Southcote Financial

STRATEGIC WEALTH MANAGEMENT

Our considered guidance on the Budget

Autumn Budget 2026 — a plain-English guide for individuals, families and business owners

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Southcote Financial Limited · 30A The Green, Kings Norton, Birmingham, B38 8SD · 0121 661 7014
enquiries@southcotefinancial.co.uk · southcotefinancial.co.uk

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The Chancellor, John Healey, delivered the Autumn Budget on 28 October 2026. The headline is this: the Budget focuses on easing cost-of-living pressures and supporting households and businesses, rather than changing the main rates of tax on earnings.

But “no change to the headline rates” does not mean “nothing to plan for”. Frozen tax thresholds, higher tax rates on savings and dividends from April 2027, and changes to how pensions may be treated for Inheritance Tax could all affect individual plans.

This guide explains the announcements in plain English, highlights the dates to keep in mind and sets out some practical questions to consider. It is a general overview, not personal financial or tax advice — what matters for you depends on your income, family, plans and circumstances.

KEY DATES TO KEEP IN MIND

- **28 October 2026** — the two-year rule for certain pension death benefits is removed; new trust-liability rules take effect.
- **6 April 2027** — most unused pension funds enter estates for Inheritance Tax; savings and dividend tax rates rise; Business Asset Disposal Relief lifetime limit halves; Making Tax Digital expands.
- **April 2027** — the new Pension Tax Allowance begins.
- **April 2029 / April 2030** — the triple lock is retained until 2029, then moves to an adjusted triple lock.

1. The short verdict: what the Budget means for your plans

The Budget is mainly focused on easing immediate pressures, including energy and fuel costs, and supporting first-time buyers. For financial planning, the bigger story is how several existing or newly announced changes fit together over the next few years.

- **Income tax rates and bands are unchanged**, but thresholds are frozen until April 2031. As incomes rise, more income may fall into tax.
- **A new Pension Tax Allowance** is planned from April 2027 for eligible people at State Pension age on lower incomes.
- **Pension allowances remain unchanged**, while the two-year rule for certain tax-free pension death benefits is being removed.
- **Most unused pension funds and death benefits are due to enter the estate for Inheritance Tax from April 2027**, as previously announced.
- **The cash ISA allowance remains £20,000** from April 2027. A new first-time buyer ISA is planned, while tax rates on savings and dividends are scheduled to rise.
- **Business owners face several changes** to employment costs, capital allowances, Business Asset Disposal Relief and digital tax reporting.

The practical message is not to make a rushed decision based on one announcement. Take stock of the changes that affect your plans, note when they come into force, and consider them alongside your wider financial picture.

2. Income tax and the freeze: why unchanged thresholds still matter

The Budget made no changes to the main income tax rates, bands or Personal Allowance. The Personal Allowance remains **£12,570**, and the thresholds are frozen until April 2031.

Band (England, Wales & NI)	Rate	Applies to taxable income
Basic rate	**20%**	First £37,700 above the Personal Allowance
Higher rate	**40%**	£37,700 to £125,140 above the Personal Allowance
Additional rate	**45%**	Over £125,140

Scottish income tax rates and bands are set separately, so Scottish taxpayers should check the rules that apply to them.

A frozen threshold is a little like a measuring line that stays still while your income moves. If your pay, pension or other taxable income rises, a larger share could be taxed, even though the tax rates have not changed. This is sometimes called “fiscal drag”.

That makes it useful to look beyond the headline rates. Consider whether changes to your income, savings, pension withdrawals or business drawings could affect your overall tax position. If you have several sources of income, it is

particularly important to consider them together rather than in separate compartments.

National Insurance: bands stay frozen

National Insurance bands are frozen until **6 April 2031**. The lower earnings limit will rise from **£129 to £133 a week** for 2027/28. This is the minimum level at which an employee's earnings can count towards their National Insurance record, even when they do not pay National Insurance at that level.

The Government has also published a call for evidence on voluntary National Insurance contributions. It has not proposed policy changes yet. If you are thinking about paying voluntary contributions, check your National Insurance record and State Pension forecast first; whether a contribution is useful depends on your circumstances and the rules in force.

3. The new Pension Tax Allowance: support for eligible pensioners

From April 2027, the new **Pension Tax Allowance (PTA)** is intended to help people who have reached State Pension age, or reach it during the tax year, avoid being brought into paying tax solely because the State Pension rises above the Personal Allowance.

For 2027/28, the full new State Pension is **£13,036.40 a year**. The PTA is planned to apply for the 2027/28, 2028/29 and 2029/30 tax years. It does not increase the Personal Allowance or make the State Pension permanently tax-free.

Eligibility depends on **total income**, not only State Pension income. That can include private or workplace pensions, earnings, self-employment, savings interest, property income and dividends. People with total income at or below the full new State Pension amount may receive the full reduction. For income just above that level, the allowance tapers away.

