THE VAT CLINIC

UK VAT EDUCATION AND INSIGHT

SPECIAL REPORT

WEDNESDAY 28 OCTOBER 2026

Updated 29 October 2026

UK Budget 2026
VAT Special

Marketplaces, e-invoicing, the reverse charge and other principal VAT measures in brief, from the published Budget documents.

20%	£90,000	1 Oct 2027	1 Apr 2029
Standard rate unchanged	Registration threshold unchanged	Marketplaces to collect VAT on UK sellers' sales (Red Book)	Mandatory e-invoicing for VAT invoices

FOR GENERAL EDUCATION ONLY. NOT ADVICE.

INSIDE THIS REPORT

Contents

	At a glance: what changes and when	3
	Key dates timeline	4
	Often missed	5
01	Online marketplaces	6
02	Energy-saving materials	7
03	Domestic electricity	8
04	EV charge points	9
05	E-invoicing	10
06	E-invoicing digital reporting	11
07	Reverse charge	12
08	Social housing land	13
09	Private hire operators	14
10	Medical deputies	15
11	Direct Debit	16
12	Tour Operators' Margin Scheme	17
13	Donated medicines	17
14	Deposit Return Scheme	18
15	Northern Ireland distance sales	19
16	VAT126 claims	19
17	NHS England	20
18	Correction of errors	21
19	Till fraud and other smaller measures	22
20	Rates and thresholds	23
21	Not announced	24
22	Still to come	25
	About this report, sources and disclaimer	26

INTRODUCTION

The Budget was delivered on Wednesday 28 October 2026. This special edition summarises the VAT measures as set out in the Budget documents published on GOV.UK that afternoon: the Budget 2026 document (the "Red Book"), HMRC's Overview of Tax Legislation and Rates (OOTLAR) and its Annex A, and the consultation responses, roadmap and calls for evidence published alongside them. VAT rates and thresholds are unchanged. The main changes are mandatory e-invoicing from April 2029, an extension of online marketplace liability to UK sellers, a narrower reverse charge on services from overseas, a short extension of the 0% rate on domestic electricity and a new zero rate for land sold to social housing providers. Tax information and impact notes (TIINs) have since been published for online marketplace liability, e-invoicing, the reverse charge, medical deputies, donated medicines, the correction of errors and low-value imports, and HMRC has published Revenue & Customs Briefs 12 and 13 (2026) and an updated VAT Notice 701/19. Many measures depend on legislation that has not yet been published.

MAIN TOPICS

- Rates and thresholds unchanged
- Mandatory e-invoicing for VAT invoices from 1 April 2029
- Online marketplaces to collect VAT on UK sellers' sales from October 2027, and the reverse charge limited to VAT-registered customers
- Domestic electricity, energy-saving materials and social housing land
- Private hire, health, travel and other measures, often-missed items, what was not announced, and what is still to come

AT A GLANCE

What changes and when

MEASURE	WHEN	SECTION
E-invoicing for VAT invoices	1 April 2029	05
Online marketplace liability for UK sellers	Announced for 1 October 2027; to be set by regulations	01
Reverse charge limited to VAT-registered customers	April 2027	07
Domestic electricity 0% rate extended	To 30 June 2027	03
Energy-saving materials back to 5%; heat batteries added	1 April 2027	02
Zero rate for land sold to social housing providers	1 April 2027	08
Direct Debit instruction for VAT return liabilities	April 2029	11
Private hire operators treated as the supplier	2 January 2028	09
Public and workplace EV charge points: 20%	1 November 2026	04
Medical deputies exemption removed (medical-care exemption retained where applicable)	1 May 2027	10
Donated medicines zero rate	Donations on or after 23 June 2026	13
Duty to correct errors	1 April 2028	18
Till fraud: software standards	Technical consultation summer 2027	19
E-invoicing digital reporting consultation	Closes 20 January 2027	06
TOMS call for evidence	Closes 31 January 2027	12
Deposit Return Scheme: VAT on unreturned deposits	October 2027	14
Northern Ireland distance sales (ViDA)	1 January 2027	15
VAT126 enabling powers	Royal Assent to Finance Bill 2026-27	16
NHS England consequential amendments	Date to be set in regulations	17

Dates are as given in the Budget documents. Several depend on legislation still to be published.

KEY DATES

The road from Budget day to 2029



2026

23 Jun 2026	1	**Donated medicines zero rate**	Donations on or after 23 June 2026
1 Nov 2026	2	**Public and workplace EV charge points: 20%**	1 November 2026

2027

1 Jan 2027	3	**Northern Ireland distance sales (ViDA)**	1 January 2027
20 Jan 2027	4	**E-invoicing digital reporting consultation**	Closes 20 January 2027
31 Jan 2027	5	**TOMS call for evidence**	Closes 31 January 2027
Apr 2027	6	**Reverse charge limited to VAT-registered customers**	April 2027
1 Apr 2027	7	**Energy-saving materials back to 5%; heat batteries added**	1 April 2027
1 Apr 2027	8	**Zero rate for land sold to social housing providers**	1 April 2027
1 May 2027	9	**Medical deputies exemption removed (medical-care exemption retained where applicable)**	1 May 2027
30 Jun 2027	10	**Domestic electricity 0% rate extended**	To 30 June 2027
Summer 2027	11	**Till fraud: software standards**	Technical consultation summer 2027
1 Oct 2027	12	**Online marketplace liability for UK sellers**	Announced for 1 October 2027; to be set by regulations
Oct 2027	13	**Deposit Return Scheme: VAT on unreturned deposits**	October 2027

2028

2 Jan 2028	14	**Private hire operators treated as the supplier**	2 January 2028
1 Apr 2028	15	**Duty to correct errors**	1 April 2028

2029

1 Apr 2029	16	**E-invoicing for VAT invoices**	1 April 2029
Apr 2029	17	**Direct Debit instruction for VAT return liabilities**	April 2029

DATES STILL TO BE SET

- **VAT126 enabling powers**: Royal Assent to Finance Bill 2026-27
- **NHS England consequential amendments**: Date to be set in regulations

Dates are as given in the Budget documents. Several depend on legislation still to be published.

