PEM Autumn Budget Seminar 2026.

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Introduction & overview.

Angus Wood
Partner | Business Tax

What does the Budget mean for Cambridge.

Cambridge matters

- Support for the Oxford-Cambridge corridor.
- AI is still the favourite child.
- Good news for founders.
- Recognition that the innovation eco-system needs further support.

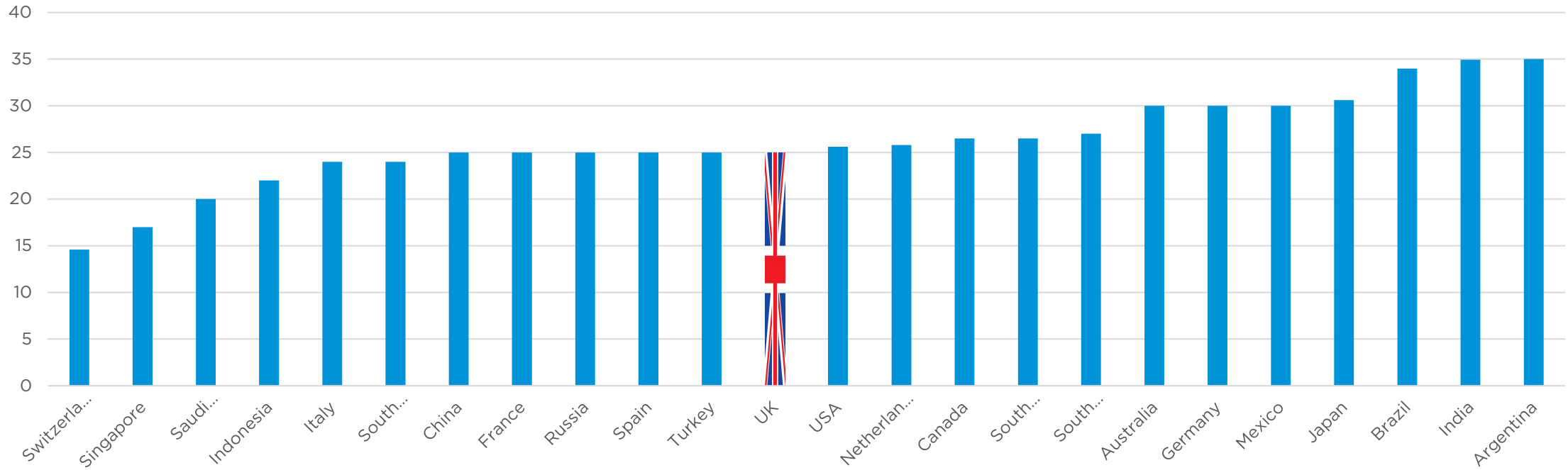
Business Taxes.

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Corporation Tax.

