Q4 2025

UK Private Company Director

Welcome to the January 2026 issue of UK Private Company Director, the quarterly newsletter for directors of owner-managed, family and private equity-backed businesses.

We cover financial, legal, tax and wealth management issues that are crucial to building and realising the value of your business. Corbett Keeling's report on deal activity in buying and selling UK companies offers clear insight into investor appetite and market sentiment.

As always, this issue tackles topics of relevance for directors of privately owned businesses in the UK:

- There are signs of a more purposeful mood among both buyers and sellers, with decisions that were on hold pending greater economic certainty now being made across the UK private company M&A market (pages 2 to 3).
- Although the last Budget contained few measures demanding immediate action, the longer-term impact of higher taxation and fiscal drag means early planning remains important for both businesses and their owners (pages 4 to 5).
- A well-structured share incentive scheme can play a valuable role in supporting growth, retaining talent and aligning key people with your business objectives (page 6).

Wishing you all the best for the year ahead,

Megan Peel, Editor
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Corbett Keeling

A change in tone

As we enter a new year, Jim Keeling of corporate finance adviser Corbett Keeling finds evidence of a new mood among both buyers and sellers, and looks at what is starting to unlock activity in the UK private company M&A market.

There is a clear change in the tone of conversations we are having with both owners and buyers. After a prolonged period of economic and political uncertainty, it feels less twitchy and more purposeful than it did this time last year. People are no longer waiting for the perfect set of conditions. They are accepting that uncertainty is part of the backdrop and are making decisions within it.

We are seeing less of a wait-and-see approach and more "we can't keep pausing life decisions" conversations. That, in itself, is a meaningful shift. For a long time, uncertainty froze decision-making. Now it is being treated as something to work around rather than a reason to stand still.

Capital is available again. Debt markets are behaving more normally. Private equity funds are keen to deploy capital that was underused last year. Strategic buyers are back looking for growth. This is not cheap money territory, but it is workable money territory, and that matters. Buyers are in the market and, importantly, they are prepared to engage.

There is also a much healthier realism around value. The post-pandemic boom in 2021 left a long shadow, and for a time that made conversations difficult. That recalibration now feels largely behind us. Expectations are closer, discussions are more pragmatic and processes are moving. This is not a volume market, but it is a value market – as borne out by the full-year deal data for 2025.

Meanwhile, alongside these market drivers, there is a very human one. Many founders and family owners are at a point where succession, de-risking and life stage are front of mind. After several demanding years, many are ready to simplify life and plan their next chapter. We are hearing more "I'm just tired" conversations and more questions about who will run the business in five years' time.

And international interest in UK businesses remains strong, particularly from the US. Sterling weakness and relative pricing continue to make the UK look good value given the quality of its businesses. This is being matched by renewed appetite from strategic buyers for whom M&A is a core route to growth, capability and talent.

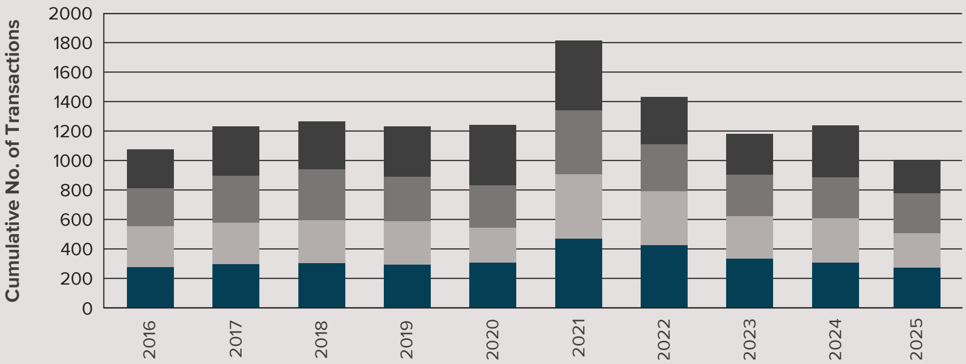
Overall, the market feels more active and more workable than it did a year ago. Confidence is returning, decisions that were on hold are now being made and the direction of travel feels positive.

