David Allen

Tax

Tax Guide 2026/27

david-allen.co.uk

Income Tax

Allowances	2026/27	2025/26
Personal Allowance (PA)*	**£12,570**	**£12,570**
Marriage Allowance†	**1,260**	**1,260**
Blind Person's Allowance	**3,250**	**3,130**
Rent a room relief**	**7,500**	**7,500**
Trading income**	**1,000**	**1,000**
Property income**	**1,000**	**1,000**

*PA is withdrawn at £1 for every £2 by which 'adjusted income' exceeds £100,000. There is no allowance given above £125,140.

†The part of the PA that is transferable to a spouse or civil partner who is not a higher or additional rate taxpayer.

** If gross income exceeds this, the limit may be deducted instead of actual expenses.

Rate bands	2026/27	2025/26
Basic rate band (BRB)	**£37,700**	**£37,700**
Higher rate band (HRB)	**37,701 - 125,140**	**37,701 - 125,140**
Additional rate	**over 125,140**	**over 125,140**
Personal Savings Allowance (PSA)		
– Basic rate taxpayer	**1,000**	**1,000**
– Higher rate taxpayer	**500**	**500**
Dividend Allowance (DA)	**500**	**500**

BRB and additional rate threshold are increased by personal pension contributions (up to permitted limit) and Gift Aid donations.

Tax rates

Rates differ for General, Savings and Dividend income within each band:

	2026/27			2025/26		
	G	S	D	G	S	D
Basic rate %	**20**	**20**	**10.75**	**20**	**20**	**8.75**
Higher rate %	**40**	**40**	**35.75**	**40**	**40**	**33.75**
Additional rate %	**45**	**45**	**39.35**	**45**	**45**	**39.35**

General income (salary, pensions, business profits, rent) usually uses personal allowance, basic rate and higher rate bands before savings income (mainly interest). Scottish taxpayers are taxed at different rates on general income (see below).

Where savings income falls in the first £5,000 of the BRB, it is taxed at nil rather than 20%.

The PSA taxes interest at nil, where it would otherwise be taxable at 20% or 40%.

Dividends are normally taxed as the 'top slice' of income. The DA taxes the first £500 of dividend income at nil, rather than the rate that would otherwise apply.

Income Tax – Scotland		2026/27	2025/26
Starter rate	**19%**	**£3,967**	**£2,827**
Basic rate	**20%**	**3,967 - 16,956**	**2,828 - 14,921**
Intermediate rate	**21%**	**16,956 - 31,092**	**14,922 - 31,092**
Higher rate	**42%**	**31,093 - 62,430**	**31,093 - 62,430**
Advanced rate	**45%**	**62,431 - 125,140**	**62,431 - 125,140**
Top rate	**48%**	**over 125,140**	**over 125,140**

The Scottish rates and bands do not apply for savings and dividends, which are taxed at normal UK rates.

High Income Child Benefit Charge (HICBC)

1% of Child Benefit for each £200 of adjusted net income between £60,000 and £80,000.

Pensions

Registered Pensions	2026/27	2025/26
Annual Allowance (AA)*	**£60,000**	**£60,000**

Annual relievable pension inputs are the higher of earnings (capped at AA) or £3,600.
*Usually tapered down, to a minimum of £10,000, when adjusted income exceeds £260,000.
The maximum tax-free pension lump sum is £268,275, unless a higher amount is "protected".

State Pension (per week)	2026/27	2025/26
Old State Pension	**£184.90**	**£176.45**
New State Pension†	**241.30**	**230.25**

†Applies to those reaching state retirement age after 5 April 2016.

