Budget 2026 client briefing

Savings investments pensions and inheritance tax

28 October 2026

The Budget preserves the full cash ISA allowance but increases the future tax cost of savings and rental income. Pension inheritance tax remains scheduled for April 2027. This briefing explains the main announcements and the existing rules that matter when reviewing your plans.

This briefing reflects the position announced on 28 October 2026. New measures remain subject to the relevant legislation and implementation arrangements. Existing rules and earlier reforms are identified separately.

Cash ISA cut is cancelled

Announced for April 2027. The planned £12,000 cash ISA cap for under-65s is withdrawn. Adults retain the option to use their full £20,000 annual ISA allowance in cash. This is one overall allowance shared across ISA types.

Impact Savers retain flexibility to protect interest from income tax. The choice between cash and investments should reflect your time horizon and capacity for loss.

Tax on savings and rental income rises

From 6 April 2027. The announced savings rates are 24%, 44% and 49%. This adds two percentage points to the increases already planned, giving a four percentage point rise against current rates. The rates apply to taxable interest, not the capital deposited. Savings rates apply UK-wide; the announced property rates apply in England, Wales and Northern Ireland, subject to devolved tax decisions.

Tax band	Current rate	April 2027 rate
Basic	20%	24%
Higher	40%	44%
Additional	45%	49%

Impact On £5,000 of interest or rental profit fully taxable within one band, the four percentage point increase adds £200 a year. Savings allowances and exemptions still apply. Savers should compare returns after tax, while landlords should review net rental returns and tax payments.

A new investor ISA incentive is being explored

Design stage. A proposed incentive for first-time stocks and shares ISA investors will be developed with industry. No amount or start date has been confirmed.

Impact There is no new bonus available to claim yet. Investment decisions should use the existing ISA rules.

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Pensions and retirement

Pension inheritance tax is proceeding

Deaths from 6 April 2027. Most unused pension funds and death benefits will enter the estate for inheritance tax. This is already legislated. The Budget makes administrative refinements and does not reverse the reform.

Impact Families passing pensions to children may face a larger estate tax bill. Review nominations, liquidity and withdrawals together. Beneficiary income tax can also apply to the remaining benefit, with relief for the pension amount used to pay inheritance tax.

Tax relief for inherited pension income remains

Existing rules. Qualifying inherited drawdown and survivor annuities are generally free of income tax following a death under age 75. Benefits following death at age 75 or over are generally taxable. Dependant scheme pensions are taxable income regardless of the deceased's age. Scheme terms and the form of benefit remain important.

Impact A spouse's pension is not automatically tax-free. Spouse or civil partner inheritance tax exemption generally continues; dependant scheme pensions remain outside the new pension inheritance tax charge.

Two year time limit removed for qualifying death benefits

Payments from 28 October 2026. The announced reform removes the two-year limit for otherwise tax-free lump sum death benefits following a death under age 75, subject to the available lump sum and death benefit allowance. It also covers specified beneficiary annuities and overseas scheme benefits. Legislation will implement the change.

Impact Qualifying benefits will no longer become taxable solely because of an administrative delay beyond two years. Other conditions for income tax relief, and the inheritance tax reform from April 2027, still apply.

Some pensioners receive a new tax reduction

From 6 April 2027 to 5 April 2030. The full new State Pension becomes £13,036.40 a year. An automatic Pension Tax Allowance protects eligible people who have reached, or reach, State Pension age during the tax year, with total income up to that amount. Relief tapers away by total income of £13,319 in 2027/28.

Impact This prevents small tax bills for some lower-income pensioners. It is not a general increase in everyone's Personal Allowance and does not exempt the State Pension for all recipients.

State Pension increases change from 2030

Planned from April 2030. The current triple lock continues through April 2029. Thereafter increases are the highest of inflation, 2.5%, or the amount needed to maintain the April 2029 pension value relative to earnings.

Impact Long-term income projections should reflect potentially lower increases than the current triple lock would produce. Intended social care reforms in England remain subject to further detail.

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Estate and family wealth planning

Inheritance tax allowances remain unchanged

Current rules retained. The basic allowance remains £325,000, subject to any use by relevant lifetime gifts. Up to £175,000 more can apply when a qualifying home passes to direct descendants. The residence allowance reduces by £1 for every £2 of estate value above £2 million.

Impact The £500,000 total is conditional. Including pensions from April 2027 can both increase the taxable estate and reduce the residence allowance through the £2 million taper.

Only unused allowances transfer between spouses

Existing rules. A surviving spouse or civil partner can claim unused percentages of the basic and residence allowances on their own death, even if they inherited no assets. Amounts used on the first death cannot be used again. The residence allowance has separate qualifying conditions.