Assessing the deal data

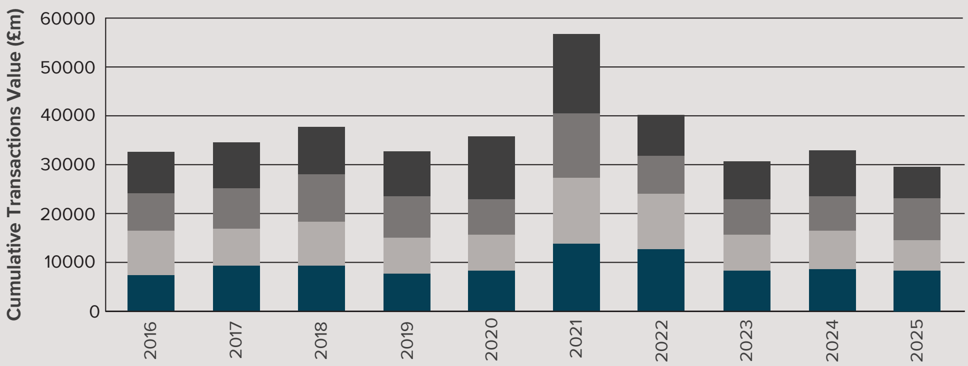
Smaller deals (enterprise value under £150 million) saw a softer finish to the year. The number of transactions fell from 268 to 228, and the overall value of deals declined from £8.6 billion to £6.4 billion.

For the year as a whole, average deal values for sub-£150 million transactions increased from £27 million in 2024 to £30 million in 2025. This reflects a market increasingly focused on value over volume, a trend that remains positive for business owners considering a sale.

Sub £150m Transactions by Volume in the UK



Sub £150m Transactions by Value in the UK



Key:

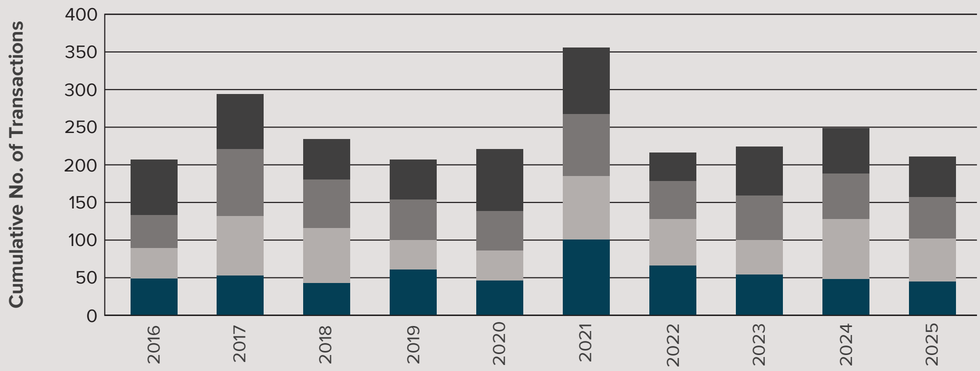
Q4 Q3 Q2 Q1

Data source: PitchBook.
Data as at 31 December 2025.

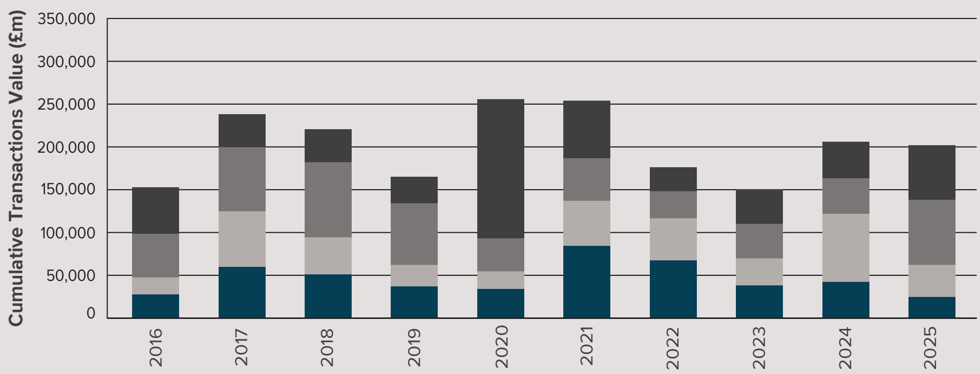
Larger deals (enterprise value of £150 million or more) also softened in the final quarter. The number of transactions edged down from 55 to 54, and their combined value declined from £76.1 billion to £63.5 billion.

For the year as a whole, average deal values in the over £150 million segment increased from £827 million in 2024 to £956 million in 2025, reflecting a trend towards fewer but larger transactions, with buyers prepared to back quality assets.

£150m+ Transactions by Volume in the UK



£150m+ Transactions by Value in the UK



Key:

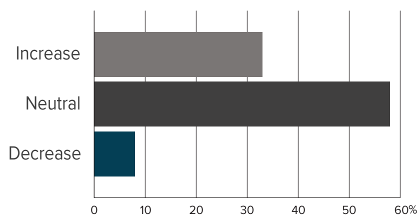
Q4 Q3 Q2 Q1

Data source: PitchBook.
Data as at 31 December 2025.

So what does our latest survey suggest?

