REDSHIELD
CHARTERED ACCOUNTANTS

Limited Company Directors: what should you review?

The main rate of Corporation tax remains at 25% for profits over £250,000 and the small companies rate at 19% for profits of £50,000 or less. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by marginal relief.

The new 55p per mile mileage rate for business use of your own vehicle has been made permanent. This is for the first 10,000 business mileage, the rate above 10,000 business miles will increase from 25p to 35p from 6 April 2027.

The VAT registration threshold remains at £90,000 and the deregistration threshold at £88,000. From April 2029, VAT invoices will need to be issued and received in a prescribed electronic format. The Government is planning to proceed with measures to require direct debit arrangements for VAT and PAYE liabilities from July 2029.

Capital Gains Tax on sale of business assets including company shareholdings

The CGT rates remain unchanged for 2027/28 and the annual exempt amount for individuals will remain at £3,000 for 2027/28.

The lifetime limit for capital gains eligible for Business Asset Disposal Relief (BADR) reduces from £1 million to £500,000 for disposals made from 6 April 2027. This relief was formally know as Entrepreneur's relief and it applies to the sale of business assets such as company shares.

A new Founders' Relief will be introduced from 6 April 2027, offering a reduced 10% Capital Gains Tax rate on up to £10 million of lifetime gains for qualifying founders of high-growth, innovative companies. It is expected that the Founder's Relief will be subject to a number of conditions, designed to ensure it is only given on sales of companies which have established some scale and growth in the UK. This will be subject to a technical consultation that closes on 30 November 2026.

Capital Allowances on purchases of business assets

The Full Expensing rules allow companies a 100% write-off on most plant and machinery (excluding cars), as long as its new and used. This 100% First Year Allowance (FYA) continues for 2027/28.

The main rate of Writing Down Allowances on assets which do not qualify for a FYA, will be reduced by two percentage points from 14% to 12% from April 2027. The main rate FYA will be increased from 40% to 50% for expenditure incurred on or after 1 January 2027.

Taxable Benefits for company cars

The company car tax rate changes for 2027/28 are as follows:

- charge for zero emissions cars rises from 4% to 5%
- charge for other cars with emissions below 70g/km rises by 1%
- maximum benefit charge stays at 37%

The Van Benefit Charge and the Car & Van Fuel Benefit Charges will increase from 6 April 2027.

Zero emissions cars currently benefit from a 100% FYA. As there was no announcement extending this FYA, such cars will only qualify for an allowance of 12% after 1 April 2027.

The Government has confirmed increases to the benefit in kind rates for company cars for tax years up to and including 2029/30. In particular, the rate in respect of a fully electric car will increase from 4% in 2026-27 to 9% by 2029-30.

Benchmark subsistence rates

The benchmark subsistence flat rates which can be paid to employees who are travelling in the course of their work have increased substantially:-

- over 5 hours: £20 (up from £5)
- over 10 hours: £60 (up from £10)
- over 24 hours: £75 (replacing the previous 'over 15 hours' rate of £25)

Payroll

If you have employees, please note that from 1 April 2027, the National Living Wage will increase by 3.9%, to the following rates:

	21+	18-20	16-17	Apprentices
Hourly rate	£13.21	£11.27	£8.31	£8.31

The Income Tax personal allowance stays fixed at the current rate of £12,570 and will remain frozen until 5 April 2031.

The National Insurance Contributions (NICs) Primary Threshold and Lower Profits limit stay at £12,570 and the NICs upper Earnings and Profit limits stay at £50,270 up to 5 April 2031.

Dividends

The £500 dividend allowance is retained for 2027/28. Dividends received above the dividend allowance will be taxed at the following rates:

- 10.75% in the basic rate tax band
- 35.75% in the higher rate tax band
- 39.35% in the additional rate tax band

To work out which tax band dividends fall into, dividends are treated as the last type of income to be taxed.

What could this mean for you?

If you are considering purchasing an EV this should be completed before the end of the tax year 5 April 2027. The increase in EV BIK charges over the next 4 years need to be considered.

If you are looking to sell your business, the changes in BADR should be considered.

With the increase in dividend tax rates, careful planning is required around the extraction of profits from owner managed companies.