PANEL

Often missed

Some less-reported VAT measures in the Budget documents, each covered below:

- **Medical deputies**: the exemption is removed from 1 May 2027. Medical-care exemption retained where applicable.
- **Donated medicines**: a new zero rate, backdated to 23 June 2026.
- **Public and workplace EV charge points**: 20%, from 1 November 2026, to be confirmed in Finance Bill 2026-27 as a clarification rather than a rate rise.
- **E-invoicing digital reporting**: the consultation closes on 20 January 2027.
- **TOMS**: no change now; a call for evidence on the scheme's future closes on 31 January 2027.
- **Deposit Return Scheme**: VAT on unreturned deposits moves to the Deposit Management Organisation from October 2027.
- **Northern Ireland distance sales from the EU**: technical changes from 1 January 2027.
- **VAT126 refund claims**: enabling powers only, from Royal Assent.
- **Abolition of NHS England**: consequential amendments from a date to be set in regulations.
- **Correction of errors**: from 1 April 2028, a duty to correct inaccuracies in specified returns and documents once found, while HMRC is within the assessment time limits (or to notify HMRC where direct correction is not available).
- **Till fraud**: mandatory software standards for till and point-of-sale systems are planned; details to follow.

HOW TO READ EACH SECTION

In brief

The summary from our Budget circular.

The issue and the outcome

The background, and what the Budget documents say.

Impact in context

Who the measure is relevant to, in general terms.

Official sources

Links to GOV.UK and legislation.gov.uk.

01

ONLINE MARKETPLACES

Online marketplaces to collect VAT on sales by UK businesses from October 2027

Announced for 1 October 2027; to be set by regulations

IN BRIEF

Online marketplaces will collect VAT on UK sellers' sales. This covers UK VAT-registered sellers, and other UK sellers once their sales on a platform exceed £90,000 a year. It applies where the goods are in the UK at the time of sale. Personal (non-business) sales, second-hand goods and business-to-business sales are not covered. The Red Book gives "from 1 October 2027"; the start date and threshold will be set in regulations in 2027. Details to follow.

THE ISSUE

The online marketplace liability rules have applied to overseas sellers since 2021. HM Treasury and HMRC consulted, from 23 June to 18 August 2026, on extending them.

THE OUTCOME

The rules will be extended to UK businesses. Marketplaces will be responsible for collecting VAT on sales by UK VAT-registered businesses, whatever their sales on the platform, and on sales by any other UK business once its annual sales on that platform exceed a "minimum platform threshold" of £90,000. The rules will not apply to personal (non-business) sales, second-hand goods or business-to-business sales. The summary of responses says there will be no separate VAT rate relief for sellers below the threshold, that the platform threshold does not change a business's own registration obligations, and that more time will be taken on how the Flat Rate Scheme will work with the new rules. HMRC's impact note says the rules apply where the goods are in the UK at the time of sale. The Red Book (Table 6.1) gives "from 1 October 2027", but OOTLAR says the threshold and start date will be set in regulations in 2027: details to follow.

IMPACT IN CONTEXT

Responsibility for collecting the VAT moves from many individual UK sellers to a smaller number of platforms, so the main practical change sits with the marketplaces' systems and with how sellers' sales and records are reported through them. For the new marketplace collection obligation only, smaller unregistered sellers are affected once their sales on a given platform pass the £90,000 platform threshold; the VAT registration rules themselves are not changed by this measure, and personal, second-hand and business-to-business sales are outside the extension. How the Flat Rate Scheme will interact with the new rules, and the final start date and threshold, are not yet settled.

WHAT BUSINESSES MAY WISH TO LOOK OUT FOR

- The change is relevant to online marketplaces and to UK retailers and other sellers that trade through them. The consultation covered takeaway food delivery platforms among others.

OFFICIAL SOURCES

OOTLAR 1.55, VAT Online Marketplace Liability (OMPL) extension
gov.uk/government/publications/budget-2026-overview-of-tax-legislation-and-rates-ootlar/budget-2026-overview-of-tax-legislation-and-rates-ootlar

- Red Book, “Ensuring everyone pays what they owe”, and Table 6.1
  gov.uk/government/publications/budget-2026-document/budget-2026-html#ensuring-everyone-pays-what-they-owe
- HM Treasury and HMRC, Extending online marketplace liability to combat non-compliance (summary of responses)
  gov.uk/government/consultations/extending-online-marketplace-liability-to-combat-non-compliance
- HMRC, VAT online marketplace liability extension (tax information and impact note)
  gov.uk/government/publications/vat-online-marketplace-liability-extension

02

ENERGY-SAVING MATERIALS

Energy-saving materials go back to 5% from 1 April 2027, and heat batteries are added

1 April 2027

IN BRIEF

Energy-saving materials. The rate goes back to 5% from 1 April 2027, as planned, and heat batteries are added to the relief only when installed in residential accommodation or charity buildings.

THE ISSUE

The temporary zero rate for installing energy-saving materials applies to supplies made before 1 April 2027 (VATA 1994 Schedule 8, Group 23, Note 3).

THE OUTCOME

As planned when the zero rate was introduced in 2022, the rate goes back to 5% from 1 April 2027. Secondary legislation will add heat batteries to the qualifying materials only when installed in residential accommodation or in buildings used by charities in the UK.

IMPACT IN CONTEXT

The return to 5% was already scheduled, so for installers and households the main effect is a higher VAT cost on qualifying installations from 1 April 2027 compared with the zero rate. Heat batteries join the relief only in residential accommodation and charity buildings, so installations in other commercial premises remain outside it.

WHAT BUSINESSES MAY WISH TO LOOK OUT FOR

- The change is relevant to installers of insulation, heat pumps, solar panels and similar measures, and to their homeowner and charity customers.

OFFICIAL SOURCES

- OOTLAR 2.22, Energy-Saving Materials (ESM) VAT relief
  gov.uk/government/publications/budget-2026-overview-of-tax-legislation-and-rates-ootlar/budget-2026-overview-of-tax-legislation-and-rates-ootlar
- Red Book, “Transport and environmental taxation”
  gov.uk/government/publications/budget-2026-document/budget-2026-html#transport-and-environmental-taxation

VAT Act 1994, Schedule 8
legislation.gov.uk/ukpga/1994/23/schedule/8

03

DOMESTIC ELECTRICITY

The 0% rate on domestic electricity is extended to 30 June 2027

To 30 June 2027

IN BRIEF

Domestic electricity. The temporary 0% rate on domestic electricity is extended in Great Britain to 30 June 2027 (5% from 1 July). HMRC's updated VAT Notice 701/19 (28 October 2026) confirms the dates. Northern Ireland stays at 5% for now; relief is expected from April 2027, details to follow. Public and workplace EV charge points: 20%, from 1 November 2026, to be confirmed in Finance Bill 2026-27 as a clarification rather than a rate rise.

