming harder to maintain.

The Government's decision to freeze Income Tax and National Insurance thresholds until 2031 means that, as earnings rise, more people will be pulled into higher tax bands. This is known as fiscal drag and it increases tax bills without headline tax rates changing.

For individuals already close to the higher or additional rate thresholds, even small pay increases could result in a noticeably higher effective tax rate.

At the top end, the gradual withdrawal of the personal allowance further increases the tax burden.

At the same time, some long-standing planning tools are becoming less generous:

- **Dividend tax** rates will rise by two per cent from April 2026
- **Salary sacrifice** pension relief will be capped at £2,000 a year from April 2029

Taken together, these changes mean fewer options to protect take-home pay and a greater need for forward planning.

### EXAMPLE

#### Moving into the higher rate through fiscal drag

A company director earns a salary of £48,000 in 2025/26 and receives a small annual pay rise.

#### Before the threshold freeze bites

- Higher rate Income Tax starts at £50,270
- Director remains a basic rate taxpayer
- Income Tax is charged at 20 per cent on most earnings

#### Two years later

The director's salary increases to £52,000 to keep pace with inflation.

- The higher rate threshold has not increased
- £1,730 of income is now taxed at 40 per cent, not 20 per cent

#### Tax impact

- Extra £1,730 taxed at an additional 20 per cent
- Additional Income Tax: £346 per year
- National Insurance remains payable as well

This increase is not the result of a promotion or a major pay rise, but purely the effect of frozen thresholds. Over time, similar increases compound and steadily erode take-home pay.

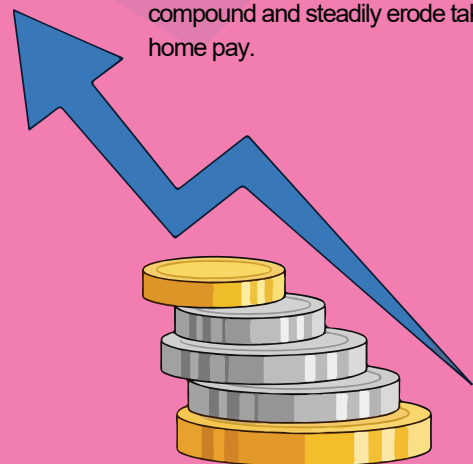
## Dividends: Still useful, but less generous

Dividends remain a flexible way of extracting profits, but their advantage is narrowing.

From April 2026:

- **Basic rate dividend tax** rises to 10.75 per cent
- **Higher rate dividend tax** rises to 35.75 per cent

While dividends are still taxed more favourably than salary, the gap is closing. Directors will need to review how much they rely on dividends and whether the mix of salary and dividends still works for them.



# 5 Continued

## Pensions: A narrowing window

Pension contributions remain one of the most effective tax planning tools, but this too is changing.

From April 2029, tax and National Insurance relief on salary sacrifice pension contributions will be capped at £2,000 per year.

Until then, there is a limited window for higher earners to:

- Maximise pension contributions
- Lock in relief at today's rates
- Offset some of the impact of fiscal drag and dividend tax increases

### Why early planning matters

The direction of travel is clear. Fewer reliefs, frozen thresholds and higher effective tax rates.

That does not mean planning opportunities have disappeared, but it does mean they need to be used earlier and more strategically.

For business owners and directors, **now is the time to:**

- Reassess remuneration structures
- Model the impact of threshold freezes
- Make use of pension planning while it remains available

## Improving take-home pay with smarter planning

A company director earns £60,000 through a combination of salary and dividends and is starting to feel the impact of frozen tax thresholds.

### EXAMPLE

#### Scenario one: No planning

- Salary: £60,000
- Income above the higher rate threshold is taxed at 40 per cent
- National Insurance is payable on most of the salary
- No pension contributions are made

A growing portion of income is exposed to higher rate Income Tax and National Insurance, reducing take-home pay year on year due to fiscal drag.

#### Scenario two: More efficient structure

The director restructures their remuneration:

- Salary reduced to £45,000
- Remaining income taken as dividends
- £10,000 paid into a pension via salary sacrifice

#### What changes?

- Salary stays below the higher rate threshold
- Less Income Tax is paid at 40 per cent
- National Insurance is reduced
- Pension contributions receive full Income Tax and National Insurance relief

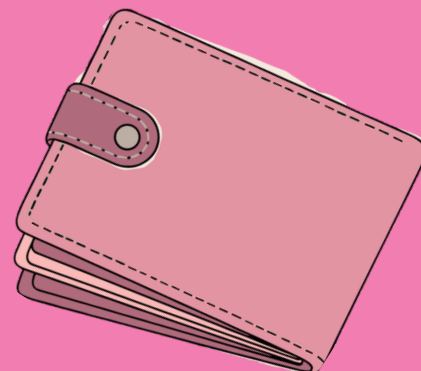
#### This results in:

- **Higher net take-home pay** today
- **Additional funds** invested for retirement
- **Lower exposure** to frozen tax thresholds

While dividend tax rates are rising, dividends are still taxed more lightly than salary. Combining this with pension planning can significantly soften the impact of fiscal drag, especially while full salary sacrifice relief remains available before the 2029 cap.