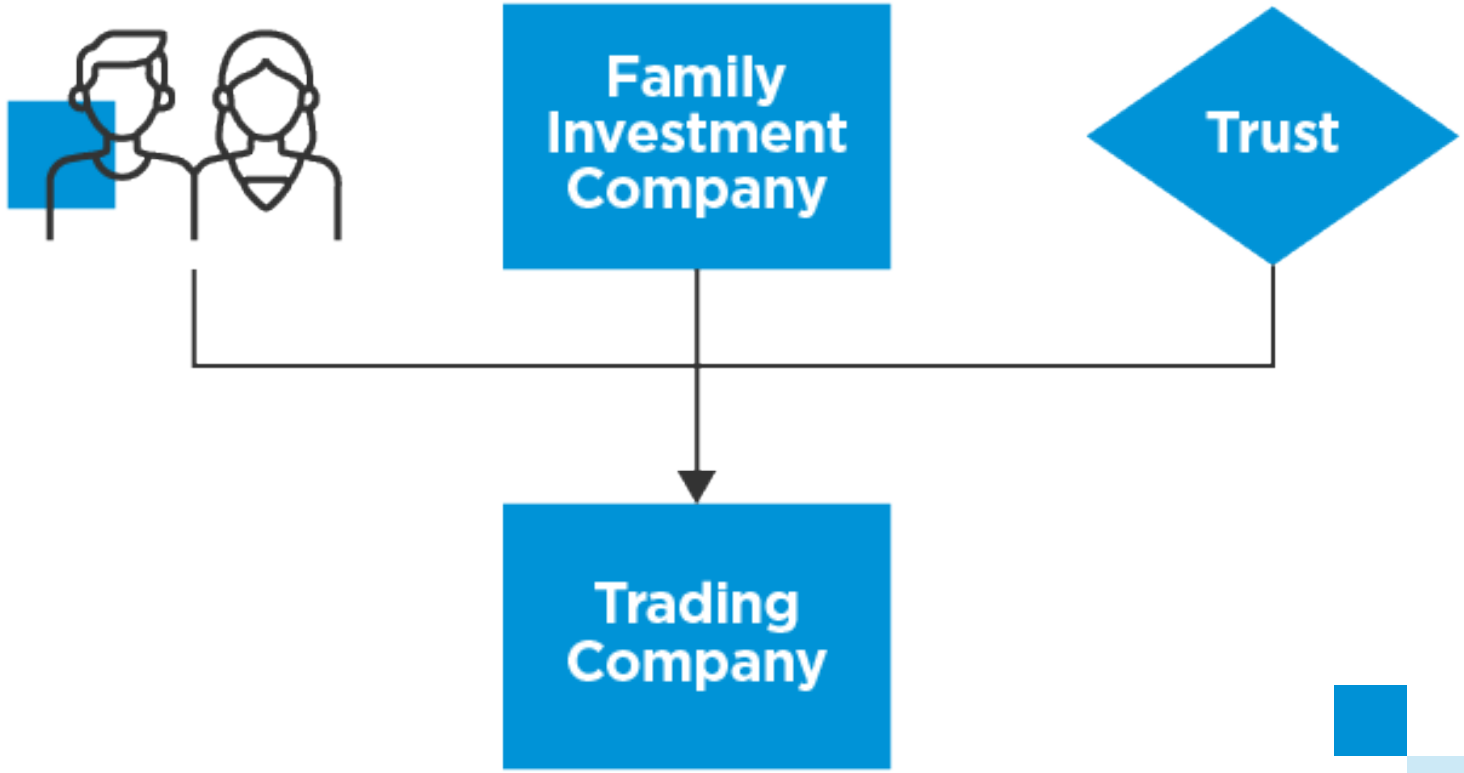
Still competitive?



Corporation Tax.

Rates and reliefs

- Corporation Tax.
- Income Tax.
- Capital Gains Tax.
- Inheritance Tax.



Distribution consultation.

Redrawing the line between income and capital

- **Capital reductions & demergers** – established routes replaced by a more rules-based framework.
- **Share buybacks & TiS** – less reliance on subjective tests, with new rules around exits and capital extraction.
- **Overseas distributions & shareholder loans** – closer alignment with UK rules.
- **Draft legislation 2027 | New rules from April 2028.**



Capital allowances.

Rewarding investment upfront

- **Upfront relief** – £1m Annual Investment Allowance and full expensing remain available.
- **First-Year Allowance** – increases from 40% to 50% for qualifying main pool expenditure from 1 January 2027.
- **Writing-down allowance** – main pool rate reduces from 14% to **12%** from April 2027.
- **Pre-development costs** – greater clarity promised following the Supreme Court decision.



Innovation and investment.

Less friction. Greater certainty.

- **Simpler R&D claims -** Claim Notification removed from April 2027, with a streamlined Additional Information Form to follow.
- **More flexible fundraising** - SEIS and EIS investment can be raised together, supported by technical improvements to the venture capital schemes.
- **Greater investor certainty** - HMRC will modernise Advance Assurance and increase transparency around investment fees.



Employee Share Incentives.