THE ISSUE

The temporary 0% rate on qualifying electricity supplies, introduced on 1 October 2026, was due to end on 31 March 2027, with qualifying supplies returning to the 5% reduced rate.

THE OUTCOME

The relief is extended in Great Britain for three more months: the 0% rate applies to qualifying supplies up to 30 June 2027, and the 5% rate applies again from 1 July 2027. HMRC's updated VAT Notice 701/19 (28 October 2026) confirms the temporary zero rate applies from 1 October 2026 to 30 June 2027 in Great Britain. Secondary legislation will be laid in early 2027. The Red Book expects the extension to take around £50 off the annual Ofgem price cap in April 2027, and says that "Extended VAT relief is expected to apply in Northern Ireland from April 2027". For now, Notice 701/19 confirms that "In Northern Ireland, qualifying supplies of electricity remain liable to VAT at the reduced rate of 5%". How the relief will work in Northern Ireland: details to follow.

IMPACT IN CONTEXT

In Great Britain the extension keeps domestic electricity bills free of VAT for three more months, until 30 June 2027, which affects energy suppliers' billing and the timing of the return to 5%. For Northern Ireland the position differs: the rate stays at 5% for now, with relief expected from April 2027 and the detail not yet published.

WHAT BUSINESSES MAY WISH TO LOOK OUT FOR

- HMRC guidance on bills that span 1 July 2027: details to follow.
- The change is relevant to households and other qualifying electricity users, and to energy suppliers.

OFFICIAL SOURCES

OOTLAR 2.20, Extending the Temporary 0% VAT rate for Domestic Electricity
gov.uk/government/publications/budget-2026-overview-of-tax-legislation-and-rates-ootlar/budget-2026-overview-of-tax-legislation-and-rates-ootlar

- HMRC, VAT on fuel and power (VAT Notice 701/19)
  gov.uk/guidance/vat-on-fuel-and-power-notice-70119
- Red Book, "Supporting households and businesses with energy bills"
  gov.uk/government/publications/budget-2026-document/budget-2026-html#supporting-households-and-businesses-with-energy-bills

04

EV CHARGE POINTS

Public and workplace EV charge points: 20%, from 1 November 2026

1 November 2026

THE ISSUE

Before the Budget there was commentary suggesting a reduced rate for public electric vehicle charging.

THE OUTCOME

The legislation will make clear that electricity supplied through publicly accessible EV charging points is standard-rated (20%) and is not "domestic use" for the Climate Change Levy, from 1 November 2026. HMRC's Revenue & Customs Brief 13 (2026) and VAT Notice 701/19 confirm that this covers both publicly accessible charging points and workplace charging points (those accessible to employees and contractors at their workplace).

WHAT BUSINESSES MAY WISH TO LOOK OUT FOR

- The change is relevant to charge point operators, fleet and workplace charging providers, and EV drivers.

OFFICIAL SOURCES

- OOTLAR 1.82, VAT and Climate Change Levy on Electric Vehicle Charging Deemed not to be for Domestic Use
  gov.uk/government/publications/budget-2026-overview-of-tax-legislation-and-rates-ootlar/budget-2026-overview-of-tax-legislation-and-rates-ootlar
- HMRC, Revenue & Customs Brief 13 (2026)
  gov.uk/government/publications/revenue-and-customs-brief-13-2026-vat-and-climate-change-levy-on-electric-vehicle-charging-for-non-domestic-use
- HMRC, VAT on fuel and power (VAT Notice 701/19)
  gov.uk/guidance/vat-on-fuel-and-power-notice-70119
- Red Book, "Transport and environmental taxation"
  gov.uk/government/publications/budget-2026-document/budget-2026-html#transport-and-environmental-taxation
- HMRC, VAT and Climate Change Levy on EV charging deemed not to be for domestic use (tax information and impact note)
  gov.uk/government/publications/vat-and-climate-change-levy-on-electric-vehicle-charging-deemed-not-to-be-for-domestic-use-public-ev-charging

05

E-INVOICING

Mandatory e-invoicing for VAT invoices from 1 April 2029

1 April 2029

IN BRIEF

E-invoicing from 1 April 2029. From 1 April 2029, VAT-registered businesses and public bodies must be able to receive e-invoices, and must issue a VAT invoice as an e-invoice where the customer is also VAT-registered, unless a specific exemption applies. Sales to consumers and cross-border transactions are outside the requirement. HMRC will be the UK Peppol Authority. The detail will be set in regulations or an HMRC notice. Details to follow. A separate consultation on digital reporting closes on 20 January 2027.

THE ISSUE

HMRC's Transformation Roadmap had already pointed to mandatory e-invoicing for B2B and B2G transactions from April 2029, with an implementation roadmap due at the Budget.

THE OUTCOME

Finance Bill 2026-27 will give HMRC power to make regulations requiring VAT invoices to be issued and received in a prescribed electronic format. HMRC's impact note says detailed requirements will be set in regulations or, where permitted, an HMRC notice (details to follow), and that HMRC will act as the UK Peppol Authority. The implementation roadmap, published with the Budget, says that from 1 April 2029 VAT-registered persons, including public sector bodies, must be able to receive e-invoices, and must issue any VAT invoice as an e-invoice where a VAT invoice is required between UK VAT-registered persons, including public bodies, unless a specific exemption applies. Affected organisations must be able to receive as well as issue e-invoices. Exemptions will be "tightly defined and limited", for example for digitally excluded persons. Sales to consumers and cross-border transactions do not need an e-invoice. E-invoices contain structured data that accounting systems can process automatically; ordinary emailed PDFs do not meet this requirement. Peppol will be the core interoperability framework, and non-established taxable persons will follow the same rules as UK businesses. A separate consultation, "E-invoicing digital reporting", on possible future uses of e-invoice data, runs from 28 October 2026 to 20 January 2027; the government says it "has not taken any decisions" on whether digital reporting should be introduced.

