CITYGATE
FINANCIAL PLANNING

Your timeline.

A guide to what is changing following the Autumn Budget 2026, and when.

IMMEDIATE

- NEW Tax charge if pension death benefits are paid outside the two-year window abolished
- Change in how taxable excesses on lump sum death benefits are considered for tax
- NEW Lifetime ISA withdrawal rate cut to 20% if buying a property worth £450k+

NEAR FUTURE

- NEW Relaxation of conditions needed for serious ill-health pension lump sums

  To take effect when the Finance Bill 2026/27 receives Royal Assent.

6 APRIL 2027

- Pensions subject to IHT
- NEW RATE Rental income tax band introduced
- NEW RATE Savings income tax band introduced
- Order of income that uses the personal allowance
- NEW Pension tax allowance
- NEW Business Asset Disposal Relief (BADR) cut
- NEW Founders relief from capital gains tax

6 APRIL 2028

- High-value council tax surcharge on properties above £2m

6 APRIL 2029

- NI relief on salary sacrifice capped at £2,000
- NEW First-time buyer ISA

NOTE | Planned changes to the cash ISA allowance have been scrapped.

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What to consider now.

PENSIONS: DEATH BENEFITS

2-year payment period on death benefits

Prior to this Budget, payments had to be made from a pension within two years of death to avoid a tax charge. The Budget changes this by allowing payments to be made outside this two-year window with no tax to pay.

The change is active immediately, so any death after 28 October 2024 (two years before the Budget) does not need to work towards a two-year deadline.

	BEFORE THE BUDGET	AFTER THE BUDGET
Death before 75	Tax-free lump sums up to the LSDBA if paid within two years	Tax-free lump sums up to the LSDBA
Death after 75	Taxed at recipient's marginal rate of income tax	Taxed at recipient's marginal rate of income tax

After 6 April 2027, pension funds will be tested for IHT before they are paid out in accordance with the above.

Taxable lump sums above the LSDBA

When a lump sum is paid on death before age 75, it is tested against the LSDBA with the excess subject to tax. After 75, any amount is subject to tax.

Before the Budget, any lump sum was included in the recipient's income for tax. Some recipients would see a potentially huge relative jump in their income that year, with knock-on effects elsewhere. HMRC also recognised some of these issues became retrospective, with lump sums attributed to previous tax years causing tax revisions.

Effective immediately, the lump sum will not be added to that year's income. It will be a separate line of income taxed at the marginal rate, but will not interact with other income or affect entitlement, allowances or benefits.

This stops consequential tax issues for those who have to receive a lump sum from a pension. Nominee/dependant drawdown can alleviate this, but it is not always possible or set up this way, particularly if you only have a relationship with the recipient.

	BEFORE THE BUDGET	AFTER THE BUDGET
Excess/taxable lump sums + all other income	Considered together	Treated separately

INVESTMENT PLANNING

Lifetime ISA

From 29 October the LISA penalty is now 20% (instead of 25%) where a first-time buyer withdraws to buy a property above £450k. Normal withdrawals before 60, when not part of a property purchase, are still 25%.

This change is not retrospective, so applies only to purchases from 29 October 2026.

	BEFORE THE BUDGET	AFTER THE BUDGET
Withdrawal after 60	No penalty	No penalty
Withdrawal to buy a property below £450,000	No penalty	No penalty
Withdrawal to buy a property above £450,000	**25% penalty**	**20% penalty**
Withdrawal before 60, not as part of buying a property	25% penalty	25% penalty

Those who qualify for the 20% charge, rather than 25%, will be in a neutral position in terms of regaining the amount they put in.

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What to consider later.

TAX AND ALLOWANCES

Pension tax allowance.

One of the bigger headlines is the supplementary personal allowance for those at or over State Pension age (not necessarily receiving a State Pension, or the full amount).

It is given as a tax credit that is withdrawn based on total earnings, rather than an extension of the personal allowance.

The full State Pension is £13,037 in 2027/28 (£250.70pw) and the personal allowance £12,570 – a gap of £467. The natural basic rate tax charge on this is £94, and this is the level of credit given.