Immediate and future changes

- "CSOP" rebranded to "EMI2" from Budget Day.
  - Existing rules for CSOP schemes continue to apply.
  - Welcome changes from April 2027:
    - Individual limit to double to £120,000.
    - Maximum period for exercising EMI2 options increases from 10 years to 15 years.
    - Interaction of limits with EMI schemes is removed, (potentially) allowing the EMI and EMI2 to operate independently.
- But, reduction in BADR rates will be relevant for employees selling shares acquired under qualifying EMI option.

Electric vehicles.

The direction of travel

- Company car tax policy used to increase EV take up but increased tax revenue now needed.
  - Benefit in kind rates gradually increasing (0% in 2020/21; rising to 4% in 2026/27 and 10% in 2030/31) plus increased Class 1A NICs at 15% from 2025/26.
  - Still favourable compared to traditional company cars.
- Also increase in other EV taxes – VED since April 2025 and planned pay-per-mile VED from April 2028.
- Traditional vehicle fuel duty cut extended to July 2027 and temporary 0% VAT on home electric charging rates but VAT on public charging still at 20%.
- Lack of clarity on future tax plans for EVs makes planning uncertain.

CGT Investment Reliefs.

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Two families of relief.

Relief on an exit:

- **BADR:** 18% CGT (Working owner-manager)
- **Founders' Relief*:** 10% CGT (qualifying founder / significant early investor)
- **Investors' Relief:** 18% CGT (passive outside investor)

Relief for new investment:

- **EIS:** 30% Income Tax relief; potentially no CGT on qualifying share gain.
- **SEIS:** 50% Income Tax relief; potentially no CGT on qualifying share gain.

First question: Is the client selling an existing interest or subscribing for new shares?

*Founders' Relief is subject to technical consultation and legislation.

The headline comparison.

24% normal CGT rate: the comparison point

BADR

18%

£500,000

lifetime gains limit from 6 April 2027

Maximum CGT saving

£30,000

Working owner-manager

Founders' Relief

10%

£10 million

lifetime gains limit

Maximum CGT saving

£1.4 million

Significant qualifying founder

Investors' Relief

18%

£1 million

lifetime gains limit

Maximum CGT saving

£60,000

Passive external investor

EIS

30%

Income tax relief on qualifying investment

Potentially

0% CGT

Qualifying new shares

SEIS

50%

Income tax relief on qualifying investment

Potentially

0% CGT

Very early-stage company

CGT comparisons use the normal 24% rate. EIS and SEIS benefits depend on the investment, company and investor satisfying the relevant conditions.

Founders' Relief is subject to technical consultation and legislation.

Founders' Relief.

From 6 April 2027

- 10% CGT rate.
- £10m lifetime gains limit.
- Limit applies per individual.

What is it intended to do?

- **Reward:** Individuals who commit time, expertise and capital to establishing a business.
- **Recognise:** Founders and significant early investors.
- **Support:** High-growth and innovative UK businesses.
- **Attract:** Investment and continuing economic presence in the UK.

Founders' Relief is subject to technical consultation and legislation.

Significant difference?

Illustrative £10 million qualifying gain

5 April 2027: £10 million gain

- £1m at 18%: £180,000 CGT
- £9m at 24%: £2,160,000 CGT
- **Total CGT: £2.34m**

Assumes the existing £1 million BADR limit is unused and the full gain otherwise qualifies for the 24% rate

6 April 2027: £10 million gain

- £10m at 10%: £1,000,000 CGT
- **Total CGT: £1.00m**
- **£1.34m lower CGT**

Assumes the full gain qualifies for Founders' Relief and the £10 million lifetime limit is available.

- What if EIS or SEIS applied? Upfront Income Tax relief plus potentially no CGT on the qualifying gain

Founders' Relief: four hurdles.

1 . The Founder	2. Five years	3. The business	4. Growth and innovation
25%+ at the outset	**Ownership and residence**	**UK, trading and at scale**	**Pass 2 of 3 tests**
At least 25% of: ▪ Ordinary shares. ▪ Voting rights. ▪ Income and winding-up rights. ▪ Measured when the trade or preparations for the trade commenced.	▪ Shares held for at least five years. ▪ UK resident for five continuous tax years before disposal.	▪ UK-based, with substantial UK presence. ▪ Trading company or trading group holding company. ▪ More than £10m turnover and more than 15 qualifying full-time employees.	▪ Turnover growth ▪ Employee growth ▪ Qualifying R&D expenditure

All four stages must be considered. Passing the ownership test alone is not enough.

