

Rt Hon. John Healey MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

12 October 2026

Dear Chancellor,

Budget 2026 – delivering a rural reset

Congratulations on your recent appointment as Chancellor of the Exchequer.

Your appointment, as well as that of the Prime Minister, comes at an important time for rural Britain. The countryside is central to Britain's prosperity, but rural communities have faced an unprecedented range of damaging policies from across government in recent years, spanning farming and business taxation, the rural economy, horseracing and the countryside itself, that have left many feeling alienated and under attack. Your upcoming Budget is an opportunity to undo this damage and deliver on the Prime Minister's pledge for good growth in every postcode.

Against this backdrop the Countryside Alliance recently launched the Campaign for the Countryside, calling for a rural reset in the relationship between government and the countryside. The Budget provides an important opportunity to begin delivering that reset and to demonstrate that the government is actively listening to, and working with, rural communities.

As you will know, the countryside contributes more than £300 billion to the economy, supports over 4 million jobs, and plays a fundamental role in feeding the nation.

Ahead of the Budget, there are ten specific policy measures that the Countryside Alliance would like to see prioritised.

1. 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.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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%.

8. 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%.

9. 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.

10. 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.

All these measures would provide practical support to rural communities and businesses while demonstrating that the government is serious about delivering a rural reset.

The Campaign for the Countryside is about ensuring that the countryside is heard and that government works with rural communities to unlock their contribution to the country's future. The Budget is an opportunity to turn that ambition into action.

The Countryside Alliance remains ready and available to discuss with you and your officials these and any other measures to preserve, protect and defend rural Britain.

Yours sincerely,



Tim Bonner

Chief Executive

Email: tim-bonner@countryside-alliance.org