IMPACT IN CONTEXT

The requirement reaches beyond invoicing software: every in-scope organisation, including public bodies, needs to be able to receive e-invoices as well as issue them, so both sides of a transaction are affected. Sales to consumers and cross-border transactions are outside the requirement, and exemptions are described as tightly defined. Much of the operational detail is left to regulations or an HMRC notice that has not yet been published.

WHAT BUSINESSES MAY WISH TO LOOK OUT FOR

- The roadmap milestones: a technical consultation on UK e-invoicing standards in spring 2027; detailed requirements confirmed between October 2027 and April 2028, giving at least 12 months' notice; software provider requirements in spring 2028; readiness testing in summer 2028; infrastructure and governance operational in winter 2028.
- The change is relevant to all VAT-registered businesses and public bodies that issue or receive VAT invoices, and to software providers, accountants and bookkeepers.

OFFICIAL SOURCES

- **OOTLAR 1.58, E-Invoicing Requirements**
  gov.uk/government/publications/budget-2026-overview-of-tax-legislation-and-rates-ootlar/budget-2026-overview-of-tax-legislation-and-rates-ootlar
- **Red Book, "Measures to close the tax gap and modernise the tax system"**
  gov.uk/government/publications/budget-2026-document/budget-2026-html#measures-to-close-the-tax-gap-and-modernise-the-tax-system
- **HMRC, E-invoicing implementation roadmap**
  gov.uk/government/publications/e-invoicing-implementation-roadmap
- **HMRC, VAT electronic invoicing (tax information and impact note)**
  gov.uk/government/publications/vat-electronic-invoicing
- **HMRC, E-invoicing digital reporting (consultation)**
  gov.uk/government/consultations/e-invoicing-digital-reporting

06

E-INVOICING DIGITAL REPORTING

E-invoicing digital reporting: consultation open until 20 January 2027

Closes 20 January 2027

THE ISSUE Alongside the e-invoicing mandate, the government is considering digital reporting of e-invoice data to HMRC.

THE OUTCOME OOTLAR says "a consultation will be launched at Budget 2026 and will run until 20 January 2027". The government says it "has not taken any decisions" on digital reporting yet.

WHAT BUSINESSES MAY WISH TO LOOK OUT FOR

- The consultation closing date of 20 January 2027, and the government's response: details to follow.

OFFICIAL SOURCES

- **OOTLAR 1.58, E-Invoicing Requirements**
  gov.uk/government/publications/budget-2026-overview-of-tax-legislation-and-rates-ootlar/budget-2026-overview-of-tax-legislation-and-rates-ootlar
- **HMRC, E-invoicing digital reporting (consultation)**
  gov.uk/government/consultations/e-invoicing-digital-reporting

07

REVERSE CHARGE

The reverse charge on services from overseas will apply only to VAT-registered UK customers from April 2027

April 2027

IN BRIEF

Reverse charge narrowed from April 2027. The reverse charge on services from overseas will apply only to VAT-registered UK customers. Overseas suppliers will charge UK VAT, on supplies taxable in the UK, to UK businesses that are not registered. HMRC's impact note confirms the change takes effect from 1 April 2027.

THE ISSUE

Under the reverse charge, a UK business customer accounts for VAT on many B2B services received from overseas suppliers.

THE OUTCOME

From April 2027 (Red Book Table 6.1: "from 1 April 2027"), the reverse charge will apply only where the UK business customer is VAT-registered. Where the UK business customer is not VAT-registered, the overseas supplier will have to charge and account for UK VAT itself on supplies taxable in the UK. The Red Book describes this as closing "a loophole". HMRC's impact note confirms the change takes effect from 1 April 2027. The legislation is in Finance Bill 2026-27.

IMPACT IN CONTEXT

The change mainly affects UK businesses that are below the registration threshold or otherwise not VAT-registered and that buy services from abroad: instead of the reverse charge, the overseas supplier is to charge UK VAT on supplies taxable in the UK. For overseas suppliers, identifying whether a UK business customer is VAT-registered (by checking for a UK VAT number) is only part of the change: where they are not already registered, HMRC's impact note says they may need to register for UK VAT, and registered suppliers then keep extra records, submit VAT returns and pay the VAT to HMRC.

WHAT BUSINESSES MAY WISH TO LOOK OUT FOR

- The change is relevant to overseas suppliers of services to UK businesses, and to UK businesses below the registration threshold that buy services from abroad.
- The Budget documents do not separately discuss the effect on businesses with exempt or partly exempt activities.

OFFICIAL SOURCES

OOTLAR 1.59, VAT Reform of the Reverse Charge for B2B Supplies of Services from Overseas
gov.uk/government/publications/budget-2026-overview-of-tax-legislation-and-rates-ootlar/budget-2026-overview-of-tax-legislation-and-rates-ootlar

HMRC, Reform of the business to business reverse charge for supplies of services from overseas (tax information and impact note)
gov.uk/government/publications/reverse-charge-on-supplies-received-from-abroad/reform-of-the-business-to-business-reverse-charge-for-supplies-of-services-from-overseas

Red Book, "Tax administration, modernisation and simplification measures", and Table 6.1
gov.uk/government/publications/budget-2026-document/budget-2026-html#tax-administration-modernisation-and-simplification-measures

08

SOCIAL HOUSING LAND

A new zero rate for land sold to registered social housing providers from 1 April 2027

1 April 2027

IN BRIEF

Social housing land. A zero rate for land sold to registered social housing providers applies from 1 April 2027. The government's summary of responses says the relief will apply to "any land sold to registered providers", rather than depending on how the land is used. Secondary legislation is due in early 2027, and HMRC guidance will follow.

THE ISSUE

HM Treasury and HMRC consulted on the VAT treatment of land for social housing; the consultation closed on 18 August 2026.

THE OUTCOME

Sales of land to registered providers of social housing ("relevant housing associations", as already defined in VAT law) will be zero-rated from 1 April 2027. The government's summary of responses says the relief will target "any land sold to registered providers", rather than depending on the use of the land, and that its intended effect is "to enable a relevant housing association to acquire land before the golden brick stage". Secondary legislation will be laid in early 2027, and HMRC guidance will follow.

