Build Research



AFTER THE BUDGET:

WHAT IT MEANS FOR SMALL AND MEDIUM-SIZED BUSINESSES

A briefing for business leadership teams

A BuildResearch Budget Briefing

AFTER THE BUDGET:
WHAT IT MEANS FOR SMALL AND MEDIUM-SIZED BUSINESSES

A briefing for business leadership teams

View and Contact Us

Website - https://buildresearch.co.uk/

LinkedIn - https://www.linkedin.com/company/113242321

Instagram - https://www.instagram.com/buildresearchclients/

Contact Us: buildresearchclients@outlook.com

BuildResearch Limited

October 2026

Final

BUDGET BRIEFING

After the Budget: what it means for small and medium-sized businesses

We have produced this Budget briefing for our clients from the small and medium-sized business sectors. Our aim is to set out the pressures these businesses faced going into the October 2026 Budget, explain clearly what the Budget delivered for them and when each measure takes effect, and give leadership teams a practical view of their prospects and the actions they can take now. In addition to this business briefing, we will publish a Post-Budget Checklist to help our clients, and the wider business community of which we are a part, act to future-proof themselves and their businesses.

Where small and medium-sized businesses stood before the Budget

Small and medium-sized businesses went into the Budget under sustained cost pressure. The British Chambers of Commerce's Quarterly Economic Survey of over 4,300 firms, 92% of them SMEs, found turnover confidence improving but investment stuck: only 17% planned to increase investment, a post-pandemic low. Inflation (60%) and taxation (52%) were the leading concerns, and labour costs were the main reason firms expected to raise prices.

Energy dominated cost concerns. In early October the ONS reported that 72% of businesses were concerned about energy prices and 73% about fuel prices, the highest levels since those questions were introduced. Late payment remained a drag on cash flow, costing the economy an estimated £11 billion a year. Business groups asked for broad help: wider business rates relief (the FSB sought a £25,000 Small Business Rate Relief threshold), support with energy bills, and lower employment costs.

What the Budget delivered

The Budget offered targeted help rather than broad relief.

- **Business rates:** from April 2027, retail, hospitality and leisure properties in England get full Small Business Rate Relief up to £18,000 of rateable value (from £12,000), tapering to £21,000, plus a two-year real-terms freeze on their bills. Other sectors get no new relief.

- **Energy:** the British Industrial Competitiveness Scheme will cut electricity bills by up to 25% for over 10,000 eligible manufacturers from April 2027. Most other firms get only the fuel duty cut, extended to 1 July 2027, and higher mileage rates (see the Costs section of our Post-Budget Checklist).

- **Employment:** the National Living Wage rises 3.9% to £13.21 an hour from April 2027, with no change to employer National Insurance.

- **Investment:** the main-rate first-year capital allowance rises to 50% for spending from 1 January 2027, but the main writing-down capital allowance falls to 12% from April 2027.

- **Owners and founders:** the Business Asset Disposal Relief lifetime limit halves to £500,000 from April 2027, though the Treasury says three-quarters of claimants will still receive relief on their whole gain. A new Founders' Relief (10% on up to £10 million of gains, design under consultation), a doubled EMI2[1] option limit and a £3,000 Trading Allowance target start-ups and scale-ups.

---

1 EMI2 is the new name for the Company Share Option Plan (CSOP), a tax-advantaged scheme that lets a company give employees options to buy its shares at today's market value. When the scheme's conditions are met, employees pay no Income Tax or National Insurance on the options, and any gain is normally taxed as a capital gain when the shares are sold. It is aimed at growing companies that have moved beyond, or do not qualify for, the original Enterprise Management Incentive (EMI) scheme. From 6 April 2027, the limit on options each employee can hold doubles from £60,000 to £120,000, the exercise period extends from 10 to 15 years, and the limit no longer reduces what employees can receive under EMI (Budget 2026, para 6.255).

- **Compliance:** from October 2027, online marketplaces will collect VAT for UK sellers with more than £90,000 of marketplace sales (personal sales through marketplaces aren't affected), and HMRC gains stronger collection powers.

- **Finance:** the British Business Bank gets £5 billion of extra capacity, and a Scale UK Connect pilot will support 200 high-growth firms.

Scale UK Connect

Delivered free by London & Partners for the Department for Business, Innovation, Science and Trade, with local partners in Greater Manchester, the West Midlands, Scotland, Yorkshire and the South West, the pilot offers a business diagnostic and growth plan, specialist expertise, peer learning, introductions to investors, customers and corporate partners, and international market visits.

It is open to firms registered and based in the UK with at least £2 million of annual turnover and/or investment, at least 10 employees including founders, and ambitions to scale or expand internationally.

Firms can register interest at business.gov.uk/campaign/scale-uk/connect.

- **The bank surcharge:** a tax on bank profits used to fund household energy support doubles to 6% for 15 months from January 2027.

Prospects

For most SMEs the Budget changes little in the short term.

The BCC judged that “most businesses won’t notice this budget at all”, and the OBR expects growth to slow to 1.0% in 2027. The two biggest pressures, energy and wages, are largely unaddressed outside manufacturing and the high street; the FSB, IoD and CBI all said help with energy and hiring costs was missing. Advisers caution that Founders’ Relief may reach few firms, and the BCC warned that the bank surcharge could affect the price and availability of credit.