It is withdrawn at £1 for every £3 of income above £13,037, creating a space of £282 (£94 × 3). The benefit is lost after £13,319.

INCOME	ALLOWANCE
Below £13,037	Full £94 available
£13,037 – £13,319	Some of the £94 available
Above £13,319	No allowance available

The allowance applies to all income, so those with a reduced State Pension can benefit from tax-free savings, investment or employment income up to the new allowance. The only qualification is being at State Pension age.

This band does create a new higher marginal tax rate for some. For a lot of clients there is a slightly higher tax impact to annuitising or going into drawdown after State Pension age, though this reduces the higher the income.

Assuming someone on the full State Pension receives scheme/annuity income or starts drawdown, the consequential tax rate could be:

EXTRA INCOME/WITHDRAWALS	EFFECTIVE TAX IMPACT
£250pm (£3,000pa)	24.99%
£500pm (£6,000pa)	22.50%
£750pm (£9,000pa)	21.66%

While relatively low impact, this may dissuade spouses, or those who only need a 'top-up' income, from drawing on a pension. It might happen with couples where one is above £13,319 anyway and has room to access further amounts at 20%.

Personal allowance.

No changes to the core allowance but, as previously announced, from April 2027 the allowance has to be used in a set order (see right).

This reduces flexibility for certain people, and is a direct introduction as a result of the new diverging property/savings allowances.

1. PAYE employment
2. Self-employment
3. Pension income
4. Property rental income
5. Savings income
6. Dividend income

Savings & property income.

Further increases come into force in April 2027, with rates now four percentage points higher. In England, Wales and Northern Ireland this means:

- Basic rate 24% (instead of the 22% announced a year before)
- Higher rate 44% (instead of 42%)
- Additional rate 49% (instead of 47%)

Savings income rates apply across England, Wales, Northern Ireland and Scotland – savings income tax is not devolved.

For property rental income, Wales and Scotland can set their own rates. Wales will use the rates above (for now); Scotland will not (again, for now).

Continued overleaf →

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What to consider later.

TAX AND ALLOWANCES

Capital gains tax

A founders relief will apply of 10% CGT on up to £10m of lifetime gains. Strict criteria apply. Even the government estimates only about 400 companies a year will meet the conditions.

Alongside this, Business Asset Disposal Relief (BADR) is cut from £1m to £500,000. As a lifetime limit, some may (from April 2027) have hit it already.

Frozen tax bands and allowances

Continued freezes to the personal allowance, income tax bands and inheritance tax bands will bring more into tax and more into the position where there can be tax benefits from proactive planning. No changes to the thresholds and cliff edges that cause tax consequences such as child benefit and childcare hours will also impact more clients. Freezes to allowances such as those associated with pensions and those associated with investing (ISA and CGT) will possibly reduce the impact of using these.

PENSIONS: ILL HEALTH

Expanding the scope of serious ill-health lump sums.

Access to pensions when an individual is seriously ill is to be based on a 'can they be reasonably expected to die within 12 months' basis – more accessible than 'expected to live less than one year'.

As part of this, the medical professionals who can provide this prognosis are expanded, and medical professionals based overseas are permitted.

This should make it easier for those with certain terminal illnesses to opt for a lump sum from their pension, whether DC or DB.

The change will become active once the Finance Bill receives Royal Assent.

INVESTMENT PLANNING

First-time buyer ISA.

A replacement for the LISA, focused exclusively on first-time buyers. This becomes available from April 2029 with the following features:

- A £4,000 annual contribution limit.
- A 25% bonus on the account value, added at the point of claiming (i.e. when the property is purchased).
- A total bonus of up to £20,000, given if the account value is £80,000 at the point of purchase.

Individuals can transfer Help to Buy ISAs directly to this account. Those with LISAs can't transfer to it.

It is possible to transfer from other cash ISAs or stocks and shares ISAs each year, limited to £4,000 – allowing partial transfers from existing ISA balances.

LISAs are not entirely redundant – they can be used together with the new first-time buyer ISA on the same property. The issue is the property value limits: £450,000 in London and £250,000 outside. If the £450,000 limit is exceeded, the LISA now suffers only a 20% (neutral) penalty.