Founders' Relief is subject to technical consultation and legislation.

Growth & innovation.

Pass any two of the three tests

Turnover

25%+

compound annual growth

Across three consecutive accounting periods within the ten years before disposal.

At least £10 million turnover before the growth period began

Headcount

25%+

compound annual FTE growth

Across three consecutive accounting periods within the ten years before disposal.

At least 15 qualifying FTEs before the growth period began

R&D

£1.5m+

qualifying expenditure

Relevant accounting periods must end within the three years before disposal

The R&D test depends on the company's underlying R&D claim remaining valid.

Founders' Relief is subject to technical consultation and legislation.

EIS and SEIS.

Relief at investment and exit

EIS

30%

Income Tax relief

- Potentially no CGT on the qualifying share gain.
- Normally a three-year holding period.
- CGT deferral relief may also be available.
- Generally, no more than a 30% interest.
- Employment and directorship restrictions.

SEIS

50%

Income Tax relief

- Potentially no CGT on the qualifying share gain.
- Normally a three-year holding period.
- 50% CGT reinvestment relief may also be available.
- Generally, no more than a 30% interest.
- Directors can potentially qualify.
- Employees generally cannot qualify.

EIS and SEIS are not automatic.

Company
Qualifying trade, size, age and risk-to-capital conditions.

Investment
New qualifying shares held for the required period.

Investor
Connection, associates, employment and directorship conditions.

Who gets what?

SCENARIO 1 **High-growth founder**	▪ 35% interest from inception. ▪ Active in developing the trade. ▪ Company meets scale and growth tests.	**Founders' Relief** Potential 10% CGT rate EIS/SEIS unlikely because of ownership and active involvement.
SCENARIO 2 **Established managing director**	▪ 8% interest acquired after trade began. ▪ Director and employee for more than two years. ▪ Company does not meet Founders' Relief scale tests.	**BADR** 18% on the available lifetime limit
SCENARIO 3 **Passive external investor**	▪ Subscribed cash for newly issued shares. ▪ No employment or directorship. ▪ Shares held for the required period.	**EIS, SEIS or Investors' Relief** Depending on the company, shares and investor conditions
SCENARIO 4 **Early-stage founding director**	▪ 25% interest. ▪ Subscribed for new qualifying shares. ▪ Director but not separately employed.	**SEIS may be available** Founders' Relief and BADR may also become relevant on a later disposal

Founders' Relief is subject to technical consultation and legislation.

What should you do now?

Identify

- Founder.
- Working owner-manager.
- Passive existing shareholder.
- New external investor.

Which relief is potentially relevant?

Evidence

Preserve:

- Cap tables and statutory registers.
- Subscription documents.
- Trade commencement records.
- Residence history.

Model

Compare:

- 24% normal CGT.
- BADR.
- Founders' Relief.
- Investors' Relief.
- EIS and SEIS.
- Income Tax, CGT, deferral and loss relief.
- Different completion dates.

Plan

- Review disposals around 6 April 2027
- Check eligibility before EIS/SEIS subscription
- Obtain advance assurance where appropriate
- Include access to information in transaction documents
- Protect the individual where company-level information affects the claim.

Identify. Evidence. Model. Plan.

Founders' Relief is subject to technical consultation and legislation.

Personal Tax gets...

Sanchia Norris
Partner | Private Clients

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"The government will modernise the existing Payments on Account system. Taxpayers will make smaller and regular contributions throughout the year"...

Paying tax sooner.