Annual Investment Limits

	2026/27	2025/26
Individual Savings Account (ISA)		
– Overall limit	**£20,000**	**£20,000**
– Lifetime ISA	**4,000**	**4,000**
Junior ISA	**9,000**	**9,000**
EIS: maximum investment	**1,000,000**	**1,000,000**
EIS: % relief	**30**	**30**
Seed EIS (SEIS): maximum investment	**200,000**	**200,000**
Seed EIS (SEIS): % relief	**50**	**50**
Venture Capital Trust (VCT): maximum investment	**200,000**	**200,000**
Venture Capital Trust (VCT): % relief	**20**	**30**

National Insurance Contributions

Class 1 (Employees)	Employee	Employer
Main NIC rate	**8%**	**15%**
No NIC on first	**£242pw**	**£96pw**
Main rate charged up to*	**£967pw**	**no limit**
2% rate on earnings above	**£967pw**	**N/A**
Employment Allowance per business**	**N/A**	**£10,500**

*Nil rate of employer NIC on earnings up to £967pw for employees aged under 21 and apprentices under 25.
**Some businesses do not qualify, including certain sole director companies.
Employer contributions (at 15%) are also due on most taxable benefits (Class 1A) and on tax paid on an employee's behalf under a PAYE settlement agreement (Class 1B).

Class 2 (Self employed)

Flat rate per week if profits below £7,105 (voluntary)	**£3.65 (£189.80 pa)**

Class 3 (Voluntary)

Flat rate per week	**£18.40 (£956.80 pa)**

Class 4 (Self employed)

On profits £12,570 - £50,270	**6%**
On profits over £50,270	**2%**

Employees with earnings above £125pw and the self employed with profits over £7,105 (or who pay voluntary Class 2 contributions) can access entitlement to contributory benefits.

Vehicle Benefits

Cars

Taxable benefit: List price of car multiplied by chargeable percentage.

CO2 g/km	Electric Range miles	2026/27 All Cars %	2025/26 All Cars %
0	N/A	4	3
1-50	>130	4	3
1-50	70 - 129	7	6
1-50	40 - 69	10	9
1-50	30 - 39	14	13
1-50	<30	16	15
51-54	N/A	17	16

Then a further 1% for each 5g/km CO2 emissions, up to a maximum of 37%.

Diesel cars that are not RDE2 standard suffer a 4% supplement on the above figures but are still capped at 37%.

Vans

Chargeable value of £4,170 (2025/26 £4,020) if private use is more than home-to-work.
Zero-emission vans charged at £Nil (2025/26 £Nil)

Fuel

Employer provides fuel for private motoring in an employer-owned:
Car: CO2-based percentage from above table multiplied by £29,200 (2025/26 £28,200).
Van: £798 (2025/26 £769).
Employee contributions do not reduce taxable figure unless all private fuel is paid for by the employee (in which case there is no benefit charge).

Tax-free Mileage Allowances

Employee's own transport	per business mile
Cars first 10,000 miles	**55p**
Cars over 10,000 miles	**25p**
Business passengers	**5p**
Motorcycles	**24p**
Bicycles	**20p**

Capital Gains Tax

Annual exemption	2026/27	2025/26
Individuals, estates	**£3,000**	**£3,000**
Most trusts	**1,500**	**1,500**
Tax rate		
Individual up to BRB	**18%**	**18%**
Individual above BRB, trusts and estates	**24%**	**24%**
Business Asset Disposal Relief (BADR)*	**18%**	**14%**

*BADR is available on qualifying gains up to a lifetime limit of £1m.

Corporation Tax

Year to	31/3/2027	31/3/2026
Main rate (profits above £250,000)	**25%**	**25%**
Small profits rate (profits up to £50,000)	**19%**	**19%**
Marginal relief band (MRB)	**£50k - £250k**	**£50k - £250k**
Fraction in MRB (effective marginal rate)	**3/200 (26.5%)**	**3/200 (26.5%)**

Research and Development relief (R&D)

Accounting periods beginning on or after	1/4/2024
R&D Expenditure Credit (RDEC) scheme*	**20%**
R&D Intensive SMEs enhanced expenditure scheme**	**86%**

R&D Payable Tax Credit

Loss-making SME***	**10%**
Loss-making R&D Intensive SME***	**14.5%**

*Taxable expenditure credit for qualifying R&D.
**Additional deduction for qualifying R&D Intensive companies (companies with at least 30% of total tax-deductible R&D P&L expenses plus capitalised R&D costs).
***Repayable tax credit capped at £20,000 plus 3 x [PAYE & NI].