HMRC is expected to apply the allowance automatically using information it holds, so eligible people will not need to make a claim. It is still worth checking that HMRC's information about your income and circumstances is accurate, particularly if you have multiple income sources.

IN PLAIN TERMS

The PTA addresses a specific situation: pensioners whose only income is the State Pension, which is rising above the frozen Personal Allowance. It does not remove the wider effect of frozen thresholds, and it does not mean everyone at State Pension age will pay no tax. If you have other income, it may affect whether you qualify and how much relief applies.

4. Pensions: allowances unchanged, death-benefit timing simplified

There were no changes to the main pension allowances:

Allowance	Remains at
Lump sum allowance	**£268,275**
Lump sum and death benefit allowance	**£1,073,100**
Annual allowance	**£60,000**
Money purchase annual allowance	**£10,000**
Tapered annual allowance	**Unchanged thresholds**

These figures are important, but they do not tell the whole story. The right pension contribution or withdrawal strategy depends on factors such as your earnings, existing pension benefits, tax position and retirement plans.

The two-year rule for certain death benefits is being removed

Under the previous two-year rule, certain tax-free pension and lump-sum death benefits could become taxable to a beneficiary if they were paid more than two years after the scheme administrator knew, or could reasonably have been expected to know, of the member's death.

The Government has announced that beneficiaries will no longer be taxed **solely because of this delay**. The change applies to payments made on or after **28 October 2026** and is to be introduced through Finance Bill 2026/27.

This is a change to the timing rule. It should not be mistaken for a promise that every pension death benefit will always be tax-free: other tax rules and the details of the pension arrangement may still matter.

5. Inheritance Tax and pensions: preparing for April 2027

From **6 April 2027**, most unused pension funds and pension death benefits are due to be included in the estate for Inheritance Tax. This was announced previously; the Autumn Budget adds measures relating to how the tax may be paid and how charitable gifts are considered.

In certain conditions, a prospective personal representative will be able to direct a pension administrator to pay Inheritance Tax due to HMRC. This is intended to help with the practical process of settling a tax bill where relevant pension assets are involved.

There is also a change for estates that leave at least 10% to charity. The reduced Inheritance Tax rate of **36%** can apply where the relevant conditions are met. From April 2027, pension property may be treated as a separate component of the estate when working out whether the estate qualifies for that reduced rate.

The general Inheritance Tax rules are otherwise unchanged in the Budget: the standard rate remains **40%**, and the

nil-rate band remains **£325,000**.

Trust liabilities and anti-avoidance rules

New rules will clarify when liabilities relating to trust property can reduce the value used to calculate Inheritance Tax. They are intended to align the treatment of trust liabilities with personal liabilities and strengthen anti-avoidance provisions.

The rules apply to deaths and other chargeable events on or after **28 October 2026**, and are to be introduced through Finance Bill 2026/27. If your plans involve trusts, borrowing or other arrangements that affect the value of an estate, it may be sensible to review them with the relevant professional advisers.

What families can consider

The approach to pensions, beneficiaries and estate planning may need to be considered together. Before April 2027, you could check that:

- your pension beneficiary nominations are up to date;
- your will still reflects your wishes and family circumstances;
- the people who may need to administer your estate understand where key information is held; and
- any gifting or charitable plans have been considered alongside your wider finances.

A review does not mean that you need to change everything. It is an opportunity to check that your arrangements still make sense as the rules evolve.

6. State Pension: the triple lock and the longer-term change

The triple lock is retained until **April 2029**. Under the existing approach, the State Pension rises each year by the highest of inflation, earnings growth or 2.5%.

From **April 2030**, the Government intends to introduce an adjusted triple lock. The State Pension would rise by the higher of inflation or 2.5%, with an earnings adjustment where needed.

This announcement is relevant to retirement planning, but it cannot tell you exactly what your future State Pension will be or what your total retirement income will look like. Your entitlement depends on your National Insurance record and the rules that apply when you claim.

Checking your State Pension forecast can help you understand your expected entitlement and identify whether there are gaps in your record. It is one useful part of retirement planning, not a substitute for considering your pension savings, other income and the lifestyle you want.

7. Savings, ISAs and dividends: check where income is held

Cash ISA allowance stays at £20,000

The previously announced plan to reduce the cash ISA subscription cap to £12,000 has been scrapped. From April 2027, the cash ISA allowance remains **£20,000**.

A cash ISA can provide a way to hold eligible cash savings without paying tax on interest generated within the ISA. Whether it is appropriate for you depends on your circumstances, access needs and wider savings and investment plans.

A new first-time buyer ISA is planned

The Government plans a new first-time buyer ISA to replace the Lifetime ISA for new savers, planned for launch in **April 2029**. The proposed account will allow contributions of up to **£4,000 a year**, with a **25% government bonus** and no upper age limit. The bonus is intended to be paid on withdrawal for a qualifying first-home purchase up to **£450,000**.