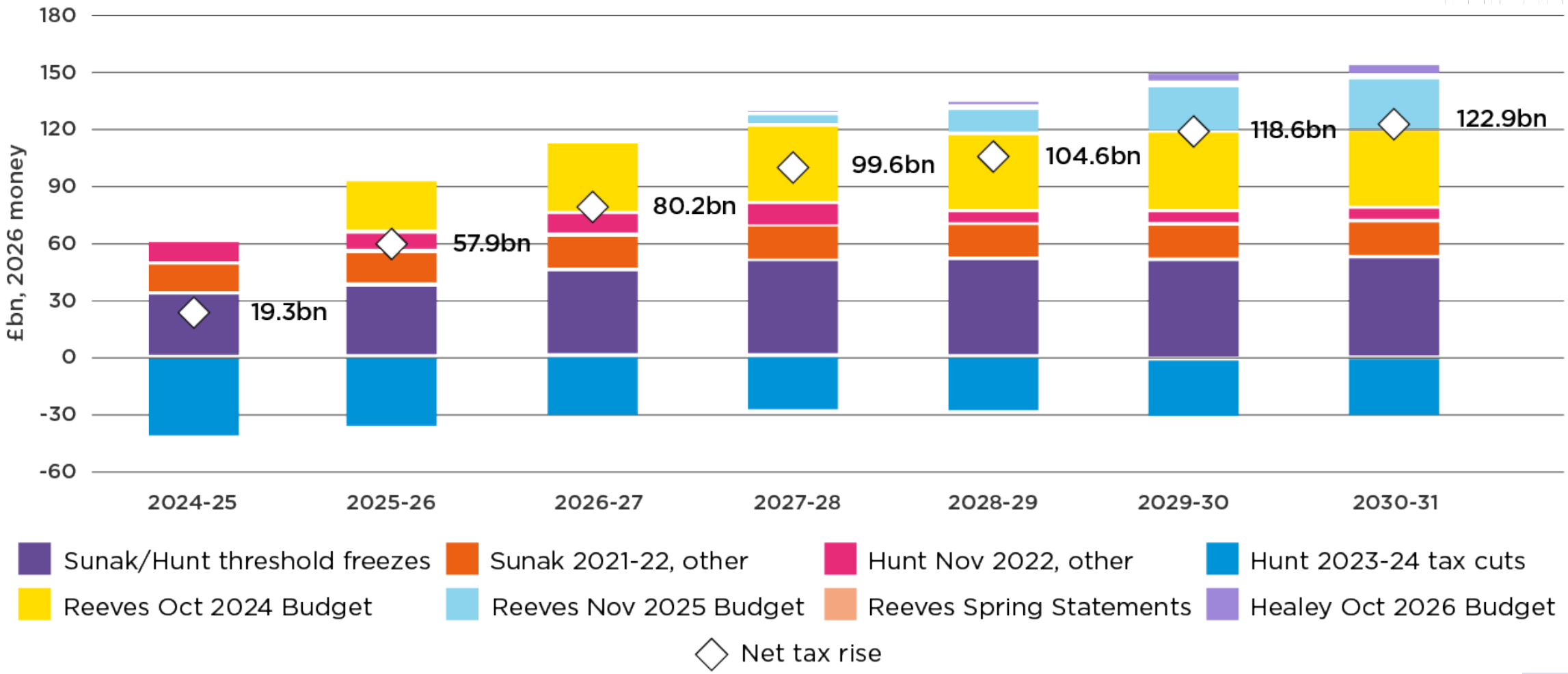
MTD and more timely payments

- April 2026 – MTD is finally here and working.

  For self employed and property owners with turnover exceeding £50,000.
- April 2027 – taxpayers with turnover exceeding £30,000.
- April 2028 – taxpayers with turnover exceeding £20,000.
- April 2029 – introduction of regular in-year tax payments.

  Creates a significant cashflow advantage for HMRC – PAYE / Quarterly / Monthly?
- April 2029? – what about partnerships / partners?

“Not enough”.


180
150
120
90
60
30
0
-30
-60
£bn, 2026 money
19.3bn
57.9bn
80.2bn
99.6bn
104.6bn
118.6bn
122.9bn
2024-25
2025-26
2026-27
2027-28
2028-29
2029-30
2030-31
Sunak/Hunt threshold freezes
Sunak 2021-22, other
Hunt Nov 2022, other
Hunt 2023-24 tax cuts
Reeves Oct 2024 Budget
Reeves Nov 2025 Budget
Reeves Spring Statements
Healey Oct 2026 Budget
Net tax rise

"The government is keeping to its commitments on tax, with no increase on IT, NIC, or VAT"

- let's see...

