

A new Chancellor, but will we see a new direction?



Another year, another Budget, and once again we're left wondering how the Chancellor intends to balance the books without asking taxpayers to dig a little deeper into their pockets.

For those of you who read my Budget summary last year, you'll remember that Milo made his debut as Fairman Harris's very own tax-sniffing watchdog. He's a little older now, although I'm not convinced he's any better at understanding tax policy. Then again, looking at the complexity of our tax system, perhaps he's not alone!

Joking aside, the challenges facing the country are very real. We have a new Prime Minister & Chancellor, but many of the economic problems remain the same. Government borrowing remains high, businesses continue to face rising costs, and households are still feeling the squeeze.

For too long, the focus seems to have been on how to raise more tax rather than how to grow the economy, generating taxes. Surely encouraging businesses to invest, expand and create jobs offers a more sustainable route to improving the public finances? The change in leadership presents an opportunity to reset that direction. So, has the new Chancellor delivered a Budget that encourages growth, or simply another exercise in balancing the books?

Here's my take on the announcements that matter most.

Economy

The Government describes this as a Budget offering breathing space today and growth tomorrow. The OBR forecasts UK real GDP growth of 1.2% in 2026, slowing to 1.0% in 2027, before recovering to 1.6% in 2028. The figures underline why a sustained focus on growth remains so important.

Business owners: the biggest change

- Business Asset Disposal Relief (BADR): The lifetime limit on qualifying gains is being cut from £1 million to £500,000 for disposals from 6 April 2027. For owners planning an exit, that is a material reduction in the amount of gain eligible for the preferential rate (18%). Anyone contemplating a sale or succession should review the timing and structure carefully; anti-forestalling provisions apply.
- The Government is also consulting on a new Founders' Relief, aimed at qualifying founders and early investors in high-growth businesses. It is not a general replacement for BADR.
- Corporation tax main rate remains at 25%. For capital allowances, the main writing-down rate will fall to 12% from April 2027, while the 40% first-year allowance will rise to 50%, with full expensing retained. The net effect will depend on the type of investment and the business.

Property owners and personal tax

- Landlords face another increase: the rates of tax on property income are set to rise by a further two percentage points from April 2027, on top of the two-point rise announced last year. This means rates of

24%, 44% and 49% for the relevant tax bands. For individuals holding rental property personally, the combined increase is significant and makes reviewing net returns and ownership structures more important than ever.

- Savings income tax rates will also rise to 24%, 44% and 49% from April 2027 (further 2% from the previously announced increase). The planned reduction (cut to £12,000) in the cash ISA allowance has been reversed, retaining the £20,000 annual limit. Headline rates of income tax on earnings, National Insurance and VAT have not been increased.

Other points worth knowing

- The Government has announced targeted support for smaller retail, hospitality and leisure businesses by increasing the threshold for small business rates relief.
- The tax treatment of certain company distributions is due to be reformed, further details to be communicated.
- Household energy support and pension measures feature in the Budget: gas standing charge to be removed; £100 energy payment per household for eligible households; National Insurance savings on pension salary sacrifice will be limited to the first £2,000 annually (from April 2029)
- Business mileage: The tax-free rate for using your own car or van for work increased to 55p per mile for the first 10,000 business miles from 6 April 2026 (previously 45p). From 6 April 2027, the rate above 10,000 miles will also increase from 25p to 35p. The higher rates are being made permanent.
- Trading allowance: The allowance for small trading and miscellaneous income will rise from £1,000 to £3,000 from 6 April 2027. This is welcome news for people starting a small business or earning income from a side venture.
- Self-employed parental pay: From April 2029, eligible self-employed fathers, partners and adopters will be able to receive a new parental allowance. This is a welcome extension of support, although the detailed qualifying conditions have yet to be confirmed.

My final thoughts

A new Chancellor, but has this Budget really delivered a new direction? There is welcome relief in some areas, and maintaining headline tax rates offers a degree of stability. Yet the measures most relevant to many of our clients tell a more complicated story.

Reducing BADR makes the eventual reward for building and selling a successful business less attractive. Landlords and savers face further tax increases. These choices may raise revenue, but they also risk dampening the confidence to invest and plan for the future.

Ultimately, a stronger economy should generate more jobs, greater profits and higher tax revenues. I remain unconvinced that we have yet seen the decisive shift towards a genuinely growth-led strategy. Perhaps this Budget provides some breathing space; whether it provides the confidence businesses need to grow is another question.

As always, if you'd like to discuss how any of these changes might affect you or your business, please get in touch.



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