Impact Leaving assets directly to children or others can use allowances that would otherwise transfer. Wills, ownership and pension nominations need to be considered together. Up to £1 million for a couple is possible only where the relevant conditions are satisfied.

Business and agricultural relief changes are already in force

Since 6 April 2026. A combined £2.5 million allowance covers qualifying property eligible for 100% agricultural or business relief; excess qualifying value generally receives 50% relief. Unused allowance can transfer between spouses. Qualifying AIM-type shares receive only 50% relief.

Impact Business owners, farmers and investors holding shares for inheritance tax relief should review the expected tax liability. A qualifying AIM portfolio is no longer wholly exempt. These are earlier reforms, not new Budget concessions.

High value home surcharge details are confirmed

From April 2028 in England. Owners of residential properties valued at £2 million or more at the April 2026 valuation date will face an annual charge alongside council tax. Initial charges are £2,500, £3,500, £5,000 or £7,500, according to value band.

Impact Include the surcharge in retirement cash flow. Eligible owners may defer payment, with interest, until ownership changes. Exemptions and discounts apply in specified cases. Properties substantially unfurnished and unoccupied for 12 months or more can face a 100% premium.

Trust liability rules are tightened

Deaths and other chargeable events from 28 October 2026. Announced changes restrict certain inheritance tax debt deductions involving trusts, with legislation to follow.

Impact Existing arrangements involving loans, trusts and assets originating from a beneficiary's estate need specialist review before further transactions.

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First home savings and pension access

Lifetime ISA penalty is reduced for homes above the cap

From 29 October 2026. The withdrawal charge falls from 25% to 20% for otherwise qualifying first-home purchases above £450,000. Other unauthorised withdrawals retain the 25% charge.

Impact The government bonus is effectively recovered without the extra penalty on original contributions. On an unchanged £5,000 balance made from £4,000 plus its £1,000 bonus, the charge falls from £1,250 to £1,000. The £450,000 cap itself is unchanged.

A First Time Buyer ISA will replace new Lifetime ISAs

Planned launch in April 2029. The new account will allow £4,000 annual contributions within the overall ISA limit. It will be available from age 18 with no upper age limit. A 25% bonus on the final balance, capped at £20,000, will support qualifying purchases of homes up to £450,000. Existing Lifetime ISAs will continue.

Impact Compare access, bonus timing and retirement uses before selecting an account. Bonus eligibility includes holding the account for at least one year. Help to Buy ISA holders will have a transfer window; transfers from a Lifetime ISA into the new product will not be permitted.

A new equity loan scheme assists some first time buyers

Applications expected in February 2027. Your First Home supports eligible new-build purchases in England with a minimum 2.5% deposit and a 20% government equity loan, interest-free for five years, alongside a repayment mortgage.

Impact A smaller deposit may make buying possible, but the equity loan must be repaid and its repayment value tracks the property value. Interest starts later and does not reduce the capital owed. Eligibility, local price caps and affordability checks apply.

Pension salary sacrifice becomes less generous

Earlier measure due from 6 April 2029. Only the first £2,000 of pension salary sacrifice each year will be exempt from employee and employer National Insurance. Income tax relief remains subject to the usual rules.

Impact Employees exchanging larger salaries or bonuses may pay more National Insurance; employers also face extra costs. The £2,000 figure is not a cap on pension contributions or income tax relief.

The minimum pension access age is still rising

Earlier measure due from 6 April 2028. Normal minimum pension age rises from 55 to 57, subject to protected pension ages and ill-health exceptions.

Impact People planning early retirement should check scheme access dates and whether other savings can cover the gap. Transfers can affect protected rights.

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Business owners and specialist investors

Business Asset Disposal Relief is restricted

From 6 April 2027. The announced lifetime limit on qualifying gains falls from £1 million to £500,000. The relief rate remains 18%. Transitional and anti-forestalling rules apply.

Impact Some business sellers face more capital gains tax. For £500,000 of gains moving from 18% to 24%, the extra tax is £30,000. This assumes those gains would otherwise qualify and ignores other reliefs.

Founders Relief offers a new lower capital gains rate

Intended for qualifying disposals from 6 April 2027. A proposed 10% rate will apply to up to £10 million of lifetime gains for qualifying founders and early investors in high-growth, innovative businesses. Detailed conditions are under consultation. Claims under certain other business capital gains reliefs can reduce the available lifetime limit.

Impact This is targeted relief, not a universal replacement for Business Asset Disposal Relief. Proposed tests include ownership, holding period, UK residence and business growth. Qualification should be assessed before a sale.

