For financial advisers only

Autumn Budget 2026 overview

We've summarised the key points relating to pensions and investments announced by the Chancellor in the Autumn Budget on 28 October 2026.

Pensions

Guided Retirement and Retirement-only Collective Defined Contribution (RCDC) pension schemes

The government will introduce legislation to support the consolidation of Defined Contribution (DC) pensions and the introduction of Guided Retirement and Retirement-only Collective DC (RCDC) schemes. It will also take steps to make it easier for pension scheme members to consolidate their pension pots and take advantage of new products without accidentally losing certain protections when they transfer. The key points are:

- It should become easier to consolidate Defined Contribution (DC) pension savings between schemes and retain existing protections
- Introduction of the Guided Retirement Framework to help provide a more structured retirement journey
- RCDC exit route for individuals receiving a pension under a RCDC scheme who changes their mind, enabling them to convert that pension to a drawdown pension within a set period, if the RCDC scheme chooses to provide that option and also to allow for transfers from drawdown funds to RCDC schemes

This will be introduced through the Finance Bill 2027-28 when more detail will be provided.

HMRC changes to definitions when accessing pension benefits due to terminal illness

The definition of serious ill-health will be adapted to allow a serious ill-health lump sum to be paid where a member can *reasonably* be expected to live for less than a year. This will apply to uncrystallised rights regardless of the member's age, and whether the lump sum is taxable or not.

The definition of a registered medical practitioner will also be amended to allow for overseas registered medical practitioners to provide medical evidence of a terminal diagnosis if the scheme member is living in the same country that the registered medical practitioner practices medicine.

These changes will take effect from the date that the Finance Bill 2026/27 receives Royal Assent.

IHT on Pensions

There are two technical amendments to the IHT on Pensions Legislation in the 2026/27 Finance Bill.

The first change is an addition to allow a prospective personal representative to direct pension scheme administrators to pay the IHT due directly to HMRC when certain conditions are met. There will also be consequential changes to the Registered Pension Schemes (Provision of Information) regulations related to prospective personal representative payment notices, and additional minor amendments.

The second legislative change will be to adapt the charitable giving condition to create a new, separate component for pension funds. This will allow those administering an estate to decide whether notional pension property is included in the 'general' component of the estate or as a separate component when

calculating whether the estate meets the conditions to access the reduced 36% rate of IHT for charitable giving.

Death benefits from 28 October 2026; Removal of the two-year rule

With effect from 28 October 2026, payments of tax-free pension and lump sum death benefits made on or after this date will no longer be taxable solely because they are paid more than two years after the pension scheme first knew, or could reasonably have been expected to know, of death.

Legislation to support the change will be introduced through the Finance Bill 2026-27.

Taxation of the Excess Lump Sum Death Benefit

A change is being made to the taxation of death benefits paid to a beneficiary where they exceed the lump sum and death benefit allowance and where the member was under the age 75 on death.

The excess portion will no longer be considered as pension income of the beneficiary. Instead, a tax charge will be applied to their portion of the excess. The effect will be that the same tax will be deducted from the excess, but the excess will not impact any other tax obligations of the beneficiary.

There are a number of different effective dates for this change and will result in transitional provisions similar to those in 2023/24.

The Finance Bill 2026-27 will introduce legislation to enable HMRC to assess and collect tax appropriately.

Pensions Tax Allowance

A Pension Tax Allowance will be introduced from 6 April 2027 to ensure that those over State Pension Age with total income up to the value of the full new State Pension will not have to pay any income tax. It is available in tax years up to 2030.

The value of the Pension Tax Allowance is calculated by applying the basic rate of income tax (20%) to the difference between the full new State Pension and the Personal Allowance.

For individuals with total income above the value of the full new State Pension, the Pension Tax Allowance will be withdrawn at a rate of £1 for every £3 of income above this level meaning it will be fully removed once total income reaches £13,319. The Government will keep the Pension Tax Allowance under review and consider any arrangements beyond 2030 in the usual way.

Investments and tax

Income Tax

The Chancellor confirmed that there will be no increase to dividend tax rates.

The savings rate will now increase by an additional 2% from 6 April 2027, to 24%, 44% and 49% respectively. As chargeable event gains on onshore and offshore bonds are treated as savings income, these new savings rates will apply when calculating the tax liability on those gains. For onshore bonds, the notional basic rate tax credit on chargeable event gains will rise to 24%. Where basic rate tax is deducted at source on interest, this will increase to 24%.

Property income

There will be an additional 2% increase to the rates applying to property income in England, Wales and Northern Ireland, meaning this will rise to 24%, 44% and 49% respectively from 6 April 2027. The UK Government has provided Scotland and Wales with powers to set their own property income tax rates, mirroring their existing income tax powers.

Capital gains tax

The lifetime limit of gains eligible for business asset disposal relief will reduce from £1,000,000 to £500,000 for disposals from April 2027.

ISAs

The planned reduction in the cash ISA limit for under 65s to £12,000 from April 2027 has been abandoned. As a result, adult investors of all ages will now be able to subscribe up to £20,000 in a cash ISA.

The government will work with the financial services industry to explore the introduction of a new incentive for first-time stocks and shares ISA investors, to encourage more people to invest.