Income tax gets more complicated.

From April 2027 additional tax on savings and property

- **14 personal Income Tax rates:** 49%, 45%, 44%, 40%, 39.35%, 35.75%, 24%, 20%, 10.75%, 0%
- Marginal rate on tapered personal allowance 66%

- Additional trading allowance now £3,000
- New pension (reducer) allowance (temporary)

- **Only(!) 7 trust-specific rates:** 49%, 45%, 39.35%, 24%, 20%, 10.75%, 0%

A simple! example.

From April 2027 additional ~~2~~4% Income Tax!

	Today	April 2027
Employment income	£200,000	£200,000
Property income	£50,000	£50,000
Savings interest	£50,000	£50,000
Taxable income	**£300,000**	**£300,000**
Employment Income Tax	£76,203	£76,203
Property Income Tax	£22,500	£24,500
Savings Income Tax	£22,500	£24,500
Income Tax due	**£121,203**	**£125,203**
Extra 4% on savings and property income		**£4,000**

Property owners face a growing burden.

Tax is only part of the picture

- Existing restriction of finance costs.
- April 2027 - Higher property Income Tax rates.
- April 2028 - High Value Council Tax Surcharge (Mansion Tax).
- Renters' Rights adds regulatory obligations
- Landlord registration required from Dec 2026: £65 per property.
- Retention decisions? – impact on property markets.

Is it time to sell up?

The administrative burden is driving decisions

- A sale is likely to trigger a CGT liability.
- Proceeds – costs – enhancements.
- Taxable at 18%/24%.
- £3,000 annual exempt amount.
- Taxable gains must be reported to HMRC within 60 days.
- Tax payment also generally due within 60 days.
- What options for the proceeds? Outside IT net?

(not relevant where the owner is corporate)

One way or another the government wants your savings:

Pensions funds.

Unspent funds -Previously outside the scope of IHT

- Onshore and offshore **pension death benefits** will be taxed.

  Death benefits paid still liable to income tax – 67% or more marginal rate!
- Spousal relief and charitable exemptions available.

- Personal representatives responsible for reporting and paying.
- Impact on residence nil rate band!
- Unintended consequences..

Pensions impact.

IHT - From April 2027

	Today	From 6 April 2027
Home and other assets (free estate)	£500,000	£500,000
Pension fund	£1,000,000	£1,000,000
Taxable estate for IHT	£500,000	£1,500,000
Less nil rate bands (NRB + RNRB)	(£500,000)	(£500,000)
Net taxable estate	£0	£1,000,000
IHT at 40% on free estate	£0	£133,333
IHT at 40% on pension	£0	£266,667
Total IHT payable	**£0**	**£400,000**

Unintended consequences.

Beneficiary disparity – Executors must act quickly!

- Pension legacy £500k passes each to A+B.
- Free estate £500k passes to C.
- Previously £500k each.
- If gross pension is paid to A+B.
- The free estate has to pay all the IHT - £400k.
- C will only receive £100k.
- Executors must issue a withholding notice.

Unintended consequences.

Making it work for everyone

1. Information
Scheme gives the personal representatives the pension value within 28 days of a request

2. Withholding
Representatives can instruct the scheme to hold back up to 50% for up to 15 months

3. Payment
IHT can be paid direct from the pension to HMRC, on the instruction of the representatives or beneficiaries

Where it gets complicated: benefits already paid out

Joint liability
Beneficiaries who received the funds are jointly liable with the representatives for the IHT on them

Nothing left to hold back
Once paid, the scheme can't withhold, so representatives may need to recover funds from beneficiaries

Gaps and late finds
Funds under £1,000 fall outside withholding; pensions found after HMRC clearance don't reopen liability

Unintended consequences.

Charitable legacies in your will?