Employee share options become more flexible

From 6 April 2027. CSOP, now referred to as EMI2, will have an individual option limit of £120,000, up from £60,000. The maximum exercise period increases to 15 years. The EMI exercise window after a disqualifying event increases from 90 to 180 days, subject to the commencement rules.

Impact Employees and businesses should review scheme terms and exercise dates before acting.

Company profit extraction rules will change

Planned from April 2028. The distributions framework will be modernised, including treatment of some capital extractions and payments or loans involving overseas companies. Draft legislation is expected in 2027.

Impact Review proposed buybacks, restructurings and succession plans. Genuine ownership changes are intended to retain appropriate capital treatment.

Other changes that may affect particular clients

Small trading activities: the trading allowance rises from £1,000 to £3,000 on 6 April 2027, reducing tax or reporting for some small traders. It concerns gross receipts and is generally an alternative to deducting actual expenses.

Cryptoassets: from April 2027, eligible stablecoins receive treatment more like money, while qualifying crypto loans and liquidity pools use no-gain/no-loss treatment until an economic disposal. Eligibility and record keeping still matter.

Pensions: reforms proposed for Finance Bill 2026-27 change access to serious ill-health lump sums and acceptable overseas medical evidence. Separate provisions revise tax collection on excess lump sum death benefits; commencement dates differ between the measures.

Other investors: Help to Save will use more providers from spring 2028. Technical improvements to EIS, SEIS and VCT rules do not remove investment risk.

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Allowances and practical review priorities

These continuing standard limits provide context and are unchanged in the published 2027/28 tables. Protections, tapering, eligibility and individual circumstances can affect the amounts available.

Item	Standard amount or rate
Annual ISA subscriptions	£20,000
Junior ISA subscriptions	£9,000
Dividend allowance	£500
Personal Savings Allowance	£1,000 basic rate; £500 higher rate; nil additional rate
Capital gains annual exemption	£3,000
Main individual capital gains rates	18% and 24%
Dividend income tax rates	10.75%, 35.75% and 39.35%
Personal Allowance	£12,570; taper starts at £100,000
Pension annual allowance	£60,000; can be reduced
Money purchase annual allowance	£10,000 when triggered
Standard pension lump sum allowance	£268,275
Standard lump sum and death benefit allowance	£1,073,100

Personal pension contribution tax relief is also subject to relevant UK earnings and age conditions. The annual allowance includes employer contributions and defined benefit pension growth.

What to review with your adviser

Savers and investors should calculate the after-tax return on cash and investments outside ISAs, check unused allowances and review ownership between spouses where appropriate. Selling investments to move money into an ISA can crystallise capital gains.

Pension holders should update a combined estate and retirement cash flow forecast before altering withdrawals or gifting. Review nominations and wills, and distinguish inheritance tax from the beneficiary’s income tax position.

Business owners should review disposal plans, existing relief claims and employee share arrangements. Property owners should allow for higher rental income tax and any high value home surcharge.

Main income tax rates remain 20%, 40% and 45% for non-savings, non-dividend and non-property income in England, Wales and Northern Ireland, subject to devolved decisions. Unchanged allowances and bands can bring more income into tax as earnings rise. Scottish income tax rates differ.

General information as at 28 October 2026, not a personal recommendation. Tax treatment depends on individual circumstances and may change. Investments can fall as well as rise in value. Scottish and Welsh devolved tax decisions may require separate consideration.

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Sources and technical references

Official sources checked on 28 October 2026. These links support the figures, dates and qualifications in this briefing. Announced measures should be read alongside the final legislation and implementation guidance.

Budget 2026 main document

HMRC overview of tax legislation and rates

HMRC rates and allowances for 2026 and 2027

HMRC technical note on inheritance tax on pensions

HMRC guidance on pension income following a death

Treasury Pension Tax Allowance explainer

DWP triple lock reform factsheet

HMRC residence allowance and unused allowance transfers

HMRC agricultural and business property relief changes

Treasury high value council tax surcharge factsheet

Treasury First Time Buyer ISA consultation response

Treasury Your First Home scheme details

HMRC pension salary sacrifice reform

HMRC normal minimum pension age guidance

Treasury Founders Relief technical consultation

Treasury EMI and EMI2 guidance

Treasury distributions framework factsheet

HMRC pension scheme rates and allowances

HMRC transfer of unused basic inheritance tax allowance

HMRC qualifying for the residence allowance

HMRC Personal Savings Allowance

HMRC pension death benefits and the two year rule

HMRC employee share scheme changes and commencement

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