

COUNTRYSIDE ALLIANCE BRIEFING NOTE: BUDGET 2026

Wednesday 28 October 2026

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Background

- On 14 September the Countryside Alliance launched the Campaign for the Countryside, calling for a 'rural reset' in the relationship between the government and the countryside in light of 27 policies we had identified as having been announced or implemented since the general election that we believe have the potential to affect rural communities adversely.
- The Campaign's latest intervention involved a letter to the Chancellor of the Exchequer ahead of the Budget making ten specific requests that we believe could help redress the imbalance and ease the burden on rural communities, extending to them the "breathing space" the Chancellor has promised.¹
- With few exceptions, the Budget fails to address the issues we raised in our letter. It will inevitably prove disappointing to rural Britain. The Budget offers little of the breathing space the Chancellor speaks of to rural Britain. Of the ten measures the Countryside Alliance called for ahead of the Budget, most have been ignored. Some temporary relief has been extended and a handful of other measures may help, but key pressures on family farms, rural hospitality, fuel and heating costs remain.
- In some areas, the position has worsened. The increase in tax on property income will affect people letting holiday cottages, land and farm buildings as part of a diversified rural business. If the government is serious about growth in every postcode, it must recognise that rural businesses face distinct pressures and ensure that rural communities are not left behind.

¹ Countryside Alliance, [Ten Budget demands to back rural Britain](#), 25.10.26

1. Family Farm Tax

- The Countryside Alliance asked:

“Revisit the issue of inheritance tax reliefs affecting family farms

While it is welcome that the combined relief threshold was raised to £2.5 million from the originally planned £1 million, we remain concerned about the inter-generational viability of farms in areas of high land value. Many family farms are asset-rich but cash-poor and the changes risk making it more difficult for viable businesses to be passed on to the next generation.”

- Since the last Budget the former Prime Minister, Sir Keir Starmer, announced an increase in the Agricultural Property Relief (APR) and Business Property Relief (BPR) 100% relief threshold from £1 million to £2.5 million on 23 December 2025. As above, the Alliance welcomed the partial U-turn but maintains that family farms remain at risk.
- The current Chancellor of the Exchequer has not reversed course on the Family Farm Tax and neither APR nor BPR is mentioned in the Red Book.
- The Countryside Alliance continues to call for deeper reform, because we believe the changes as announced are fundamentally incompatible with a thriving sector of family farms.

2. Sustainable Farming Incentive

- The Countryside Alliance asked:

“Review the Sustainable Farming Incentive (SFI)

The 2026 SFI budget was exhausted six hours after opening. This left farmers whose commitments made them unable to apply immediately without access to support they may reasonably have planned and budgeted for. It comes after a particularly challenging year for many farmers and risks undermining confidence in the future of agricultural support. We ask the government to review both the funding available and the way the scheme is administered.”

- The Budget makes no reference to the Sustainable Farming Incentive, despite announcing investments in other sectors. Farmers who missed out on the scheme are still left without the support they had planned for or the certainty they need to make decisions about their businesses.
- In evidence to the Environment, Food and Rural Affairs Select Committee on 27 October, Defra officials conceded that they knew before launching the application window that demand for the scheme was likely to be higher than the available funding could support.
- In this context it is disappointing to see a projected fall in Defra’s projected departmental budgets, as discussed below.

3. Employers' National Insurance

- The Countryside Alliance asked:

*“Alleviate the pressure on rural businesses from Employers’ National Insurance
Employers’ National Insurance is a direct tax on jobs and is particularly challenging for labour-intensive rural businesses. If you feel unable to lower the headline rate from 15%, we ask that the Secondary Threshold be raised back to the previous level of £9,100.”*

- The Chancellor has made no change to Employers' National Insurance. The only references to National Insurance in the Red Book are projected receipt of £220.8 billion in 2027-28, and to the headline announcement:

“The government is keeping to its commitments on tax, with no increase to the headline rates of income tax, National Insurance contributions, or VAT.”²

- Rural businesses that employ large numbers of people face the combined burden of higher employers' National Insurance contributions and rising wage costs.
- Furthermore, in raising the minimum wage by 3.9%, the Chancellor has added additional costs to employers.

