JOHNSTON CARMICHAEL

Budget 2026 – Insight and Analysis for Games Businesses

November 2026



An independent member firm of Moore Global Network Limited MOORE

"Once again, this feels like a Budget which offers relatively little immediate relief to businesses already dealing with a high cost of doing business and a significant tax burden. There were some eye-catching announcements around unlocking investment and rewarding entrepreneurs and risk-takers, and those ambitions are welcome. However, when you look beyond the headlines, some of the measures are much narrower than the rhetoric might suggest. Founders' Relief is a good example. It was one of the flagship announcements, yet the Treasury expects it to benefit only around 600 people each year.

There are positives. The changes to the venture capital schemes should remove some unnecessary barriers to investment, while the simplification of the R&D regime is welcome. But the wider economic backdrop for businesses remains challenging and, rather than the sort of ambitious intervention that might materially change that picture, much of this Budget feels like tinkering around the edges.

For the games industry specifically, the lack of any dedicated measure is particularly disappointing. This is a sector characterised by high upfront investment, significant development risk and intense international competition for both talent and capital. Internal industry research also identifies high entry costs as a barrier for games start-ups, with existing government support such as creative industries tax reliefs helping reduce development costs and support cash flow. Against that background, it feels like a missed opportunity that there was nothing specifically aimed at supporting games businesses to start, scale and invest in the UK.

The UK has a genuinely world-class games industry and we should be looking to build around sectors where we already have that strength. That means creating the conditions for founders to take risks, studios to access capital and successful businesses to remain and grow here. We have previously supported calls for more targeted fiscal support for games, and I continue to believe there is a strong case for Government to be more ambitious in how it supports the sector."

Andrew McMillan
Tax Partner
Head of Games and Games Technologies

Wage increases: what it means for your payroll

Without wanting to repeat last year's conclusions, the year has yet again been marked with a significant number of organisations announcing restructures and redundancies, and delaying recruitment decisions. Announcements yesterday are likely to prolong this even further as the cost of bringing on new staff continues to rise for employers with National Minimum Wage hourly rates increasing by 3.9%. The below summarises the impact effective from April 2027:

Age	Rate	Increase (£/p and %)	Annual Salary (37.5-hour week)	Increased cost to employers (incl ER NI)
Over 21s	£13.21	50p (3.9%)	£25,759.50	£1,121.25
18-20	£11.27	42p (3.9%)	£21,976.50	£941.85
16-17/Apprentice Rate	£8.31	31p (3.9%)	£16,204.50	£695.18

As this table demonstrates, employers across all pay bands now face an additional direct cost of ranging between £695 - £1,150 per employee before considering any additional employer pension contributions. This is on the top of the 8.5% increase for 18–20-year-olds last year and 6% rise to the 16–17-year-old/Apprentices rate last year. We anticipate that employers will have further pressure from those in the pay bands above the minimum wage who are looking to 'keep the gap' and push employers to pass on similar increases to their package. The impact of this will vary across the sector with those QA service providers, studios with a high percentage of junior developers and support roles likely to continue to be the hardest hit.

For those companies with Scottish employees, they will have to wait until 3rd December 2026 when the Scottish Finance Secretary will announce the Scottish Budget to see if there are further impacts from Ms Gilruth's announcements in Holyrood.

Ethical employers hit even harder

In October, the Living Wage Foundation also announced increases for those who are Living Wage accredited employers, the increases are as follows:

Location	Rate	Increase (£/p and %)	Annual Salary (37.5-hour week)	Increased cost to employers (incl ER NI)
UK (not London)	£14.10	65p (4.8%)	£27,495.00	£1,457.63
London	£15.45	65p (4.4%)	£30,127.50	£1,457.63

The Living Wage Foundation explained that employers have until April 2027 to introduce the new rates above to maintain their listing as a 'Living Wage accredited' employer.

Continued focus on being a 'smart' employer

Games businesses should plan ahead by modelling wage impacts and exploring cost-neutral benefits to retain talent to ensure incentivisation is maintained, helping to create a motivated, productive workforce. Previously announced tightening on salary sacrifice pension schemes and tightening of the benefits associated with hybrid cars under a salary sacrifice scheme will provide more challenge to leaders to find creative ways to support their workforce in a tax efficient manner. Introducing an EMI option scheme continues to one of the most tax-efficient ways to allow for team incentivisation and retention.

What's still to come?

For those companies who provide benefits such as cars, vans, fuel and medical cover to employees, these will be required to be included within the payroll from April 2027 with the remaining benefits being reported from April 2028.

Key actions:

- Review current and future salary structures and build into your financial forecasting
- Reassess employee incentivisation package – both financial and non-financial

Employee incentivisation schemes

The 2026 Budget further builds on the significant expansion made during the 2025 Budget, incentivising companies to offer employees options to take on a small % ownership within the company. This will be even more essential for ambitious high-growth games companies who perhaps can't currently afford to pay market-rate salaries to key members of staff. We anticipate most companies will use an Enterprise Management Incentive S25cheme (EMI) wherever possible but most of the Budget announcements relate to Company Share Option Plans (CSOP) for those companies/individuals who cannot benefit from an EMI options scheme.