Not sure how this affects your Ltd Company business?

Get in touch with the Redshield team on to discuss your circumstances.

Sole Traders: what should you review?

The Trading Allowance will be tripled from £1,000 to £3,000 from 6 April 2027. This is the amount that established sole traders can deduct as a round sum expense, if higher than actual expenses. Individuals not in Self Assessment (SA) can earn up to this amount per annum without needing to declare or pay income tax on this income.

The new 55p per mile mileage rate for business use of your own vehicle has been made permanent. This is for the first 10,000 business mileage. the rate above 10,000 business miles will increase from 25p to 35p from 6 April 2027.

The VAT registration threshold remains at £90,000 and the deregistration threshold at £88,000. From April 2029, VAT invoices will need to be issued and received in a prescribed electronic format.

From April 2029, taxpayers who make payments on account will need to make more regular in-year payments towards their final tax bill.

Sole Traders with turnover over £50,000 are currently mandated to complete quarterly Making Tax Digital (MTD returns). Sole Traders with turnover over £30,000 will be mandated to join MTD and make quarterly returns from 6 April 2027.

What could this mean for you?

The increase in the trading allowance may change the way your sole trade expenses are calculated in your accounts.

Sole traders with turnover of £30,000 - £50,000 as declared on their 2025-26 tax return will need to prepare for the MTD requirements and keep digital records. If turnover was below £30,000 but likely to exceed this in the current year, individuals should consider moving to digital record keeping from April 2027.

Not sure how this affects your sole trade business?

Get in touch with the Redshield team to discuss your circumstances.

Landlords and Property Owners: what's changed?

Income Tax rates on property income will increase by a further 2% from April 2027, in addition to the 2% increase already confirmed.

The rates applicable to property income from 2027/28 will be:

- 24% in the basic rate band,
- 44% in the higher rate band
- 49% in the additional rate band

Landlords with individual rental income over £50,000 are currently mandated to complete quarterly Making Tax Digital (MTD returns). Landlords with rental income over £30,000 will be mandated to make quarterly returns from 6 April 2027.

What could this mean for you?

Landlords with rental income of £30,000 - £50,000 as declared on their 2025-26 tax return will need to prepare for the MTD requirements and keep digital records. If rental income was below £30,000 but likely to exceed this in the current year, individuals should consider moving to digital record keeping from April 2027.

Not sure how this affects your property business?

Get in touch with the Redshield team to discuss your circumstances.

Individuals and Families: what's changed?

Income Tax rates on savings income will increase by a further 2% from April 2027, in addition to the 2% increase already confirmed. The rates applicable to savings income from 2027/28 will be:

- 24% in the basic rate band
- 44% in the higher rate band
- 49% in the additional rate band

The Savings Allowance remains at £1,000 for basic rate tax payers and £500 for higher rate tax payers. Savings income up to this amounts taxed at 0% but income within the allowance still counts towards an individuals basic or higher rate band, so it can affect the rate of tax paid on Savings above the Allowance.

No changes were announced to other Income Tax rates. The freeze of the Income Tax Personal Allowance, higher rate threshold and additional rate threshold will remain until 5 April 2031.

The annual cash Individual Savings Account (ISA) subscription limit will be retained at £20,000 from 6 April 2027.

The Government will also introduce the Pension Tax Allowance from 6 April 2027 to ensure that pensioners with incomes at or under the value of the full new State Pension will not be brought into paying tax because of State Pension uprating in this Parliament.

Inheritance Tax

The nil rate band has been frozen at £325,000 since 2009 and will stay frozen until 5 April 2031. The additional nil rate band, called the 'residence nil rate band' is also frozen at the current £175,000 until 5 April 2031.

Unused pension funds and death benefits

The Government will bring unused pension funds and death benefits payable from a pension into a person's estate for IHT purposes from 6 April 2027.

What could this mean for you?

Individuals with higher levels of savings income should ensure they are making the best use of ISAS and other tax efficient savings schemes.

Potential IHT liabilities could increase substantially for individuals with large pension pots in addition to other assets.

Not sure how this affects you personal finances?

Get in touch with the Redshield team to discuss your circumstances.