- “10% of my estate legacies”.
- A charitable legacy can drive an IHT reduction (40-36%).
- Executors will have a choice as to whether to include pension.
- Potential for claims from charities / beneficiaries?

Charity legacies – a conundrum!

Executors need guidance

	Pension included for 10% calculation	Pension excluded for 10% calculation	Difference
Home and other assets (free estate)	£500,000	£500,000	
Pension fund	£1,000,000	£1,000,000	
Total estate incl. pension	£1,500,000	£1,500,000	
Estate counted for the 10% test	£1,500,000	£500,000	
10% test baseline (less £325k NRB)	£1,175,000	£175,000	
Minimum legacy to charity (10%)	£117,500	£17,500	–£100,000*
IHT rate once test is met	36%	36%	
Total IHT payable	£317,700	£353,700	+£36,000
Left for residuary beneficiary	**£1,064,800**	**£1,128,800**	**+£64,000**

Pensions impact.

Summary: six next steps before April 2027

- Identify all pensions, including workplace and overseas schemes.
- Obtain up-to-date valuations.
- Add to the asset schedule you keep with your will!
- Model impact on succession plans and inheritance tax exposure.
- Coordinate tax, legal, and financial advice.
- Update Wills and Pension Nominations.

Case study: the Harris family.

What does the Budget mean for them?

The family

David, 61
Works part-time from home running a small consultancy earning £8k a year.

Sarah, 59
Owns 100% of an engineering business; offer to sell for £12m

Emily, 32
Their daughter and founder of a growing tech business

Family wealth

Property
Main home £2.4m,
Buy-to-let £650k

Business Assets
Sarah £30m
David £ ?
Emily £100k +

Cash and investments
Cash £200k, investments £300k

Pensions
Combined pensions of £1.5m

Case study: where the Budget bites.

Discussions needed for the Harris family – Identify. Evidence. Model. Prioritise.

Home
High Value Council Tax Surcharge looms.

Can a % be claimed by David.

Watch PRR position.

Buy to let
Finance restrictions.

Higher Income Tax.

Consider ownership split.

Consider retaining or selling.

Cash and Investments
Savings rates rise from April 2027.

How is it split, and are allowances used?

Explore better options.

Pensions
Unused funds enter the IHT net from April 2027.

Does "leave it alone" still work?

What about Emily?

David's consultancy
Trading allowance rises to £3,000 from April 2027.

How does it compare to his expenses?

Income balancing?

Sarah's business
£12m offer: watch disposal date for CGT March or May 2027?

BADR 24%

Founders' Relief – 4 hurdles 10%

Pre-sale structuring – long term IHT

Succession planning
What next?

Passing on family wealth

Trusts?

FIC?

Frivolous spending

Emily's tech business
Investors are interested.

How to structure it to keep future capital reliefs.

Sarah?

R+D?

Optimise profit extraction.

Flexibility.

There is no longer a universal optimal extraction solution, the right answer for you depends on: Changing profit margins, corporate strategy for the future, the directors' other income, dividend allowance, shifting tax bands and cash needs.

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Case study: will the Budget bite?

Of course it will - **take advice** - review your plans

- Sarah : review planning opportunities pre sale.
- Sarah : review timing and structure of the potential sale.
- Sarah and David : consider the buy-to-let – optimise ownership.
- Sarah and David : review investments strategy and options.
- Sarah and David : review estate planning
- Emily: Invest in your structuring - get it right from the start.
- All : review Wills, LPA’s and pensions.

Flexibility!

Summary.

Private Clients.



Business Tax.



Employment Tax.