WHAT BUSINESSES MAY WISH TO LOOK OUT FOR

- The change is relevant to landowners and developers selling land to housing associations, and to registered providers of social housing in England, Scotland, Wales and Northern Ireland.

OFFICIAL SOURCES

OOTLAR 2.24, VAT: Zero Rate for Land Sold to a Relevant Housing Association
gov.uk/government/publications/budget-2026-overview-of-tax-legislation-and-rates-ootlar/budget-2026-overview-of-tax-legislation-and-rates-ootlar

HM Treasury and HMRC, VAT treatment of land for social housing (summary of responses)
gov.uk/government/consultations/vat-treatment-of-land-for-social-housing/outcome/vat-treatment-of-land-for-social-housing-summary-of-responses

Red Book, "Property taxation", and Table 6.1
gov.uk/government/publications/budget-2026-document/budget-2026-html#property-taxation

HM Treasury and HMRC, VAT treatment of land for social housing (consultation)
gov.uk/government/consultations/vat-treatment-of-land-for-social-housing

09

PRIVATE HIRE OPERATORS

Large private hire vehicle operators to account for VAT on the full fare from 2 January 2028

2 January 2028

IN BRIEF

Private hire operators. From 2 January 2028, operators supplying taxi or private hire transport through an agency arrangement, and above an annual fare turnover threshold, will charge VAT on the full fare. The threshold will be consulted on (£50 million is the lead option): details to follow.

THE ISSUE

The Budget documents set out who is treated as making supplies of taxi and private hire transport arranged through an agent.

THE OUTCOME

The supply will be treated as made by the agent (the operator), not the driver, so the operator must charge VAT on the full fare. This affects operators supplying taxi or private hire transport through an agency arrangement, and applies only above an annual fare turnover threshold, on which the government will consult, with £50 million as the lead option. The legislation is in Finance Bill 2026-27.

IMPACT IN CONTEXT

The change moves the VAT on the full fare onto the larger operators supplying taxi or private hire transport through an agency arrangement, rather than on drivers individually. Which operators are caught depends on the fare turnover threshold, which has still to be consulted on, with £50 million the lead option.

WHAT BUSINESSES MAY WISH TO LOOK OUT FOR

- The threshold consultation is to come "in due course".

OFFICIAL SOURCES

- **OOTLAR 1.77, Deeming of Private Hire Vehicle Operators (PHVOs)**
  gov.uk/government/publications/budget-2026-overview-of-tax-legislation-and-rates-ootlar/budget-2026-overview-of-tax-legislation-and-rates-ootlar
- **Red Book, "Transport and environmental taxation", and Table 6.1**
  gov.uk/government/publications/budget-2026-document/budget-2026-html#transport-and-environmental-taxation
- **HMRC, VAT: supply of certain passenger transport services through agents (tax information and impact note)**
  gov.uk/government/publications/vat-supply-of-certain-passenger-transport-services-through-agents

10

MEDICAL DEPUTIES

Medical deputies: the exemption in Item 5 of Group 7 of Schedule 9 is removed from 1 May 2027

1 May 2027

IN BRIEF

Medical deputies. The VAT exemption for supplying a deputy for a medical practitioner is removed from 1 May 2027. Deputising that is primarily providing medical care stays exempt.

THE ISSUE

Item 5 exempts "a supply of a deputy for a person registered in the register of medical practitioners".

THE OUTCOME

The exemption is removed, so from 1 May 2027 such supplies are standard-rated. Deputising services stay within the medical exemption where they are "primarily providing medical care". The government describes this as restoring the "previously intended position". The legislation is in Finance Bill 2026-27.

IMPACT IN CONTEXT

Only deputising services that are not primarily providing medical care lose the exemption; services of a deputy that primarily provide medical care remain within the medical exemption (OOTLAR 1.56). The change is relevant to medical employment businesses that supply deputies and to those who receive those supplies.

WHAT BUSINESSES MAY WISH TO LOOK OUT FOR

- The change is relevant to locum and medical staffing agencies, GP practices and other healthcare providers that use deputising services.

OFFICIAL SOURCES

- **OOTLAR 1.56, Repeal of Item 5 of Group 7 of Schedule 9 to the VAT Act 1994**
  gov.uk/government/publications/budget-2026-overview-of-tax-legislation-and-rates-ootlar/budget-2026-overview-of-tax-legislation-and-rates-ootlar
- **Red Book, "Tax administration, modernisation and simplification measures", and Table 6.1**
  gov.uk/government/publications/budget-2026-document/budget-2026-html#tax-administration-modernisation-and-simplification-measures
- **VAT Act 1994, Schedule 9**
  legislation.gov.uk/ukpga/1994/23/schedule/9
- **HMRC, VAT: removal of the exemption for a deputy for a medical practitioner (tax information and impact note)**
  gov.uk/government/publications/vat-removal-of-the-exemption-for-a-deputy-for-a-medical-practitioner

11

DIRECT DEBIT

A Direct Debit instruction for VAT return liabilities from April 2029

April 2029

IN BRIEF

Direct Debit from April 2029. A Direct Debit instruction will be needed for VAT return liabilities, subject to exceptions still being worked out. Businesses can still pay another way before the cut-off date; the Direct Debit only collects any unpaid balance. This is a mandatory Direct Debit instruction, not a requirement to pay only by Direct Debit.

THE ISSUE

HMRC consulted, until 16 August 2026, on requiring payment of VAT and PAYE return liabilities by Direct Debit.

THE OUTCOME

Taxpayers will have to set up a Direct Debit instruction for VAT and PAYE return liabilities, subject to defined exceptions. Businesses can still pay by other methods before a specified cut-off date; the Direct Debit will then only collect any unpaid balance. This is a mandatory Direct Debit instruction, not a requirement to pay only by Direct Debit. Red Book Table 6.3 gives "1 and 6 April 2029" for VAT and PAYE respectively.

IMPACT IN CONTEXT

The measure changes how VAT return liabilities are collected rather than how much is due. Businesses keep the option of paying by other methods before the cut-off; the Direct Debit acts as a backstop for any unpaid balance. The defined exceptions and the cut-off date are still to be set.