Effective Repayable Tax Credit Rates

Company Type	From 1/4/24
Loss making SME	**16.2%**
Profit making SME	**Up to 16.2%**
R&D intensive SME	**Up to 27%**
Large company	**Up to 16.2%**

Main Capital Allowances

Plant and machinery allowances Companies only	Year to 31/3/2027	Year to 31/3/2026
– First-year allowance (main pool)	**100%**	**100%**
– First-year allowance (special rate pool)	**50%**	**50%**
All businesses		
Annual Investment Allowance (AIA)		
– expenditure up to £1m	**100%**	**100%**
First Year Allowance (FYA) introduced 1/4/26	**40%**	**N/A**
New electric vans	**100%**	**100%**
Writing down allowance: main pool	**14%**	**18%**
Writing down allowance: special rate pool	**6%**	**6%**

Motor cars purchased	CO_2 (g/km)	Allowance 2026/27	Allowance 2025/26
New cars only	**Nil***	**100%**	**100%**
In general pool	**up to 50**	**14%**	**18%**
In special rate pool	**above 50**	**6%**	**6%**

*New and unused only.

Structures and Buildings Allowance

Fixed deduction per annum	**3%**	**3%**

Property Taxes

Annual Tax on Enveloped Dwellings (ATED)

ATED applies to 'high value' residential properties owned via a corporate structure, unless the property is used for a qualifying purpose. The tax applies to properties valued at more than £500,000.

Property value - Annual charge to	31/3/2027	31/3/2026
£0.5m - £1m	**£4,600**	**£4,450**
£1m - £2m	**9,450**	**9,150**
£2m - £5m	**32,200**	**31,050**
£5m - £10m	**75,450**	**72,700**
£10m - £20m	**151,450**	**145,950**
Over £20m	**303,450**	**292,350**

Stamp Duty Land Tax (SDLT), Land and Buildings Transaction Tax (LBTT) and Land Transaction Tax (LTT)

Residential property (1st property only)

SDLT - England & NI £000	2026/27 Rate	LBTT - Scotland £000	2026/27 Rate	LTT - Wales £000	2026/27 Rate
Up to 125	**Nil**	**Up to 145**	**Nil**	**Up to 225**	**Nil**
125 - 250	**2%**	**145 - 250**	**2%**	**225 - 400**	**6%**
250 - 925	**5%**	**250 - 325**	**5%**	**400 - 750**	**7.5%**
925 - 1,500	**10%**	**325 - 750**	**10%**	**750 - 1,500**	**10%**
Over 1,500	**12%**	**Over 750**	**12%**	**Over 1,500**	**12%**

A supplement applies for all three taxes where an additional residential property interest is purchased for more than £40,000 (unless replacing a main residence). It is also payable by all corporate purchasers. The rate is 5% (SDLT), and 8% (LBTT) of the total purchase price. LTT has specific higher rates in bandings: up to 180k: 5%, 180 - 250k: 8.5%, 250 - 400k: 10%, 400 - 750k: 12.5%, 750 - 1,500k: 15%, >1,500k: 17%.

For SDLT:

– First-time buyers purchasing a property of up to £500,000 pay a nil rate on the first £300,000 of the purchase price.

– A 2% supplement applies where the property is bought by certain non-UK residents.

– A rate of 17% may apply to the total purchase price, where the property is valued above £500,000 and purchased by a 'non-natural person' (e.g. a company).

For LBTT, first-time buyer relief increases the nil rate band to £175,000.