The more useful reading is about timing. Most measures start in January or April 2027, giving leadership teams a planning window of about five months. Firms that act early on eligibility, capital spending, pay and succession can capture most of the value on offer.

Beyond the Budget, the Small Business Protections Bill, now before Parliament, would cap payment terms from large customers at 60 days, make interest on late payments compulsory and give the Small Business Commissioner powers to fine persistent late payers. It is not expected to take effect until 2027, but it could do more for many SMEs’ cash flow than any single Budget measure.

Thoughts for leadership teams

- **Plan 2027–28 as a cost year.** Budget for the wage rise and its knock-on effect on pay differentials, and assume energy stays expensive.

- **Treat April 2027 as a deadline.** Rates relief, capital allowances, Business Asset Disposal Relief, share schemes and the minimum wage all change around that date.

- **Look locally.** Mayors and local authorities are gaining powers and funds, including Good Growth Funds, local apprenticeship services and AI adoption pilots. Building relationships now will matter to be familiar with both local mayors and their teams and the actual initiatives.

We will be publishing a Post-Budget Checklist to help business leaders and their teams navigate their way through the outcomes and impacts of the October 2026 Budget.

This briefing is general information, not tax, legal or financial advice. Leadership teams should take professional advice before acting.

Sources

1 HM Treasury, Budget 2026 (HC 726), 28 October 2026: paras 2.44, 2.48, 2.53–2.54, 3.5, 3.10, 3.14, 3.18, 3.22–3.24, 4.24, 4.97–4.105, 4.120, 5.22, 6.251, 6.255, 6.257; OBR forecast as reported in the Budget.

2 HM Treasury, “Growth in every postcode” Budget summary, 28 October 2026.

3 British Chambers of Commerce, Quarterly Economic Survey Q3 2026, 7 October 2026; BCC Budget response, 28 October 2026.

4 Office for National Statistics, Business insights and impact on the UK economy, 8 October 2026 (BICS wave 165).

5 HM Government, Entrepreneurship in the UK: Start. Scale. Stay. Prospectus, October 2026 (Scale UK and Scale UK Connect).

6 Business.gov.uk, Scale UK and Scale UK Connect pages, updated 28 October 2026.

7 Department for Business and Trade, Small Business Protections Bill announcement, 19 May 2026; KPMG and Chambers and Partners briefings on the Bill, 2026.

8 2030 Prosperity Alliance, business associations’ Budget asks, October 2026.

9 SMEweb, “Budget 2026: Reaction to the small business measures”, 29 October 2026 (FSB, BCC, IoD, CBI and adviser comments).

ABOUT US

Who we are and what we do

BuildResearch is a UK-headquartered global think tank and research-focused management consultancy — a strategic thought leader that blends rigorous analysis with creative insight to influence and shape government policy, business thinking and solutioning, influence the development of the world's global professions and their sustainability, and influence — for good — our global human society in the 21st century.

We came together to help others create research that genuinely adds value — and to help people see research not as a compliance exercise, but as a strategic, value-creating activity.

BuildResearch partners with companies, universities, professional bodies, public bodies and governments, not-for-profits and international organisations — turning rigorous evidence into influential thought leadership and lasting advantage.

We help our clients generate rigorous, influential research and thought leadership — and we help them strengthen their internal research capabilities through our 360° research design and development consultancy. We work with clients across the UK, Europe, the United States, and Latin America.

Our work enhances profile and reputation, supports commercial advantage, and lifts the strategic value of research across an organisation. We offer a range of consultancy services including:

Research and Thought Leadership — a full-service research and thought-leadership practice that delivers rigorous, evidence-based outcomes, qualitative and quantitative, from first framing to final publication and launch.

Consulting — we help organisations revitalise an existing research function, or build new research capability from the ground up.

Coaching and Development — coaching for individuals and teams to raise research confidence, capability and measurable lasting impact.

Policy Research and Advocacy — independent policy research and advocacy, in our own name and on behalf of clients, sharing our analysis and ideas openly, to enable value creation for people, for economies and for society.

Let's Talk: tell us what you're working on — we'll point you to the right kind of help, whether that's a research project, a consulting engagement, or coaching for your team.

Contact Us through the enquiry form at https://buildresearch.co.uk/contact#enquiry or email buildresearchclients@outlook.com

---

Research that builds *reputation.*

Build Research

Building research that builds reputation.

Website - https://buildresearch.co.uk/

LinkedIn - https://www.linkedin.com/company/113242321

Instagram - https://www.instagram.com/buildresearchclients/

Contact Us: buildresearchclients@outlook.com

This briefing has been prepared by BuildResearch Limited for general information purposes only. It does not constitute tax, legal, financial or other professional advice, and no reliance should be placed upon it for any such purpose. It summarises measures announced in the Budget of 28 October 2026 and commentary published around that date; measures remain subject to legislation, consultation and change, and dates and thresholds stated here may be revised. BuildResearch Limited gives no warranty, representation or undertaking, whether express or implied, as to the accuracy, completeness, reliability or currency of the information contained in this briefing, and accepts no liability whatsoever for any loss or damage, whether direct, indirect or consequential, arising from its use or from any reliance placed upon it. Leadership teams should take professional advice before acting. No part of this publication may be reproduced, stored in a retrieval system, distributed or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of BuildResearch Limited. All rights reserved.

©BuildResearch · October 2026