RESEARCH

BRIEFING NOTE

Autumn 2026 Budget

savills

Rural – UK – November 2026

Implications for the rural sector

In brief

Chancellor John Healey announced the Budget on 28 October, opening with the statement that "this is a Budget for the working people of Britain". The Budget sets out the government's intentions for tax measures; they are then subject to the Finance Bill legislation process before enactment.

The commitments provide some short-term relief for the rural sector through the red diesel duty cut extension, a temporary suspension of fertiliser import tariffs and kerosene heating oil tariffs and continued support on fuel costs. Some businesses will benefit as Small Business Rates Relief thresholds increase, but higher statutory minimum pay rates will add costs.

Further pressures for some rural businesses are due to come from higher taxation of property income and a reduction in the business asset disposal relief (BADR) lifetime limit. The Budget set out a Fiscal Devolution Roadmap and this is certainly one to watch for the rural sector as local and strategic authorities will have greater control over future funding. There was no mention of the Agricultural Property Relief and Business Property Relief reforms. We will delve into the details, as far as we know, of the announcements most relevant to rural business owners.

Energy

Clean power and the net zero by 2050 target remain government commitments, with a focus on energy costs and security.

- Clean power generation – buy and build new projects where they can lower bills and connect to the grid.
- Contracts for Difference – explore fixed-price contracts for some existing renewable generation.
- Grid and institutional reform – deliver grid infrastructure more quickly and cheaply.

AI, data centres and security - around £500 million of additional investment to strengthen sovereign AI capability and safety alongside new measures of support.

- New data centre covenant – requirements including protecting local water supplies, meeting environmental and security standards.
- Access to grid connections where appropriate.
- New AI challenge prize to find new innovative AI solutions.

Business support

Fertiliser and kerosene heating oil import tariffs are temporarily suspended. This applies to fertiliser from 26 November 2026 until 31 December 2027 and kerosene heating oil until December 2028. The intention of the Treasury is to lower production costs for UK agriculture.

The fertiliser import tariff suspension is separate from the incoming Carbon Border Adjustment Mechanism (CBAM); it removes one element of the import cost while CBAM addresses the carbon content of relevant imports. The actual farmgate benefit will depend on global prices, exchange rates and how much of the tariff saving is passed through the supply chain. For more information about CBAM, please see our briefing note.

The red diesel duty cut (3.7p-per-litre reduction) has been extended until 1 July 2027. The Treasury specifically identifies agriculture as one of the sectors benefiting. The road fuel duty cut (5p) and fuel-duty freeze have also been extended until 1 July 2027. The existing HGV road-tax holiday is also maintained until then.

The temporary 55p-per-mile tax-free mileage rate for the first 10,000 business miles becomes permanent, while the rate above 10,000 miles rises from 25p-per-mile to 35p-per-mile from April 2027. This could impact rural professional services and land-based businesses where staff travel significantly in their own vehicles.

The Small Business Rates Relief threshold will increase from £12,000 to £18,000 for 100% relief and from £15,000 to £21,000 for tapered relief. This will apply to qualifying retail, hospitality and leisure properties in England from April 2027.

Small alcohol producers (annual production no more than 4,500 hectolitres of pure alcohol, with less than half of production made under licence) will receive additional support through the Small Producer Relief (SPR) regime from February 2027. The relief provides a discount on Alcohol Duty for eligible producers of products below 8.5% ABV. This could benefit some small rural producers.

There is a change to capital allowances, benefiting new investment but reducing writing-down allowances, with the main changes being:

- The main-rate first year allowance rises from 40% to 50% for qualifying expenditure incurred from 1 January 2027.
- The main-rate writing-down allowance falls from 14% to 12% from April 2027.
- Full expensing is maintained.

The direction is to front-load the tax incentive for new investment, while making the subsequent writing-down regime somewhat less generous. The benefit will depend upon the business structure and the asset concerned.

