Main changes and additions to Financial Services subjects 2026-27

(in addition to changes as shown on tax tables)

Pensions

- Lump Sum Allowance (LSA) remains £268,275.
- Lump Sum & Death Benefit Allowance (LSDBA) remains £1,073,100.
- Annual Allowance remains £60,000.
- Money Purchase Annual Allowance (MPAA) remains £10,000.
- From 6 April 2027, most unused pension funds and pension death benefits will be brought into the deceased's estate for Inheritance Tax purposes.
- Personal Representatives will become responsible for reporting and paying IHT due on pension death benefits.
- Spouse / civil partner exemptions continue to apply.
- Death-in-service benefits paid from registered pension schemes remain excluded from IHT.
- The Pension Schemes Bill makes provision for certain compensation paid by the PPF in respect of a person's pre-1997 pensionable service to be increased annually. These provisions are expected to operate from January 2027 when the first pre-1997 pension increases will be granted.
- Salary Sacrifice - from 6 April 2029, the government will cap National Insurance (NI) exemptions on salary sacrifice pension contributions to £2,000 per year. After this date, amounts sacrificed above this limit will be subject to both employer and employee NICs.
- In-specie contributions are now limited to 'eligible shares' acquired through approved share schemes (SAYE or Share Incentive Plans), which remain eligible for tax relief.

State Pension

- Full new State Pension increased to £241.30 per week (£12,547.60 annually).
- Basic State Pension increased to £184.90 per week.

Capital Gains Tax

- Annual exempt amount remains £3,000 for individuals.
- CGT rates remain 18% for basic-rate taxpayers.
- CGT rates remain 24% for higher and additional-rate taxpayers.

National Insurance

- Primary Threshold remains aligned with Personal Allowance.
- Self-employed individuals above the Lower Profits Limit continue to receive contributory benefit entitlement without mandatory Class 2 NICs.
- Voluntary Class 2 contributions remain available below the Small Profits Threshold.

Income Tax

- Personal Allowance remains £12,570.
- Dividend allowance remains £500 at 0%.
- Trust income exemption remains £500.
- Threshold freezes continue to create fiscal drag.
- Dividend tax rates have increased by 2% for basic rate and higher rate taxpayers, 10.75% & 33.75%.
- VCT income tax relief reduced to 20% from 30%.

Child Benefit High Income Tax charge

- Child Benefit is withdrawn at 1% for every £200 of income above £60,000.
- Fully withdrawn once adjusted net income reaches £80,000.

State Benefits

- Various state benefit rates changed as per current CII tax tables.

ISAs

- ISA allowance remains £20,000 but will be reduced to £12,000 from April 2027 for those aged <65.
- Multiple ISA subscriptions of the same type continue to be permitted.
- Junior ISA allowance remains £9,000.
- Partial transfers continue to be available.

NS&I Investments

- British Savings Bonds continue to be available subject to current NS&I terms.

Residence and domicile

- Remittance basis abolished.
- Residence-based regime applies.
- Qualifying new arrivals may benefit from relief on foreign income and gains for a limited period.

Stamp Duty

- Post-2025 SDLT rules continue to apply.

Holiday lets

- Furnished Holiday Let regime abolished from April 2025 and remains outside current rules.

Renters' rights

- Since the introduction of the Renters' Rights Act in May 2026, tenancy agreements are generally created as assured periodic tenancies.
- Assured periodic tenancies run on a rolling basis, such as weekly or monthly.
- The Act has made it more difficult for landlords to end tenancies.
- Landlords can only end a periodic tenancy for specific legal grounds.
- Landlords must use the correct prescribed forms when seeking possession.
- Landlords must provide tenants with the required notice period.
- The notice period is usually four months, although it may be shorter for certain grounds for possession.

VAT

- VAT registration threshold remains £90,000.

HMRC (anti-avoidance) campaigns

- Wealthy Individuals approach continues to apply.
- Typically covers individuals with high income or significant assets.

Corporation tax

- Stage 1: calculate tax-adjusted trading profits.
- Stage 2: determine total taxable profits and deduct reliefs.

Regulatory changes

- Continued emphasis on SDR sustainability labels.
- Consumer Duty remains a key regulatory focus.
- Electronic Identity Verification (EIDV) remains examinable.
- Defined Benefit funding and governance requirements remain important.

Financial ombudsman service award limit change

- From 1 April 2026 award limits increased to £455,000 for post-April 2019 acts or omissions.
- £205,000 for pre-April 2019 acts or omissions.

FSCS compensation limit change

- limit for deposits increased to £120,000.

Intestacy

- Statutory legacy remains £322,000 unless updated in future legislation.

Venture Capital Trusts

- Income tax relief reduced from 30% to 20%.

Execution-only mortgages

- Firms **cannot provide an execution-only service** to:
  - Customers involved in regulated sale and rent back transactions.
  - Customers involved in equity release transactions.
  - Customers whose main purpose is debt consolidation.
  - Customers using a mortgage to exercise their statutory Right to Buy.
- These customer groups must receive advice before proceeding.

When execution-only sales are permitted

- Execution-only sales can proceed where:
  - The customer has been warned about the implications of proceeding without advice; or
  - The customer has received and rejected advice and has specifically instructed the firm to proceed on an execution-only basis.
- Customers generally have the right to reject advice and proceed execution-only, except in regulated sale and rent back transactions.

Right to buy reforms (Expected 2026/27)

- Eligibility period increased from the current requirement to 10 years as a public sector tenant before applying.
- Discounts reduced significantly:
  - Start at 5% of market value.
  - Increase by 1% for each additional year of tenancy.
- Maximum discount capped at:
  - 15% of the property value, or
  - The applicable regional cash cap, whichever is lower.
- Newly built social homes will be exempt from Right to Buy for 35 years after construction.

Mortgage charter

- Customers who are up to date with mortgage payments can switch to interest-only payments for up to six months.
- This can be done:
  - Without a new affordability assessment.
  - Without affecting the customer's credit score.

Equity Release Council additional product standard

- Applies to all ERC members.
- Early repayment charges must be waived when a customer moves permanently into long-term care.
- A medical practitioner's certificate must be provided.
- Applies to moves into:
  - Commercial care homes
  - NHS care facilities
  - Local authority care facilities
  - A relative's home where care is being provided
- Loan terms and conditions must have been met