Non-residential or mixed use property

SDLT - England & NI	2026/27 Rate	LBTT - Scotland £000	2026/27 Rate	LTT - Wales £000	2026/27 Rate
Up to 150	**Nil**	**Up to 150**	**Nil**	**Up to 225**	**Nil**
150 - 250	**2%**	**150 - 250**	**1%**	**225 - 250**	**1%**
Over 250	**5%**	**Over 250**	**5%**	**250 - 1,000**	**5%**
				Over 1,000	**6%**

VAT

Standard rate (1/6 of VAT-inclusive price)	**20%**
	From 1/4/2024
Registration level - taxable turnover per annum	**£90,000**
Deregistration level - taxable turnover per annum	**88,000**

Flat Rate Scheme (FRS)

Annual taxable turnover to enter scheme	**Up to £150,000**
Must leave scheme if annual gross turnover	**Exceeds £230,000**

If using FRS, the VAT paid by the business is a fixed percentage (based on business category) of 'FRS turnover' rather than the net of output tax over input tax. Input tax is usually not recoverable.

National Minimum Wage

National Minimum Wage (rates per hour)	From 1/4/2026	From 1/4/2025
Aged 21 and over (National Living Wage)	**£12.71**	**£12.21**
Aged 18 - 20	**10.85**	**10.00**
Aged 16 - 17	**8.00**	**7.55**
Apprentices	**8.00**	**7.55**

Inheritance Tax

	2026/27	2025/26
Nil rate band (NRB)*	**£325,000**	**£325,000**
NRB residential enhancement (RNRB)†*	**175,000**	**175,000**
Tax rate on death**	**40%**	**40%**
Tax rate on lifetime transfers to most trusts	**20%**	**20%**

*Up to 100% of the proportion of a deceased spouse's/civil partner's unused NRB and RNRB may be claimed to increment the current NRB and RNRB when the survivor dies.

†RNRB is available for transfers on death of a main residence to (broadly) direct descendents. It tapers away at the rate of £1 for every £2 of estate value above £2m.

**Rate reduced to 36% if at least 10% of the relevant estate is left to charity. Unlimited exemption for transfers between spouses/civil partners, except if UK domiciled transferor and foreign domiciled transferee, where maximum exemption £325,000.

Business Property Relief (BPR) and Agricultural Property Relief (APR) reduce Inheritance Tax at the rate of 50% and/or 100% on qualifying assets. Up to 5 April 2026 the relief is unlimited. From 6 April 2026 a new combined £2.5m allowance for BPR and APR will provide 100% relief, with assets over this cap taxed at a rate of 20%.

Reduced tax charge on gifts within 7 years before death

Years before death	**0-3**	**3-4**	**4-5**	**5-6**	**6-7**
% of full death tax charge payable	**100**	**80**	**60**	**40**	**20**

Annual exemptions for lifetime gifts include £3,000 per donor and £250 per recipient.

Self Assessment payment dates		2026/27	2025/26
1st payment on account	**31 January**	**2027**	**2026**
2nd payment on account	**31 July**	**2027**	**2026**
Balancing payment	**31 January**	**2028**	**2027**
Capital Gains Tax*	**31 January**	**2028**	**2027**

*A CGT return is due within 60 days of completion of sale of UK land and buildings by a non-resident and of sale of UK residential property with a tax liability by a UK resident. Any CGT payable is also due within 60 days.

Other payment dates

Class 1A NIC	**19 July**	**2027**	**2026**
Class 1B NIC	**19 October**	**2027**	**2026**

Corporation Tax is due 9 months and 1 day from the end of the accounting period, unless a 'large' company paying by quarterly instalments.

2025/26 filing deadlines

Issue P60s to employees	**31 May 2026**
P11D, P11D(b)	**6 July 2026**
Self Assessment tax return (SATR) paper version	**31 October 2026**
Online SATR if outstanding tax to be included in 2027/28 PAYE code (if under £3,000)	**30 December 2026**
Online SATR	**31 January 2027**

Tax Guide 2026/27

Dalston

Dalmar House,
Barras Lane Estate,
Dalston, Carlisle
CA5 7NY

Tel: 01228 711888

Dumfries

51 Newall Terrace,
Dumfries
DG1 1LN

Tel: 01387 270340

Penrith

6 Hobson Court,
Penrith 40 Business
Park, Penrith
CA11 9GQ

Tel: 01768 877000

Workington

Prosper House,
Regents Court,
Guard Street,
Workington
CA14 4EW

Tel: 01900 878000

mail@david-allen.co.uk • david-allen.co.uk