4. Business rates

- The Countryside Alliance asked:

*“Extend the 20% business rate bill cut announced in July for pubs to rural restaurants and hotels
The government’s decision to reduce business rates bills for pubs is welcome, but similar support is needed for the wider rural hospitality sector. Rural restaurants and hotels face many of the same pressures and are often critical to the viability of local economies. We therefore ask that the reduction be extended to these businesses pending wider reform of the business rates system, including addressing the way it can penalise businesses for investing in their premises and raising productivity.”*

- The Chancellor has not extended business rate cuts announced for pubs to restaurants and hotels. However, the Budget does enlarge the pub relief further and gives retail, hospitality (including restaurants and hotels) and leisure properties in England a different package, raising small business rates relief thresholds and capping their bill increases at inflation for two years.
- On wider reform, the government has published the findings of its call for evidence on business rates and investment alongside its response³, which the Countryside Alliance will study in detail. Preliminarily, however, it appears that little structural change is planned beyond the measures announced in this Budget and a commitment to improve engagement with businesses.

² HMT, [Budget 2026](#), 28.10.26, p. 5

³ HMT, [Business Rates and Investment: Call for Evidence](#), 28.10.26

- The government has also published the Fiscal Devolution Roadmap setting out a vision for local retention of taxes by Mayors.⁴ This includes business rates retention:

*“with Mayors retaining a 20% share of locally retained business rates from next year, and with local and regional government retaining 100% of business rates income by the end of the decade”.*⁵

- The Countryside Alliance has expressed concern about where this leaves those parts of the country – in which rural areas are over-represented – that do not currently have a mayor and will therefore be unable to benefit from this interpretation of fiscal devolution.
- We also urge the government, in expanding regional devolution, to ensure that it does not create a situation where mayoralties include populous urban centres surrounded by large rural hinterlands that risk being overlooked by mayors with an urban focus. We see a real risk of devolution resulting in a further redirection of resources from rural to urban areas.

5. VAT on hospitality

- The Countryside Alliance asked:

“Reduce VAT for the hospitality sector to help mitigate the impact of the Visitor Levy. The recently announced Visitor Levy will have particular impacts on rural hospitality businesses and destinations. Reducing VAT for the hospitality sector would help mitigate these pressures while supporting the Prime Minister’s localism agenda, transferring resources from the centre to communities.”

- The Budget contains no VAT reduction for the hospitality sector. On the Visitor Levy, the Budget presses ahead with enabling strategic authorities to introduce visitor levies but does not offer any particular mitigation.

6. Holiday lets

- The Countryside Alliance asked:

“Do not reclassify holiday lets as second homes for tax purposes. Holiday lets are businesses, including many operated as part of farm diversification. Reclassifying them as second homes and making their operators liable for council tax risks making otherwise sound rural businesses unviable, damaging the visitor economy on which many rural areas depend and potentially undermining the tax base.”

- The Budget does not address the tax classification of holiday lets or their liability for council tax, which is welcome.
- However, the Budget does increase the rate of tax on property income by 2 percentage points at the basic, higher and additional rate from 6 April 2027 in addition to the 2% already announced in the last budget. This will affect those letting cottages, holiday lets, land or farm buildings as part of a rural or diversified farm business.

⁴ HMT, [Fiscal Devolution Roadmap](#), 28.10.26

⁵ HMT, [Budget 2026](#), 28.10.26, p. 64

- Successive governments have for decades advocated diversification as a means of increasing farms' income and profitability, reducing their reliance on public funding. It is disappointing that this measure will further penalise those who have invested to diversify their revenue streams while continuing to steward the environment and produce food.

7. Fuel duty

- The Countryside Alliance asked:

*“Maintain fuel duty at current rates and consider a temporary reduction in VAT
Given the recent spike in global oil prices and the necessity of private vehicle usage by residents and businesses in rural areas, the 5p fuel duty cut, first introduced in March 2022, should be made permanent. Given current prices we believe that as a further emergency measure, the rate of VAT payable on fuel should be reduced from the standard rate of 20%.”*

- The Chancellor announced that the “temporary” fuel duty cut would be in place for a further six months to the start of July 2027, also deferring inflation uprating to the same date.
- The Budget does not, however, make the cut permanent, nor does it include any measure towards reducing VAT on fuel despite elevated prices resulting from conflict in the Middle East generating windfall receipts for the Treasury.