Key changes

- Individual limits increased on CSOPs to £120k (from £60k) and combined limits increased to £370k (from £250k).
- The life of a CSOP option is extended to 15 years (from 10 years) to align with the 2025 announcement on EMI options.
- Extension of the time available to exercise vested EMI options following a disqualifying event to 180 days (from 90 days).
- No separate return now required for granting options which will be consolidated into the annual EMI reporting processes.

What this means for businesses

- Additional flexibility to offer key fractional roles more CSOP options. It also potentially provides the ability for the relevant team member to qualify for Business Asset Disposal Relief (BADR) due to being able to own a bigger stake in the company (5% minimum required for at least 2 years).
- Less bureaucracy on the granting of new options will hopefully make it more accessible for games leads to consider this as a key remuneration strategy more regularly.

If tax wasn't confusing enough

- The CSOPs referred to above will now be called EMI2 despite there being significant differences between them.

Exit planning for founders

The Autumn Budget 2026 was a mixed bag for any founders who might be looking to either fully exit, retire or crystallise some of their gains following two key announcements.

Key policy changes

- Business Asset Disposal Relief – Threshold from April 2027 decreasing to £500k from £1m for tax rate at 18% Capital Gains Tax rather than at 24% (this reduction could potentially lead to an increase of up to £30k in tax due).
- New Founders Relief – 10% Capital Gains rates on gains of up to £10m.
- Warning note – the restrictive qualifying conditions for Founders Relief are under consultation which is due to close on 30th November to take effect on transactions from April 2027. The consultation can be found here. From reviewing the analysis and likely impact, it is expected that very few Founders (estimated to be 600 per year) will qualify for the proposed new relief.

What this means for founders

- After 6th April 2027, exits for founders during earlier stages of growth are not going to garner the same level of tax relief currently available.
- The time to make representations to make the Founders Relief more accessible is now; you can either submit your responses directly to the consultation or contact a member of the JCCA team to collate your views.

R&D Tax Relief – Simplification of the claims process

Removal of the Claim Notification Form (CNF)

- The Government has announced the removal of the CNF requirement for claims made on or after 1 April 2027.
- The CNF requirement can act as a procedural barrier for businesses undertaking genuine R&D.
- New and early-stage businesses may not consider the relief, or take advice, until after the deadline has passed, while existing claimants can also be caught by the complex lookback and transitional rules.
- Removing the requirement should help ensure access to relief is determined by the underlying R&D activity and the quality of the claim, rather than whether a separate notification was submitted on time.

Point to note: The existing rules remain in place up until 1 April 2027. If you make or are intending to make a claim before this date you should check that you satisfy the existing criteria.

R&D Tax Relief – Wider review of the regime

Additional Information Form

- The Government is also considering whether wider simplifications should be made, including to the Additional Information Form.
- Further detail will be needed to assess the revised requirements and whether they deliver a meaningful reduction in complexity for claimants.

Wider review of the regime

- We welcome HMRC's intention to consider the R&D claims process and underlying legislation more broadly. The operation of the Enhanced R&D Intensive Support regime is one area where review and simplification would be particularly valuable.
- The current R&D intensity calculation can produce anomalous outcomes:
    - Non-cash accounting entries, such as share-based payment charges, can increase total expenditure and dilute the intensity ratio despite not representing an actual cash cost.
    - For international groups, overseas expenditure can increase the denominator without corresponding R&D expenditure being recognised in the numerator.

Impact for games businesses - these issues can materially affect access to relief for early-stage studios and R&D-intensive groups. Changes should simplify the regime and ensure it operates as intended, while retaining appropriate safeguards against non-compliant claims.

As with all matters in the Budget, we would recommend speaking to your trusted business adviser to assess how these changes impact you and your business. The team at Johnston Carmichael are on hand to help unravel the complexity and assist with breaking down the practical steps required to you and your business, please contact us for any further queries or comment.



Andrew McMillan

Tax Partner

Head of Games and Games Technologies

Andrew.McMillan@jcca.co.uk



Ryan Milne

Business Advisory Director

Ryan.Milne@jcca.co.uk

Where sharp minds meet

JOHNSTON CARMICHAEL | MOORE

jcca.co.uk

This document has been prepared for information purposes only by Johnston Carmichael Chartered Accountants and Business Advisers ("JCCA"). The information contained in this document represents JCCA's interpretation of current legislation and HMRC practice at the date of this document. The contents of this document are not a substitute for specific tax, legal or professional advice and readers should seek tax advice based upon their own particular circumstances.

Johnston Carmichael is an independent member firm of Moore Global Network Limited and does not accept any responsibility or liability for the action or inactions on the part of any other individual member or correspondent firm or firms