



NEWS ROUND-UP

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Corrigan

WWW.CORRIGAN.CO.UK
INFO@CORRIGAN.CO.UK
0117 928 1970



EV DISCOUNTS STRAIN MARKET GROWTH

The UK new car market reached a significant milestone in 2025, with registrations exceeding two million for the first time since the pandemic began.

A total of 2,020,373 new cars were registered, marking the third consecutive year of growth. However, the figure remains well below the 2.3m vehicles sold in 2019.

Electric vehicles (EVs) accounted for 473,340 of those registrations, representing a 23.4% market share. While this was a notable increase from 2024, it still fell short of the Government's 28% target under the Zero Emission Vehicles (ZEV) Mandate. The mandate requires manufacturers to meet annual EV sales thresholds or face financial penalties.

The Society of Motor Manufacturers and Traders (SMMT) warned that the industry is relying on heavy discounts, often worth several thousand pounds per vehicle, to stimulate demand. It described this

approach as unsustainable, arguing that consumer appetite is not keeping pace with regulatory ambitions.

Although the ZEV Mandate includes flexibilities, such as emissions credit trading and fleet-wide emissions reductions, these were further relaxed in April following industry pressure. At the same time, potential fines for non-compliance were reduced.

Government support has included a £2bn Electric Car Grant Scheme, offering up to £3,750 per vehicle, alongside continued investment in charging infrastructure. However, plans announced in the Autumn Budget to introduce a per-mile tax on EVs risk dampening demand.

The Office for Budget Responsibility estimates incentives could add 320,000 EV sales over five years, but the new tax may reduce sales by 440,000 overall. Transport Minister Keir Mather said Government action was driving uptake, with EV sales up nearly 24% year-over-year.



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RISING COSTS THREATEN JOBS IN 2026

Zombie firms face collapse amid economic pressure. The UK could see unemployment rise sharply in 2026.

Struggling “zombie” companies are beginning to fail under sustained cost pressures, according to new analysis from the Resolution Foundation.

In its new year outlook, the think tank warns that many businesses are facing a “triple whammy” of prolonged high interest rates, elevated energy costs, and successive increases to the minimum wage. For firms that have already been underperforming, these pressures may prove decisive.

The report suggests that 2026 could mark a turning point for the UK economy, following decades of weak productivity growth. Productivity, measured as output per hour worked, is crucial to enhancing wages and improving living standards.

However, the Foundation cautions that any improvement may come at the cost of short-term disruption, including higher unemployment as less productive firms exit the market.

UK unemployment is already at its highest level outside the Covid period for a decade. The headline rate reached 5.1% in October, as many employers delayed hiring decisions ahead of Rachel Reeves’s Autumn Budget.

Business groups say higher taxes and rising wage costs are discouraging recruitment. Economists have long argued that so-called zombie firms have held back the economy by tying up labour and capital that could be used more productively elsewhere. Persistently low interest rates after the 2008 financial crisis allowed many heavily indebted businesses to survive despite weak performance.

Although the Bank of England has cut base rates six times since August 2023, operating costs remain well above pre-pandemic levels following 14 consecutive rate rises.

Separate research from the British Chambers of Commerce highlights the strain. Business confidence fell to a three-year low at the end of 2025, with tax and inflation cited as the most significant concerns. Fewer than half of firms expect turnover to rise in the year ahead, while investment plans continue to be scaled back.



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BUSINESS CONFIDENCE SLIPS AS COSTS RISE

According to the latest British Chambers of Commerce Quarterly Economic Survey, UK business confidence has weakened further.



More firms are expecting to raise prices and scale back investment amid persistent economic pressures.

Less than half of responding businesses, 46%, expect their turnover to increase over the next 12 months. This marks the lowest level of confidence recorded in three years and underlines the continued fragility of the recovery for many firms.

Cost pressures remain acute. Over half of businesses, 52%, plan to increase prices in the next three months, a sharp increase from 44% in the previous quarter. At the same time, more than a quarter of firms, 27%, report cutting back their investment plans, while only 19% have increased investment. Pullbacks are most pronounced in the hospitality, retail, and manufacturing sectors, where more than a third of businesses are reducing their planned spending.

The survey, which gathered responses from more than 4,600 businesses across the UK, primarily SMEs, was conducted between mid-November and early

December, spanning the period before and after the Autumn Budget.

Taxation remains the leading concern for businesses, cited by 63% of respondents, an increase on the previous quarter and matching levels seen after last year's Budget. Worries were particularly high ahead of the Chancellor's statement, easing slightly afterwards. Inflation also continues to weigh heavily, troubling more than half of firms.

Despite recent interest rate cuts, businesses report little evidence of renewed momentum. With further cost pressures expected and forecasts pointing to rising unemployment, many firms are entering the year ahead with caution rather than confidence.



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GOVERNMENT INCREASES IHT RELIEF CAP FOR KEY ASSETS

The Government has announced a further change to planned inheritance tax reforms affecting agricultural property relief (APR) and business property relief (BPR).

From 6 April 2026, a new allowance will cap how much qualifying agricultural and business property can receive 100% relief. The allowance will be £2.5 million per estate, up from the previously proposed £1m.

Individuals will have an allowance that refreshes every seven years, and trusts will have an allowance that refreshes every 10 years. Where the combined value of qualifying business and agricultural assets exceeds the allowance, the excess is expected to qualify for relief at 50%, rather than 100%.

The allowance is expected to be available to both individuals and trusts, and

transferable between spouses and civil partners. This means couples may be able to apply up to £5m of 100% APR and BPR between them, in addition to other inheritance tax allowances such as the nil rate band.

The change will be introduced through an amendment to the Finance Bill 2025/26, which the Government said it expects to bring forward in January 2026. The Government also stated that the higher threshold would reduce the number of APR-claiming estates affected in 2026/27 from 375 to 185.

The policy has been revised several times since its initial announcement at the Autumn Budget 2024. Anyone with significant farming or business assets, including those using trusts, may wish to review succession and estate planning ahead of April 2026.



Talk to us about your taxes.



WANT TO TALK TO AN EXPERT?

If you've found the topics covered in this report to be of interest or you would like to delve deeper into any of them, we welcome the opportunity to engage in a more detailed discussion with you. Our team of experts is always keen to share insights, and we're confident that a conversation with us can provide valuable perspective.

We are also well-positioned to update you on the latest trends, opportunities and challenges in the business world. As we all know, staying ahead of the curve is vital in today's fast-paced business landscape, and we're here to help you navigate it successfully.

If you're considering getting extra support, we invite you to explore the comprehensive solutions we offer.



To schedule a meeting or to get more information, please don't hesitate to contact us.

Corrigan

First Floor, 25 King Street, Bristol, BS1 4PB

