

Budget 2026: what it means for your business finance

Here is our take on this year's budget and how it changes borrowing costs, tax, energy bills and government-backed lending for UK businesses.

Fortunately most business owners won't face any big tax rises as we've seen before. This summary covers the points to act on if you borrow, lease or plan to do either in the next 12 months.

01

Borrowing costs

The OBR expects the UK to pay £14 billion a year extra in debt interest, and inflation peaks at 3.8% in early 2027. On a £500,000 loan, each 1 percentage point rise adds £5,000 a year in interest.

Check your fixed rate end dates now and price refinancing at least six months early.

02

Asset finance and equipment

Plan equipment purchases around 1 January and 1 April 2027.

The first-year allowance rises from 40% to 50% from 1 January 2027. On £100,000 of qualifying spend, this gives £10,000 more relief in year one, or £2,500 less tax at the 25% corporation tax rate. Companies with full expensing gain nothing extra. The writing-down allowance falls from 14% to 12% from April 2027.

On a £100,000 pool, this costs £500 a year in tax at 25%. Lessors lose the same relief, so expect lease rates on long-life assets to firm up. Confirm the regime which applies to you with your accountant before you sign.

03

Lending and guarantees

More SMEs with limited security gain access to funding.

The Growth Guarantee Scheme expands to support £6.5 billion of extra SME lending over this Parliament.

04**Exports**

UK Export Finance increases SME working capital guarantees, and guarantees of up to £15 million become quicker for lenders to access.

A new SME export scheme for smaller loans starts in 2027. The Flexible Finance pilot offers up to £5 billion of guarantees for overseas buyers who buy from UK suppliers.

05**Working capital and invoice finance**

Energy-intensive manufacturers get a 20% to 25% electricity discount from April 2027, covering about 10,000 firms. A manufacturer paying £500,000 a year for electricity saves £100,000 to £125,000.

The National Living Wage will increase to £13.21 an hour from April 2027, which will add £9,100 a year to the wage bill for a team of 10 full-time staff.

The Budget also promises action on late payments but sets no measure, so invoice finance remains a practical tool for cashflow.

06**Owners and exits**

Owners planning a sale should act before 6 April 2027.

Business Asset Disposal Relief's lifetime limit falls from £1 million to £500,000 from 6 April 2027. Gains above the limit lose the 18% rate, so timing a completion will matter.

OUR THOUGHTS

Budget 2026 will not make borrowing cheap, and I would not tell you otherwise.

The government is putting real money behind lending to small firms, and this gives you options you did not have a year ago. The businesses that do well out of this budget are the ones planning early.

If you expect to buy equipment, sell the business or refinance in the next year, talk to us now. Good finance decisions get made before the deadline, not on it.