For existing Lifetime ISA holders, funds used from **29 October 2026** to buy a qualifying first home costing more than £450,000 can be withdrawn with a reduced **20% withdrawal charge**, rather than 25%. Other qualifying rules still apply, and the 25% charge remains for unauthorised withdrawals.

The Government is also developing a new ISA incentive for people investing in a Stocks and Shares ISA for the first time. The detailed design has not yet been set out. From April 2028, the compliance framework for ISA managers will be strengthened.

Higher tax rates on savings and dividends from April 2027

From **6 April 2027**, tax rates on savings income are due to rise by four percentage points overall:

Income type	Basic rate	Higher rate	Additional rate
Savings income	**24%**	**44%**	**49%**
Dividends	**10.75%**	**35.75%**	**39.35%**

The dividend allowance remains **£500**.

These changes do not mean every saver or investor will pay more tax: the outcome depends on the type of income, applicable allowances and where assets are held. However, they are a reason to review savings and investments as part of your overall plan, rather than looking at the interest rate or dividend yield alone.

8. A dedicated note for business owners

For SME owners, the Budget combines higher employment costs with changes to investment allowances, business sale relief and tax administration. The dates matter, so planning ahead may be more useful than reacting once a change has taken effect.

Business Asset Disposal Relief: a lower lifetime limit

The lifetime limit for gains eligible for **Business Asset Disposal Relief (BADR)** is due to fall from **£1 million to £500,000** for disposals made from **6 April 2027**.

This may be particularly relevant if you are considering selling or handing over a business, or if a business exit forms part of your retirement plans. The change does not automatically mean that a sale should be brought forward. Timing a disposal involves many considerations, including the business itself, personal tax, your next steps and the rules that apply to your particular circumstances.

A new **Founders' Relief** is also proposed. It would provide a 10% Capital Gains Tax rate on qualifying disposals in high-growth businesses. The detailed conditions are subject to further development, so business owners should not assume eligibility until the rules are confirmed.

Capital allowances: expenditure dates may matter

From January 2027, the First Year Allowance for certain qualifying expenditure is due to rise from **40% to 50%**. From April 2027, the main writing-down allowance is due to fall from **14% to 12%**.

In plain English, these rules affect how and when a business may claim tax relief on some capital spending. The relevant dates and qualifying conditions can make a difference, so check the details before committing to expenditure solely to obtain a tax advantage. The commercial case for the investment should come first.

Higher minimum wage rates

From **1 April 2027**, the National Living Wage is due to rise by **3.9% to £13.21 an hour**. The minimum wage for 18–20-year-olds is due to rise to **£11.27 an hour**.

For employers, it is worth reflecting these rates in staffing budgets and cash-flow forecasts ahead of the change. The effect will vary depending on the size and make-up of your workforce.

Making Tax Digital for Income Tax

From **6 April 2027**, Making Tax Digital for Income Tax is due to expand to sole traders and landlords with qualifying income over **£30,000**, measured against the 2025/26 tax year.

Those within scope will need to keep digital records and send quarterly updates. If you may be affected, check what records you need, whether your current systems will support the requirements and when you need to prepare. Do not leave it until the first reporting deadline to find out what is expected.

9. What you could do now: a practical checklist

You do not need to tackle every point at once. Start with the changes most relevant to your life and plans.

- √ **Review your will and pension nominations before April 2027.** Check that they reflect your current wishes and family circumstances.
- √ **Revisit gifting and estate plans.** Consider how the April 2027 pension changes may affect your wider estate planning, and seek appropriate advice before making gifts or restructuring assets.
- √ **If you own a business and are considering an exit, review the timing.** BADR's lifetime limit is due to reduce from 6 April 2027, but a decision should reflect the whole business and your personal plans.
- √ **Check your State Pension forecast.** It can help you understand your likely entitlement and identify questions about your National Insurance record.
- √ **Review savings and investments.** Consider the scheduled tax-rate changes for savings income and dividends from April 2027, and how they fit with your wider plans.
- √ **If you are a sole trader or landlord, check whether Making Tax Digital may apply to you.** If it does, allow time to prepare your records and systems.
- √ **Keep an eye on confirmed rules and dates.** Some measures still require legislation or further detail. Avoid making major decisions based only on headlines.

Budget announcements are important, but a sound financial plan is built around more than one tax year. Your goals, family, time horizon and need for flexibility matter just as much as the latest allowances or rates.

Talk it through with us

If you would like to discuss what the Autumn Budget could mean for your plans, Southcote Financial offers clear, personal guidance to individuals and business owners in Birmingham, Worcester and the surrounding areas.

0121 661 7014 · enquiries@southcotefinancial.co.uk
30A The Green, Kings Norton, Birmingham, B38 8SD · southcotefinancial.co.uk

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Pension Warning: A pension is a long-term investment. The fund value may fluctuate and can go down, which would have an impact on the level of retirement benefits available. (Note: A pension is not normally accessible until age 55, or 57 from April 2028).

Tax Warning: Tax treatment depends on individual circumstances and may be subject to change in the future.

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