Increased rates

A cut in the lifetime limit for Business Asset Disposal Relief (BADR) from £1 million to £500,000 from April 2027 was announced. This could matter for farmers, rural entrepreneurs, or owners of diversified businesses that dispose of qualifying business interests. Its role within succession plans should be reviewed as the changes reduce the amount of qualifying capital gains that can benefit from lower capital gains tax rates over an individual's lifetime.

Income tax on property income increases by another two percentage points from 6 April 2027. That adds to the two-point increase announced in Budget 2025. Consequently, estates and individuals deriving significant taxable income from residential or other property will need to review this carefully. The impact will depend heavily on how property is owned and the income is received.

From 1 April 2027, the National Living Wage rises by 3.9% to £13.21 an hour, while the 18–20 National Minimum Wage also rises by 3.9% to £11.27. While positive for rural workers, it is another cost increase for labour-intensive businesses.

Devolution

The Budget set out a Fiscal Devolution Roadmap, involving several announcements that fundamentally give greater local control over decisions and funding. The sentiment was that more money would be raised locally and spent locally, with new powers given to the people who know their areas best to drive growth. Some of the measures announced include:

- 20% of locally raised business rates to be retained by Mayoral Strategic Authorities from April 2027.
- 100% of business rates income to be retained by local and regional authorities by the end of the decade.
- Mayors will receive an assigned share of income tax receipts from 2028.
- New powers, subject to legislation, for all strategic authorities to introduce an overnight visitors' levy.
- Good Growth Funds for mayors and local leaders to provide greater funding to support local investment and regeneration.

The challenge will be whether the rural sector is adequately reflected within strategic authorities' investment plans. There will be guidance published in early 2027 to help ensure devolution works effectively for rural places.

Environment

The Regulating for Growth Bill will establish new powers to allow existing rules to be temporarily adapted to test new technologies and approaches – one example specified is 'optimising environmental regulation,' which looks to explore testing more efficient approaches to the delivery of environmental regulation and the management of rural land and natural resources to reduce administrative burdens while maintaining environmental protections and standards.

Residential brownfield development sites (up to 1.5 hectares in England) will be exempt from Biodiversity Net Gain (BNG) requirements – full details, including timelines, will be published in due course. In addition, BNG will become mandatory for nationally significant infrastructure projects from November 2026.

Additional announcements

- Suspension of import tariffs on 101 food products until December 2028. The challenge is the competitiveness of UK food products.
- New pension tax allowance (from April 2027) whereby income tax is not payable on pensioners' income if the total income is no higher than the full new State Pension.
- A £100 energy payment for council tax bands A- D in England will be paid by local authorities in January 2027.
- Temporary VAT cut on electricity bills will be extended to 1 July 2027.
- Gas standing charges are to be abolished by the end of 2027, although it is likely energy suppliers will be able to recover costs through gas unit rates instead.
- Zero rate of VAT for land sold to registered social housing providers from 1 April 2027.

Defra expenditure limits

The Budget outlined expenditure limits for Defra, and while it does not necessarily equate to a cut for the farming element of the Defra budget (currently £2.7 billion), it highlights continued pressure on Defra's operational and programme spending, exacerbated by inflation.

DEFRA BUDGET (£ billion)

	2025-26	2026-27	2027-28	2028-29
RDEL	4.8	4.8	4.8	4.7
CDEL	2.5	2.7	2.7	2.6
Total budget	7.3	7.5	7.5	7.3

Source: Gov.uk
RDEL – Resource departmental expenditure limits. Defra's day-to-day spending and programme delivery.
CDEL – Capital departmental expenditure limits. Defra's longer-term investment in infrastructure and other capital assets.

What next

Many of the tax announcements require enabling legislation, through which the specific details will emerge and their impact can be accurately assessed. However, rural businesses can start planning for the changes, especially where they result in higher costs or where business structure affects the impact.

A watchful eye will be kept on devolution, the impact and opportunities for the rural sector. As more decisions will sit with local and strategic authorities, the rural sector could be well placed to support the achievement of growth ambitions.

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