WHAT BUSINESSES MAY WISH TO LOOK OUT FOR

- The exceptions are still to be worked out with stakeholders, and the legislation will come in a future Finance Bill.

OFFICIAL SOURCES

- **OOTLAR 2.32, Requiring Direct Debit arrangements for VAT and PAYE return liabilities**
  gov.uk/government/publications/budget-2026-overview-of-tax-legislation-and-rates-ootlar/budget-2026-overview-of-tax-legislation-and-rates-ootlar
- **Red Book, "Measures to close the tax gap and modernise the tax system", and Table 6.3**
  gov.uk/government/publications/budget-2026-document/budget-2026-html#measures-to-close-the-tax-gap-and-modernise-the-tax-system
- **HMRC, Requiring payment of VAT and PAYE return liabilities by Direct Debit (response)**
  gov.uk/government/consultations/requiring-paymentof-vat-and-paye-return-liabilitiesbydirect-debit

12

TOUR OPERATORS' MARGIN SCHEME

Tour Operators' Margin Scheme: no change now

Closes 31 January 2027

IN BRIEF

Tour Operators' Margin Scheme. TOMS: no change now. The government has opened a call for evidence (closes 31 January 2027) on the scheme's future. Details to follow.

THE ISSUE

The Tour Operators' Margin Scheme (TOMS) was among the points watched before the Budget.

THE OUTCOME

TOMS: no change now. The government has opened a call for evidence on the scheme's future, running from 28 October 2026 to 31 January 2027. The existing TOMS rules continue to apply. Any changes that follow: details to follow.

WHAT BUSINESSES MAY WISH TO LOOK OUT FOR

- The call for evidence is relevant to tour operators, travel agents, wholesalers and overseas tour operators selling to UK customers.

OFFICIAL SOURCES

- **OOTLAR 2.25, Review of the VAT treatment of travel services including the Tour Operators' Margin Scheme**
  gov.uk/government/publications/budget-2026-overview-of-tax-legislation-and-rates-ootlar/budget-2026-overview-of-tax-legislation-and-rates-ootlar
- **HMRC, VAT treatment of travel services in relation to the Tour Operators' Margin Scheme (call for evidence)**
  gov.uk/government/calls-for-evidence/vat-treatment-of-travel-services-in-relation-to-the-tour-operators-margin-scheme

13

DONATED MEDICINES

A zero rate for donated medicines, effective from 23 June 2026

Donations on or after 23 June 2026

IN BRIEF

Donated medicines. A new zero rate for medicines provided free of charge for qualifying purposes, backdated to 23 June 2026. HMRC's impact note ("VAT zero rate on donated medicines"), OOTLAR 1.57 and the Red Book all give 23 June 2026. The legislation is in Finance Bill 2026-27: details to follow.

THE ISSUE

The Budget documents set out a new zero rate for medicines donated for qualifying purposes.

THE OUTCOME

A new zero rate applies to medicines provided free of charge for a qualifying purpose, including NHS treatment (among others through the Early Access to Medicines Scheme), clinical trials and continued treatment after a clinical trial. It applies to qualifying donations made on or after 23 June 2026, a date before the Budget. HMRC's impact note ("VAT zero rate on donated medicines"), OOTLAR 1.57 and the Red Book all give 23 June 2026. The legislation is in Finance Bill 2026-27: details to follow. HMRC published new VAT Health manual guidance (VATHLT8000 onwards) on 28 October 2026.

WHAT BUSINESSES MAY WISH TO LOOK OUT FOR

- The change is relevant to pharmaceutical companies, the NHS and clinical trial sponsors.

OFFICIAL SOURCES

- **OOTLAR 1.57, VAT Zero Rate on Donated Medicines**
  gov.uk/government/publications/budget-2026-overview-of-tax-legislation-and-rates-ootlar/budget-2026-overview-of-tax-legislation-and-rates-ootlar
- **HMRC, VAT Health manual, VATHLT8000**
  gov.uk/hmrc-internal-manuals/vat-health/vathlt8000
- **HMRC, VAT: introducing a new zero rate on donated medicines (tax information and impact note)**
  gov.uk/government/publications/vat-introducing-a-new-zero-rate-on-donated-medicines

14

DEPOSIT RETURN SCHEME

Deposit Return Scheme: VAT on unreturned deposits from October 2027

October 2027

IN BRIEF

Deposit Return Scheme. From the scheme's launch in October 2027, the Deposit Management Organisation, rather than individual producers, will account for VAT on unreturned deposits.

THE ISSUE

The Deposit Return Scheme is due to launch in October 2027. This measure was announced at Budget 2025 and is not new.

THE OUTCOME

OOTLAR says "The requirement for individual producers to account for VAT on unreturned deposits will be removed, instead this will be done by the Deposit Management Organisation (DMO)", from the scheme's launch in October 2027.

WHAT BUSINESSES MAY WISH TO LOOK OUT FOR

- The change is relevant to producers within the scheme. Operational detail: details to follow.

OFFICIAL SOURCES

OOTLAR 1.52
gov.uk/government/publications/budget-2026-overview-of-tax-legislation-and-rates-ootlar/budget-2026-overview-of-tax-legislation-and-rates-ootlar

HMRC, VAT provisions for Deposit Return Schemes (tax information and impact note)
gov.uk/government/publications/vat-provisions-for-deposit-return-schemes-drs

15

NORTHERN IRELAND DISTANCE SALES

Northern Ireland distance sales from the EU from 1 January 2027

1 January 2027

IN BRIEF

Northern Ireland distance sales. Technical changes for distance sales of goods from the EU to consumers in Northern Ireland take effect from 1 January 2027.

THE ISSUE

OOTLAR lists this under “VAT in the Digital Age” (ViDA), Pillar 3.

THE OUTCOME

OOTLAR 1.54 (“VAT in the Digital Age: Pillar 3”) will “amend Schedule 9ZA to the VAT Act 1994 in respect of distance sales of goods to consumers in Northern Ireland from the EU. The changes will take effect from 1 January 2027.” This is a technical change relevant to businesses making these EU-to-Northern Ireland consumer sales.

WHAT BUSINESSES MAY WISH TO LOOK OUT FOR

No separate impact note appears in the Budget collection. Further detail: details to follow.