Lifetime ISAs

Where a first-time buyer uses their Lifetime ISA savings to purchase a property worth more than the £450,000 property price cap, the withdrawal charge will be reduced from 25% to 20% from 29 October 2026. However, the 25% charge will continue to apply to other unauthorised withdrawals.

First Time Buyer ISA

A new First Time Buyer ISA will be introduced from April 2029. This will replace the LISA for new savers and will offer a 25% government bonus towards the purchase of a first home worth up to £450,000. The bonus will be paid on withdrawal and capped at a maximum of £20,000.

Individuals who already hold a LISA will be able to continue making contributions, with their accounts continuing to operate under the existing rules.

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2027/28 allowances and rates

	Tax year 2027/28	Tax year 2026/27
Income tax – allowances		
Personal Allowance*	£12,570	£12,570
Income limit for personal allowance	£100,000	£100,000
Marriage allowance	£1,260	£1,260
Dividend allowance	£500	£500
Personal savings allowance- basic rate taxpayer	£1,000	£1,000
Personal savings allowance – higher rate taxpayer	£500	£500
Personal savings allowance – additional rate taxpayer	NIL	Nil
* *Reduced by £1 for every £2 of income over £100,000*		
Pensions Tax Allowance (PTA)**	£13,037	N/A
Threshold at which full PTA is removed	£13,319	N/A
***Withdrawn at a rate of £1 for every £3 of income above the eligibility threshold of £13,037.*		
	Tax year 2027/28	**Tax year 2026/27**
Rest of UK income tax – rates		
Basic	20%	20%
Higher	40%	40%
Additional	45%	45%
Scottish income tax – rates* **		
Starter	TBC in Scottish Budget	19%
Basic	TBC in Scottish Budget	20%
Intermediate	TBC in Scottish Budget	21%
Higher	TBC in Scottish Budget	42%
Advanced	TBC in Scottish Budget	45%

Top	TBC in Scottish Budget	48%
Welsh income tax – rates		
Basic	TBC in Welsh Budget	Rest of UK rates apply
Higher	TBC in Welsh Budget	Rest of UK rates apply
Additional	TBC in Welsh Budget	Rest of UK rates apply
	Tax year 2027/28	**Tax year 2026/27**
Savings rates		
Starting rate – limit first £5,000 of savings income	0%	0%
Savings rate – basic rate	24%	20%
Savings rate – higher rate	44%	40%
Savings rate – additional rate	49%	45%
Dividend rates		
Ordinary rate	10.75%	10.75%
Upper rate	35.75%	35.75%
Additional rate	39.35%	39.35%

	Tax year 2027/28	**Tax year 2026/27**
Rest of UK (including Wales) income tax - bands		
Basic rate	£1 - £37,700	£1 - £37,700
Higher rate	£37,701 - £125,140	£37,701 - £125,140
Additional rate	Over £125,140	Over £125,140
Scottish income tax – bands* **		
Personal allowance	TBC in Scottish Budget	Up to £12,570
Starter rate	TBC in Scottish Budget	£12,571 to £15,397
Basic rate	TBC in Scottish Budget	£15,398 to £27,491
Intermediate rate	TBC in Scottish Budget	£27,492 to £43,662

Higher rate	TBC in Scottish Budget	£43,663 to £75,000
Advanced	TBC in Scottish Budget	£75,001 to £125,140
Top rate	TBC in Scottish Budget	Over £125,140

Rate applicable to discretionary trusts		
Trust rate	45%	45%
Dividend rate	39.35%	39.35%
Property trust rate	49%	N/a
Savings trust rate	49%	N/a

	Tax year 2027/28	**Tax year 2026/27**
Pensions tax		
Lump Sum Allowance	£268,275	£268,275
Lump Sum Death Benefit Allowance	£1,073,100	£1,073,100
Overseas Transfer Allowance	£1,073,100	£1,073,100
Annual allowance****	£60,000	£60,000
Money purchase annual allowance	£10,000	£10,000
**** Reduced by £1 for every £2 of adjusted income above £260,000, to a minimum of £10,000.		

Capital gains tax		
Annual exemption (individuals and personal representatives)	£3,000	£3,000
Annual exemption (trustees)	£1,500	£1,500
Basic rate	18%	18%
Higher rate	24%	24%
Trust rate	24%	24%

Inheritance tax		
Rate	40%	40%
Nil rate band	£325,000	£325,000
Residence nil rate band	£175,000	£175,000
ISA thresholds		
Maximum investment	£20,000	£20,000
Lifetime ISA	£4,000	£4,000
Junior ISAs	£9,000	£9,000
	Tax year 2027/28	**Tax year 2026/27**
Class 1 National insurance thresholds		
Weekly Lower earnings limit (LEL)	£133	£129
Weekly Primary threshold (PT)	£242	£242
Weekly Secondary threshold (ST)	£96	£96
Class 1 National insurance rates		
Employee contribution rates		
Below LEL	0%	0%
Between LEL and PT	0%	0%
Between PT and UEL	8%	8%
Above UEL	2%	2%
Employer contribution rates		
Below ST	0%	0%
Above ST*****	15%	15%
***** Special rules for under 21 years old and apprentices under 25 years old		



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RTL507346/10/26