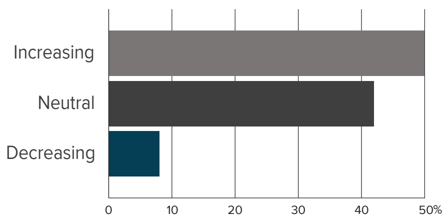
The tone is more measured than it was three months ago, but it remains broadly positive. Respondents appear more cautious, but not pessimistic, reflecting a market that is settling rather than stalling.

1 Do you expect deal volumes to increase or decrease?



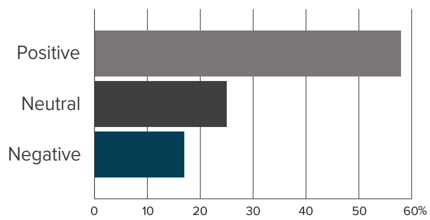
The percentage of participants forecasting an increase in the number of deals has eased from 64% to 33%. However, the proportion expecting a decline has also edged down, from 9% to 8%. The majority (58%) now anticipate little change either way.

2 Is debt availability increasing, decreasing or neutral?



The outlook on debt availability remains broadly the same. Exactly half of respondents believe it is becoming more available, slightly down from last quarter's 55%, while the proportion taking a neutral view has increased from 27% to 42%. Only 8% report a decline in availability.

3 What is your outlook for deploying capital in 2026?



Appetite for deploying capital remains healthy. 58% of respondents report a positive outlook for deploying capital in 2026, a quarter are neutral and 17% are negative.

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What the Autumn Budget 2025 really meant for private company owners

Private company owners entered 2025 braced for significant tax reform. While the Autumn Budget proved more measured than many expected, it reinforced several longer-term trends that business owners cannot afford to ignore. Nji Lorimer, Head of Wealth Planning at UBP UK, reflects on what the Budget means in practice and where owner-managers should now focus their attention.

The Autumn Budget, delivered by Chancellor Rachel Reeves in late November, was widely expected to usher in major changes to the taxation of wealth and business ownership. In the event, it was more measured. There was no wealth tax, no change to capital gains tax rates and no reform of tax-free cash or gifting rules. Even so, the direction of travel is clear. The government is applying steady pressure through fiscal drag, as frozen thresholds pull more income into higher tax bands, alongside a gradual narrowing of the tax advantages attached to income from investments and assets. **For private company owners, the impact is more cumulative than immediate, but no less important**.

Income tax and fiscal drag

Income tax and National Insurance ("NI") rates remain unchanged, but the freeze on personal tax thresholds and the employer NI secondary threshold has been extended to April 2031. As earnings rise, more income will be taxed at higher rates over time.

For owner-managers, this reinforces the need to keep salary levels and how profits are taken out of the business under review, rather than letting things drift.

Dividends, investment and property income

From April 2026, dividend tax rates will rise by 2% for basic and higher-rate taxpayers. From April 2027, income tax on savings and rental income will also rise by 2% across all tax bands.

The rationale here is that income from these sources does not attract NI, therefore this tax rise is an attempt to equalise tax on assets with that on earnings. The practical effect is that **dividends and investment income are becoming less tax-efficient**. Business owners who rely on dividends may wish to consider whether their current approach will still make sense over the medium term. In the short term, individuals may wish to discuss plans with their tax adviser. For example, the adviser may suggest bringing forward any large dividends to take before 6 April 2026.

Income from property rental will also attract a further 2% on top of standard income tax rates. Coupled with other changes in recent years for landlords in both legal and tax terms, rising interest rates and a slower property market, **property becomes less and less attractive from an investment perspective**.

Additionally, a new council tax surcharge will apply from April 2028 to residential properties valued at £2 million or more, rising with property value and inflation.

Pensions and future NI limits

From April 2029, NI relief on salary sacrifice pension contributions will be capped at £2,000 per person per tax year. Income tax relief and overall contribution limits remain unchanged.

This reduces the efficiency of large salary sacrifice arrangements and strengthens the case for viewing pensions and Individual Savings Accounts (ISAs) as complementary, rather than competing, tools.

Inheritance tax and succession planning

The inheritance tax nil-rate band remains frozen at £325,000 until April 2031. While this further freeze is disappointing, drawing more estates and individuals into the inheritance tax net and likely increasing inheritance tax receipts, the more feared and radical changes did not materialise.

More positively, the combined Agricultural Property Relief and Business Property Relief allowance will now be 100% transferable between spouses or civil partners from April 2026, even where the first death occurred earlier. In welcome pre-Christmas news, the government has announced that the allowance will be increased to £2.5 million per person. **For business owners thinking about succession, these are meaningful improvements to be factored into estate planning**.

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Although capital gains tax rates were unchanged, **exit planning remains an important consideration**. Business owners considering a sale or succession over the next few years may want to revisit timing and structure, particularly in light of recent changes to reliefs around employee ownership trusts, which had previously benefited from 100% capital gains tax relief. From 26 November 2025, this was reduced to 50% relief.