If you would like advice on protecting your take-home pay or reviewing your remuneration strategy in light of these changes

**our team can help you plan ahead with confidence.**



# 6

## Tax-free savings (ISAs): What is changing?

ISAs have long been a cornerstone of tax-efficient saving, but upcoming changes mean savers will need to be more deliberate about how they use them.

From 6 April 2027, the cash ISA allowance will be capped at £12,000 for savers under the age of 65.

The overall ISA limit will remain £20,000, but the remaining £8,000 will need to be invested into a stocks and shares ISA to fully use the allowance.

ISAs remain tax efficient, but maximising their value will now depend more heavily on how allowances are split between cash and investment-based products.

### EXAMPLE

#### Making the most of the ISA allowance

Sarah is 45 and currently saves £20,000 per year into a cash ISA.

#### Before April 2027

- Cash ISA allowance: £20,000
- Sarah saves the full amount in cash
- All interest earned is tax free

Simple, low risk and fully sheltered from tax.

#### From April 2027

- Cash ISA limit: £12,000
- Remaining ISA allowance: £8,000
- £8,000 must be invested into a stocks and shares ISA to remain tax free

If Sarah continues to save £20,000:

- £12,000 goes into a cash ISA
- £8,000 goes into a stocks and shares ISA

#### Result:

- Full use of the ISA allowance
- Continued tax-free growth
- Exposure to investment risk on part of her savings

If Sarah chooses not to invest and limits herself to £12,000 in cash, the remaining £8,000 would need to be saved outside an ISA and could become subject to tax on interest or gains.

#### What this means in practice

For savers under 65, ISAs are no longer a cash-only solution if you want to maximise tax-free saving.

#### Key actions to consider now:

- Maximise cash ISA contributions before April 2027
- Review appetite for investment risk well ahead of the change
- Consider gradually introducing stocks and shares ISAs rather than making a sudden switch
- Align ISA planning with pensions and wider tax strategy

With thresholds frozen elsewhere and reliefs narrowing, tax-free savings play an increasingly important role in long-term financial resilience. Reviewing your ISA strategy now puts you in control before the rules change.



# 7

## Pensions and tax: What is changing from 2027-2029?

Pensions remain one of the most effective long-term savings tools, but upcoming reforms will make tax-efficient planning more complex for higher earners and business owners.

A combination of changes to **salary sacrifice, Inheritance Tax**, and wider savings rules means pensions need to be reviewed not just as a retirement vehicle, but as part of broader wealth and succession planning.

From April 2029, salary sacrifice pension contributions above £2,000 per year will attract both employee and employer National Insurance contributions.

This reduces one of the most valuable benefits of salary sacrifice, particularly for directors and higher earners who currently use pensions to reduce Income Tax and National Insurance efficiently.

Pensions brought into Inheritance Tax From 2027, unspent pension funds will be included within an individual's estate for Inheritance Tax purposes

Combined with the freeze on IHT thresholds until 2031, this change is likely to bring more estates into the IHT net and reduce the ability to pass on pension wealth tax free.

### EXAMPLE

James is 58 and earns £120,000 per year. He currently sacrifices £15,000 per year into his pension.

#### Before April 2029

- Full £15,000 salary sacrifice
- Income Tax saved at higher rate
- Employee and employer National Insurance savings
- Highly tax-efficient pension funding

#### From April 2029

- First £2,000 remains NIC-efficient
- Remaining £13,000 attracts employee and employer National Insurance
- Pension contributions are still possible, but the tax advantage is reduced

James can still save into a pension, but the overall cost of contributions increases and the efficiency gap between pensions and other planning tools narrows.

#### Steps worth considering now include:

- Maximising salary sacrifice contributions before April 2029
- Reviewing how pensions fit into IHT planning
- Considering beneficiary nominations and trust options
- Coordinating pensions with ISA and business relief planning

As reliefs tighten and thresholds stay frozen, early, joined-up planning is essential to ensure pension savings continue to support both retirement and wealth transfer goals. Reviewing your pension strategy now allows you to make informed decisions before flexibility is reduced and costs increase.

#### What this means for long-term wealth

From April 2027, pensions will no longer be a guaranteed IHT shelter as well, so a large pension fund that once sat outside the estate may now:

- Push an estate above the nil-rate bands
- Create unexpected IHT liabilities for beneficiaries
- Require coordination with Wills and wider estate planning

This does not mean pensions are no longer valuable. It means they must be planned alongside:

- ISA strategy
- Lifetime gifting
- Business and succession planning



# Want to know more? Lets talk



## **Hereford**

01432 276 393

## **Shrewsbury**

0173 649 300

## **Ludlow**

01583 872 222

## **London**

020 3633 0335

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[info@thornewidgery.co.uk](mailto:info@thornewidgery.co.uk)  
[www.thornewidgery.co.uk](http://www.thornewidgery.co.uk)