OFFICIAL SOURCES

OOTLAR 1.54
gov.uk/government/publications/budget-2026-overview-of-tax-legislation-and-rates-ootlar/budget-2026-overview-of-tax-legislation-and-rates-ootlar

16

VAT126 CLAIMS

VAT126 refund claims: enabling powers from Royal Assent

Royal Assent to Finance Bill 2026-27

IN BRIEF

VAT126 claims. Enabling powers for future powers and safeguards on VAT126 refund claims, from Royal Assent to Finance Bill 2026-27: details to follow.

THE ISSUE

Bodies that are not VAT-registered, such as local authorities, claim VAT refunds on form VAT126.

THE OUTCOME

OOTLAR 1.53 says Finance Bill 2026-27 will include legislation "to enable the future introduction of powers and safeguards for VAT126 claims". The enabling power takes effect from Royal Assent, "after which secondary legislation enabled by the power may be made". These are enabling powers only, with no substantive new rule yet.

WHAT BUSINESSES MAY WISH TO LOOK OUT FOR

- The secondary legislation: details to follow.

OFFICIAL SOURCES

- **OOTLAR 1.53**
  gov.uk/government/publications/budget-2026-overview-of-tax-legislation-and-rates-ootlar/budget-2026-overview-of-tax-legislation-and-rates-ootlar
- **HMRC, VAT refund claims made using form VAT126 (tax information and impact note)**
  gov.uk/government/publications/vat-refund-claims-made-using-form-vat126

17

NHS ENGLAND

Abolition of NHS England: consequential VAT amendments

Date to be set in regulations

IN BRIEF

NHS England. Consequential amendments after the abolition of NHS England keep the existing VAT treatment, from a date to be set in regulations.

THE ISSUE

NHS England is being abolished, and VAT law refers to it.

THE OUTCOME

OOTLAR 1.60 describes "consequential amendments to Schedule 8... following the abolition of NHS England" that "will maintain the existing VAT treatment where appropriate". They take effect from "a future date specified by HM Treasury in regulations".

WHAT BUSINESSES MAY WISH TO LOOK OUT FOR

- The commencement date: details to follow.

OFFICIAL SOURCES

- **OOTLAR 1.60**
  gov.uk/government/publications/budget-2026-overview-of-tax-legislation-and-rates-ootlar/budget-2026-overview-of-tax-legislation-and-rates-ootlar
- **HMRC, VAT changes following the abolition of NHS England (tax information and impact note)**
  gov.uk/government/publications/vat-changes-following-the-abolition-of-nhs-england

18

CORRECTION OF ERRORS

A duty to correct errors in tax returns from 1 April 2028

1 April 2028

IN BRIEF

Correction of errors. From 1 April 2028, a duty to correct inaccuracies in specified returns and documents once found, while HMRC is within the assessment time limits (or to notify HMRC where direct correction is not available), plus a new HMRC Customer Correction Notice.

THE ISSUE

OOTLAR sets out a new framework for correcting errors in tax returns and documents.

THE OUTCOME

Taxpayers will have an obligation to correct inaccuracies in specified returns and documents once they are found, while HMRC is within the assessment time limits; where direct correction is not available, they may notify HMRC instead. HMRC will gain a power to issue a "Customer Correction Notice" where it suspects an inaccuracy; under HMRC's detailed proposals, the taxpayer would then have to respond, including by correcting the inaccuracy, making a disclosure or confirming that no correction is required. HMRC also proposes removing penalties for careless errors where a taxpayer makes an unprompted disclosure, or takes reasonable steps to secure a correction after receiving their first Customer Correction Notice within a six-year period. OOTLAR describes the measure for "tax returns and documents" generally and does not single out VAT. The legislation is in Finance Bill 2026-27.

IMPACT IN CONTEXT

The duty applies to specified returns and documents, including VAT returns, and sits alongside a new HMRC power to issue a Customer Correction Notice. It formalises correction while HMRC is within the assessment time limits and allows notification to HMRC where direct correction is not available. HMRC's impact note also describes related changes to penalties and assessment time limits, including treating an identified inaccuracy as deliberate where reasonable steps to correct it or notify HMRC are not taken.

WHAT BUSINESSES MAY WISH TO LOOK OUT FOR

- For VAT, the measure is relevant to how errors on returns are dealt with.
- HMRC proposes that penalties for careless errors would be removed where an error is disclosed unprompted, or where reasonable steps are taken to correct it after a first Customer Correction Notice in a six-year period. An identified error that is not corrected or notified could be treated as deliberate. Details to follow in Finance Bill 2026-27.

OFFICIAL SOURCES

- **OOTLAR 1.87, Modernising the Correction of Errors**
  gov.uk/government/publications/budget-2026-overview-of-tax-legislation-and-rates-ootlar
- **HMRC, Modernising the correction of errors (tax information and impact note)**
  gov.uk/government/publications/modernising-the-correction-of-errors

19

TILL FRAUD AND OTHER SMALLER MEASURES

Other smaller measures

Technical consultation summer 2027

IN BRIEF

Till fraud. Mandatory software standards for till and point-of-sale systems are planned, with a technical consultation in summer 2027: details to follow.

- **Till fraud.** Mandatory software standards are planned for electronic and mobile point-of-sale systems. A technical consultation is due in summer 2027, with legislation in a future Finance Bill; no implementation date has been set (OOTLAR 2.33). Mandatory software standards for till and point-of-sale systems are relevant mainly to retail and hospitality businesses, and to the providers of those systems. The requirements and timing are still to come, after the technical consultation due in summer 2027.
- **Low-value imports (£135).** This is a customs measure, not a VAT measure: the £135 customs duty relief is removed and new customs arrangements are introduced. The Red Book (Table 6.1) says "from October 2028", and OOTLAR 1.92 says the reforms will be implemented "by October 2028, six months earlier than previously announced". HMRC's impact note (28 October) says the change starts on a date set by regulations (details to follow) made by October 2028 at the latest, and introduces a "fiscal representative" jointly liable for overseas sellers' customs debts. Neither document announces a change to the VAT rules for these imports.

