Budget reaction: Budget brings new complexity and bear traps

Briefings

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While some Budget measures simplify, others make the tax system more complex, warn CIOT and ATT.

Budget 2026 does little overall to simplify the tax system, said Ellen Milner, CIOTs Director of Public Policy, citing a tweaked personal allowance for pensioners, changes to investment reliefs and a further widening of the gap between how income from work and income from property and savings are taxed. Each measure may have its merits, but the overall effect is to add to the complexity of the tax system, she warned.

The CIOTs Low Incomes Tax Reform Group (LITRG) put the spotlight on the new Pension Tax Allowance, welcoming itbut warning that it may present complexity for some. Antonia Stokes, Senior Manager at LITRG, said that operating the allowance as a tax reducer rather than a top-up to the personal allowance was arguably fairer,

but could make it more difficult for pensioners to understand.

Jon Stride, chair of the ATTs Technical Steering Group, had similar concerns about the allowance, saying thatitrisks creating another layer of complexity. In the longer term, we would like to see a tax system where problems like this are addressed through a coherent approach to thresholds and allowances, rather than requiring the creation of additional reliefs and tapers, he added.

The new Founders Relief, which will sit alongside Business Asset Disposal Relief and Investors Relief, also risks increasing complexity, CIOT warned, unless there is a clear vision for what each is intended to achieve, how they interact and the behaviours the government wants each one to encourage. Technical Officer Ruth Sadlieralso stressed the importance of designing the new relief without the beartraps that catch investors out on some existing reliefs.

However, there were some simplifications to be found in the Budget. For example, the ATT praised the governments decision to remove the R&Dclaim notification form. Businesses carrying out genuine qualifying research and development should not lose the opportunity to claim tax relief simply because they have missed an additional administrative deadline, said the Associations Jon Stride.

CIOT also welcomed a package of measures that were designed to reduce administrative burdens on employers and increase the flexibility of employee share schemes. Sarah Hewson, chair of the Institutes Employment Taxes Committee, was particularly pleased that payments by employers of the Immigration Skills Charge and Certificate of Sponsorship feewill no longer be treated as taxable benefits in kind. The CIOT had called for this to be addressed.