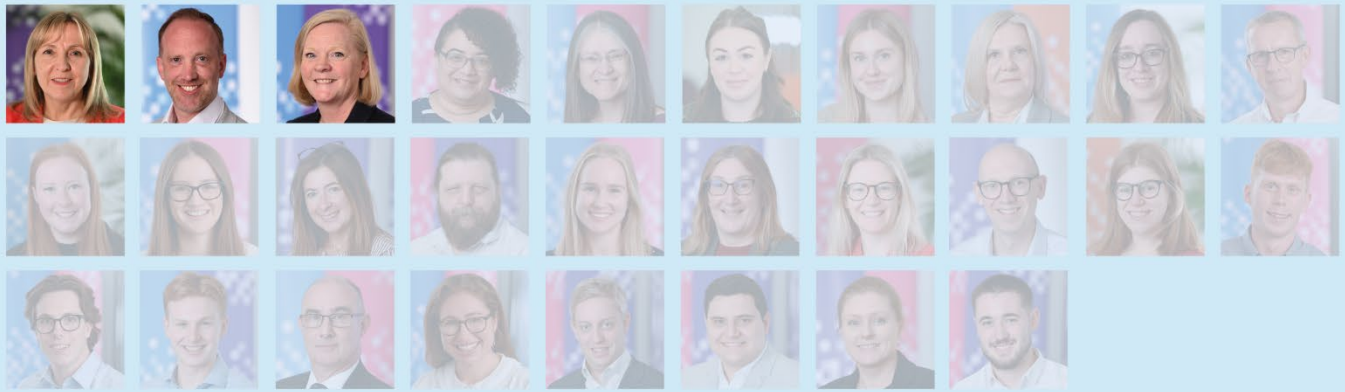
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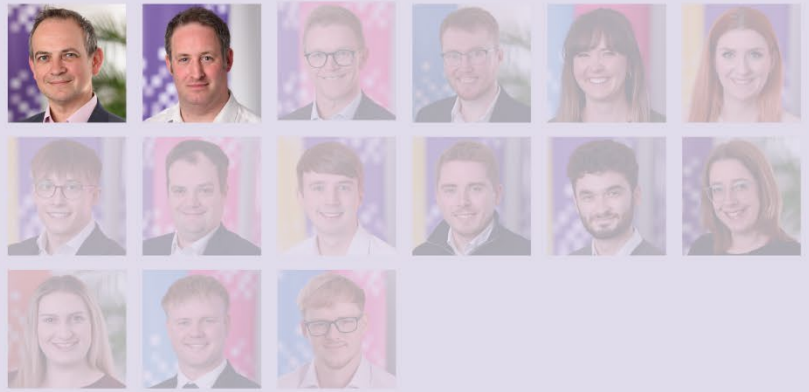
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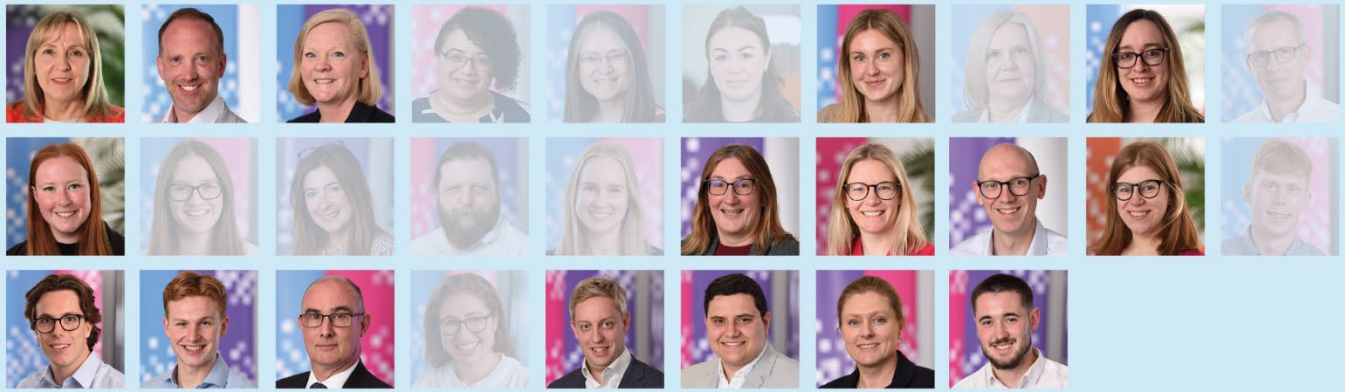
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Employment Tax.



Payroll.



VAT.



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Your future, our focus.

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