OFFICIAL SOURCES

Budget 2026: Overview of tax legislation and rates (OOTLAR)
gov.uk/government/publications/budget-2026-overview-of-tax-legislation-and-rates-ootlar/budget-2026-overview-of-tax-legislation-and-rates-ootlar

HMRC, Reforming the customs treatment of low value imports into the UK (tax information and impact note)
gov.uk/government/publications/reforming-customs-rules-for-low-value-imports/reforming-the-customs-treatment-of-low-value-imports-into-the-uk

Budget 2026 (Red Book)
gov.uk/government/publications/budget-2026-document/budget-2026-html

Also in the Budget documents, covering tax administration generally rather than VAT alone: modernised HMRC information and inspection powers (OOTLAR 1.89); a review of persistent non-compliance by a small minority of larger businesses, covering the Special Measures regime and other tools available to HMRC (OOTLAR 2.34); a forthcoming consultation on new powers against serious and serial users of avoidance schemes (OOTLAR 2.35 and 1.97); and direct recovery of lower-value tax debts from bank accounts, planned from 2029–30, with detailed rollout arrangements to follow (the Red Book gives July 2029; the consultation roadmap gives companies in 2029 and individuals in 2030) (OOTLAR 2.45). Details to follow.

20

RATES AND THRESHOLDS

VAT rates and the registration threshold: no change

IN BRIEF

Rates and thresholds unchanged. The standard rate stays at 20% and the reduced rate at 5%. The registration threshold stays at £90,000 and the deregistration threshold at £88,000.

THE ISSUE

Before the Budget there was commentary about changes to VAT rates and to the registration threshold.

THE OUTCOME

OOTLAR Annex A shows the standard rate at 20%, the reduced rate at 5% and the zero rate at 0% for both 2026 to 2027 and 2027 to 2028. The registration threshold stays at £90,000 and the deregistration threshold at £88,000 from April 2027. The Red Book says there is "no increase to the headline rates of income tax, National Insurance contributions or VAT".

WHAT BUSINESSES MAY WISH TO LOOK OUT FOR

- Businesses near the £90,000 threshold continue to apply the existing registration rules.

OFFICIAL SOURCES

- **OOTLAR Annex A, rates and allowances**
  gov.uk/government/publications/budget-2026-overview-of-tax-legislation-and-rates-ootlar/annex-a-rates-and-allowances
- **Red Book, "Keeping the government's tax commitments"**
  gov.uk/government/publications/budget-2026-document/budget-2026-html#keeping-the-governments-tax-commitments

21

NOT ANNOUNCED

Not announced

Several points discussed before the Budget did not appear in the Budget documents.

- **Registration threshold rising to £100,000.** Not announced. The threshold stays at £90,000 (deregistration £88,000) from April 2027.
- **10% VAT rate for hospitality.** Not announced. Support for hospitality in the Budget is through business rates, not VAT (Red Book, "Breathing space for Britain", and Table 6.1).
- **VAT cut on domestic gas.** Not announced. No VAT change on gas appears in OOTLAR or the Red Book.
- **Reduced rate for public EV charging.** Not announced. Public and workplace EV charging is standard-rated at 20%, to be confirmed in Finance Bill 2026-27 as a clarification (see section 04, page 9).
- **Main VAT rates.** Unchanged at 20% and 5%.
- **Making Tax Digital for VAT.** No measure appears in the Budget documents.
- **VAT on private school fees.** Not mentioned in the Budget documents.

OFFICIAL SOURCES

OOTLAR Annex A, rates and allowances
gov.uk/government/publications/budget-2026-overview-of-tax-legislation-and-rates-ootlar/annex-a-rates-and-allowances

Budget 2026 (Red Book)
gov.uk/government/publications/budget-2026-document/budget-2026-html

Red Book, "Breathing space for Britain"
gov.uk/government/publications/budget-2026-document/budget-2026-html#breathing-space-for-britain

22

STILL TO COME

Still to come

- Finance Bill 2026-27, including the clauses for e-invoicing, the reverse charge, private hire operators, EV charging, medical deputies, donated medicines and the duty to correct errors. The VAT clauses had not been published when this edition was updated: details to follow.
- Tax information and impact notes (TIINs) for the electricity extension, the social housing land zero rate, energy-saving materials (heat batteries) and Direct Debit: none had been identified on GOV.UK as at 29 October. HMRC published the private hire impact note on 29 October.
- Secondary legislation in early 2027: the electricity zero rate extension, the social housing land zero rate and heat batteries.
- Secondary legislation in 2027 on the online marketplace threshold and implementation date.
- Consultations and calls for evidence: e-invoicing digital reporting (closes 20 January 2027); TOMS (closes 31 January 2027); the private hire threshold ("in due course"); e-invoicing standards (spring 2027); till-fraud software standards (summer 2027).

OFFICIAL SOURCES

Budget 2026 in full (HM Treasury collection)
gov.uk/government/collections/budget-2026-in-full

ABOUT THIS REPORT

Sources and disclaimer

This report summarises the VAT measures in the published Budget documents for general information. Each section lists the official sources it draws on, with links to GOV.UK and legislation.gov.uk.

Budget measures are summarised from the published Budget documents on 28 October 2026 and may change before they become law; the legislation and HMRC guidance are the definitive record.

START HERE

- **Budget 2026 in full (HM Treasury collection)**
  www.gov.uk/government/collections/budget-2026…
- **The VAT Clinic Budget Special, with official sources**
  vatclinic.com

PUBLICATION DETAILS

UK Budget 2026: VAT Special. Published by The VAT Clinic, 28 October 2026. **Updated 29 October 2026.**

The VAT Clinic, 201F, 60 Frederick Street, Birmingham, B1 3HS

EDUCATION ONLY: NOT ADVICE

The VAT Clinic is an educational service that publishes general information about UK VAT. This is general education, not advice, and does not cover any particular circumstances. The VAT Clinic does not provide tax, VAT or accounting services.



THE VAT CLINIC

UK VAT EDUCATION AND INSIGHT

vatclinic.com · info@vatclinic.com

The VAT Clinic, 201F, 60 Frederick Street, Birmingham, B1 3HS

The VAT Clinic is an educational service that publishes general information about UK VAT. This is general education, not advice, and does not cover any particular circumstances. The VAT Clinic does not provide tax, VAT or accounting services. Budget measures may change before they become law.