8. Heating oil

- The Countryside Alliance asked:

*“Reduce the VAT rate on domestic heating oil to zero
Thousands of rural homes are reliant on heating oil and have limited alternatives. We ask the government to reduce VAT on domestic heating oil to zero, and also to cut the VAT rate paid by rural businesses from the current non-domestic rate of 20%.”*

- The Budget makes no change to VAT on heating oil, either for households or for businesses.
- The Chancellor did, however, announce a temporary suspension of import tariffs on kerosene heating oil for two years. The government presents this as support for households that rely on heating oil, which are disproportionately located in rural areas.
- However, a suspension of import tariffs does not automatically translate into an equivalent reduction in the price paid by household. The measure may prove beneficial, but the ultimate impact on prices paid by consumers remains to be determined.

9. Horserace Betting Levy

- The Countryside Alliance asked:

*“Reform the Horserace Betting Levy and protect racing from unnecessary restrictions
The government should work with the racing industry to reform the Horserace Betting Levy and secure the sport's long-term sustainability, protecting vital income for both the industry and the Treasury. With the Levy raising around £108 million a year but betting turnover on British racing down 19% since 2022/23, the case for reform is clear. The government should also ensure that new affordability checks do not*

undermine legitimate betting activity. Financial Risk Assessments should be proportionate, targeted and developed in consultation with the racing and betting industries, avoiding unnecessary barriers for customers and operators.”

- The Budget makes no reference to the Horserace Betting Levy, racing or affordability checks.
- The Budget does, however, raise the rate of Machine Games Duty for games with stakes over £1 from 20% to 25%. This may indirectly impact the availability of race sponsorship funding from gambling operators.

10. Double cab pickup trucks

- The Countryside Alliance asked:

*“Reconsider the decision to reclassify double cab pickup trucks
Double-cab pickups are essential tools of trade in numerous rural occupations. We ask the government to reconsider their reclassification as cars instead of commercial vans for tax purposes, recognising their importance to rural work.”*

- The Budget does not address and makes no further changes to the tax classification of double cab pickup trucks.

Other Budget measures

- Defra’s resource budget is set to fall from £4.8 billion to £4.7 billion by 2028–29. The Budget cuts Defra’s Resource Departmental Expenditure Limit from £4.8 billion in 2026-27 and 2027-28 to £4.7 billion in 2028-29, a reduction of £100 million.⁶ Its Capital Departmental Expenditure Limit outturn in 2025-26 was £2.5 billion; this has been planned to increase to £2.7 billion in 2026-27 and 2027-28 before falling to £2.6 billion in 2028-29 and 2029-30.⁷ This raises concerns about Defra’s capacity to support farming, protect the countryside and deliver essential services.
- Following the SFI fiasco in September, which was only the latest sign of the inadequacy of the budget for agri-environmental support, it is disappointing to see planned reductions in Defra’s future departmental budgets.
- The Budget notes that the government is developing non-statutory rural proofing guidance for strategic authorities.⁸ While this is welcome, we reiterate our above concerns about the risk of fiscal devolution causing a redirection of resources from rural to urban areas within regions. For rural proofing to be effective, it must prevent this from occurring.
- While the government is raising Alcohol Duty in line with RPI inflation, the Chancellor is also making Small Producer Relief more generous, which should lower costs for rural pubs and for the small rural brewers and cider makers that supply them.⁹

⁶ HMT, [Budget 2026](#), 28.10.26, p. 145

⁷ HMT, [Budget 2026](#), 28.10.26, p. 146

⁸ HMT, [Budget 2026](#), 28.10.26, p. 114

⁹ HMT, [Budget 2026](#), 28.10.26, p. 52

- The Budget's provisions on regulatory innovation signal that new regulatory trial powers may be used to test lighter-touch approaches to environmental regulation and the management of rural land and natural resources, which could in time reach and come to benefit landowners and land managers.¹⁰
- The continuation of red diesel relief for a further six months to 1 July 2027 is a significant (though time-limited) benefit to farmers, agricultural contractors and rural businesses. It should help keep machinery and food production costs lower, whilst still supporting the viability of UK agriculture.

Conclusion

- The Budget has offered some limited relief, but it has not delivered the broader change rural Britain needs. Family farms, rural hospitality businesses and rural households continue to face significant pressures, many of which the Countryside Alliance highlighted ahead of the Budget. If the government is serious about growth in every postcode, it must work with the countryside to address these challenges. The case for a rural reset remains.

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¹⁰ HMT, [Budget 2026](#), 28.10.26, p. 63