Tax on other investments

From April 2027, the Cash ISA allowance will be capped at £12,000 per year for savers under 65, with the remainder of the £20,000 allowance directed towards investment ISAs.

Privately held businesses looking for capital could be severely hit by the changes to income tax relief on Venture Capital Trust (VCT) investments. The relief for investors will fall from 30% to 20% from April 2026, although investment limits for Knowledge Intensive Companies will increase in relation to both VCTs and Enterprise Investment Schemes (EIS) from the same date. EIS tax reliefs have been held at existing levels, but as a point of interest, rising interest rates have already seen a reduction in capital being raised by some such companies.

Taken together, these changes reinforce the need for business owners to think more deliberately about where wealth is held and how different savings and investment vehicles are used over time, rather than relying too heavily on any single tax-efficient wrapper.

Capital allowances and other points of interest

There were a few announcements relating to capital allowances for plant and machinery, such as:

- A change to writing down allowances from 18% to 14%. This applies to both income tax (from 6 April 2026) and corporation tax (from 1 April 2026).
- The 100% first year allowance for zero emission vehicles and electric vehicle charge points will be extended until 31 March 2027 for corporation tax and 5 April 2027 for income tax.
- **From 1 January 2026, a permanent 40% first year allowance will be introduced for expenditure on main rate plant and machinery**. This applies to capital expenditure on assets for leasing and for unincorporated businesses, previously excluded from the more generous full expensing allowances. Cars, second-hand assets and assets for leasing overseas will not be eligible.

The headline rate of Corporation Tax will be capped at 25% for the duration of this Parliament.

In terms of VAT, **business owners will need to issue invoices in a specific new electronic format from 2029**. Further details are expected in 2026.

The bigger picture

This Budget does not demand urgent action, but it does reinforce longer-term themes. Income from investments and assets is under increasing scrutiny, tax thresholds remain frozen and **the value of early, joined-up planning is growing**.

For private company owners, the message is a simple one. **The earlier you review how business, personal and family decisions connect, the more options you retain**.

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Share incentives: Driving growth in your business

Share incentives are a critical tool for UK private companies not only to attract and retain talent, but also to drive business growth. The right share plans encourage management and employees to achieve corporate goals while rewarding delivery of value through secondary sales to exit and beyond, writes Claire Matthews of global law firm Taylor Wessing.

What benefits do share plans offer?

Share incentives at private companies typically form a significant part of reward packages. They provide several advantages.

Talent – awards can be used to attract talent and aid retention over vesting periods. Share ownership is often viewed as a mark of status within an organisation, fostering longer term loyalty.

Cash flow – offering equity incentives can ease cash flow compared with higher salary or bonus. If awards are structured as options, there is no real dilution until the shares are acquired.

Tax benefits – Enterprise Management Incentives (EMI) remain the most popular UK tax advantaged schemes and are likely to become even more so from April, when increases to limits will enable larger trading companies to use them. Companies that are still too big for EMI, or do not otherwise qualify, can consider Company Share Option Plans (CSOP). Qualifying EMI and CSOP options can be exercised free from income tax and both employer and employee national insurance contributions. The full gain on disposal of the shares is subject to capital gains tax at currently lower rates. For EMI options, Business Asset Disposal Relief can reduce rates further.

How can share plans be optimised to drive growth?

As well as helping attract and retain the best people, share options and other awards motivate them to increase the value of their shares and drive business growth.

Support company strategy – plans can be structured to reward achievement of long-term corporate goals – for example, by using exercise prices or hurdles to incentivise future growth, plans which enable employees to realise value when investors do, or carefully calibrated targets to drive the right long-term performance.

Effective communication – this is key to make sure incentives are understood and valued and therefore motivate employees to drive growth and value creation.

Implementation – it is important that plans are not only fit for purpose but also set up correctly and do not leave the company or employees open to major legal and tax risks.

Key updates for 2026 and beyond

- EMI limits will increase significantly from April 2026, bringing the gross assets limit to £120 million, the employee headcount limit to 500 and the company limit on option share value to £6 million.
- The maximum period for EMI option expiry will be extended from 10 to 15 years from April 2026, and EMI grant notifications will be discontinued from April 2027.
- The launch of trading on the Private Intermittent Securities and Capital Exchange System (PISCES) aims to increase liquidity opportunities for private company employees.

Practical considerations for management

- Review schemes to align them with the company's long-term strategy and drive growth.
- Take advantage of available tax benefits, particularly if your company could qualify for EMI from April.
- Communicate plans effectively to maximise impact.
- Ensure schemes are up to date, set up correctly and compliant well before any significant investment or exit.

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