NEWS ROUND-UP

OCTOBER 2026

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UK INFLATION RISES TO 3.1% AS FUEL COSTS CLIMB

UK inflation rose to 3.1% in the year to August, up from 2.9% in July, driven largely by rising petrol, diesel and airfare costs, according to the Office for National Statistics (ONS).

Petrol prices reached their highest level in almost four years, with the average cost per litre climbing 9.1p to 161.3p between July and August – the highest level recorded since November 2022. Diesel prices also rose sharply, and overall motor fuel costs increased by 23% compared with the same month last year.

The rise follows continued disruption to global oil supplies linked to conflict in the Middle East. Oil prices climbed above $91 a barrel, compared with around $73 before hostilities began, and have since surpassed $100 a barrel.

Food and drink price inflation remained steady at 1.3%, suggesting higher energy costs have yet to filter through to other sectors.

The increase pushes inflation further from the Bank of England's 2% target. At its September meeting, the Bank's Monetary Policy Committee voted 6–3 to hold interest rates at 3.75%, with three members pushing for a rise to 4%. Some economists believe inflation could peak at around 4.1% by the end of the year as businesses continue to pass on higher energy costs.

The UK economy grew by 0.4% in July, supported by investment in artificial intelligence, though growth slowed in the second quarter.

Paul Dales, chief UK economist at Capital Economics, said: "Everyone knows that bigger rises in inflation are on their way."

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AI DRIVES SURPRISE UK GROWTH IN JULY

The UK economy grew faster than expected in July, with the expansion partly linked to businesses using artificial intelligence (AI).

Gross domestic product rose by 0.4% in July, according to the Office for National Statistics (ONS), ahead of analysts' forecasts of no growth. Growth was driven largely by the services sector, particularly computer programming, and follows a 0.3% rise in June and no growth in May.

The ONS said IT firms reporting the largest turnover appear to be linked to AI, though the overall contribution remains difficult to quantify; warm weather and the football World Cup were also cited as factors.

Economists were divided on the outlook. Capital Economics said the resilience seen earlier in the year had carried into the second half, though rising energy prices and borrowing costs were expected to weigh on growth soon. KPMG said the headline figure masks a weaker picture for households, with retail and hospitality activity contracting in July amid higher fuel costs and elevated mortgage rates.

The growth figures were published days ahead of the Bank of England's rate decision, which saw the Bank hold interest rates at 3.75%, and ahead of Chancellor John Healey's first Budget in October. Healey said UK growth, though still fragile, was the "fastest in the G7 in the first half of the year."

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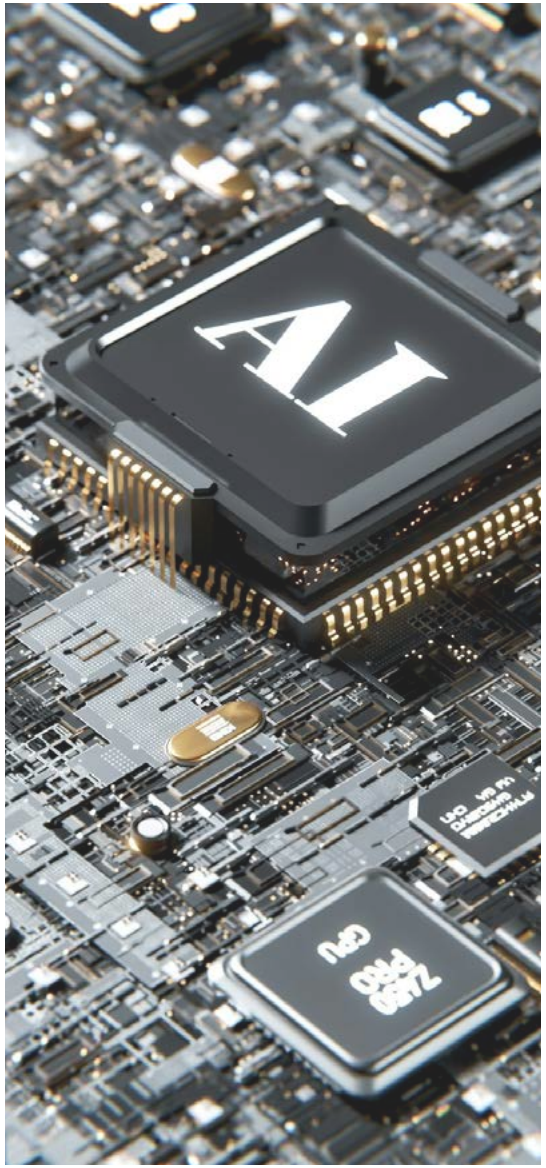

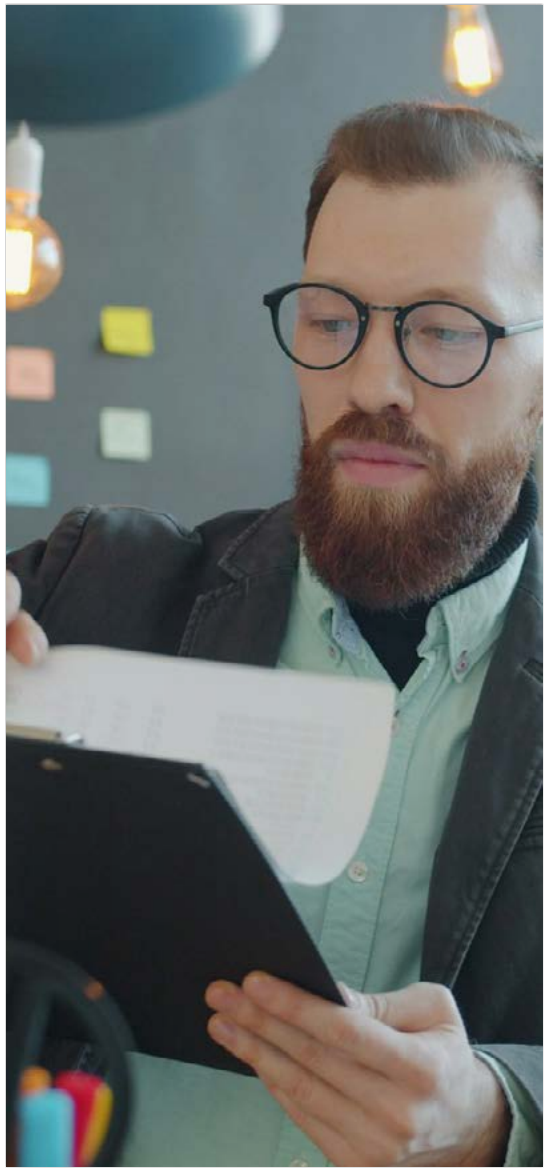

HMRC CANCELS RECORD NUMBER OF TAX PENALTIES

HMRC cancelled a record 48,189 tax penalties in 2025/26, the highest number in six years.

The figures, according to recent analysis, show 65% of penalties challenged by taxpayers were cancelled, relating primarily to automatic fines for late filing and late payment, including the £100 charge for missing the self assessment deadline.

This marks a 4% rise on the 46,266 penalties overturned in 2024/25, and a 75% increase since 2020/21, when just 5,499 penalties were cancelled during the pandemic.

Separate figures on HMRC's statutory reviews, which cover more complex disputes, also show a rising number of decisions being revised. HMRC cancelled or amended 926 substantive decisions in 2025/26, up 35% from 688 the previous year, while the proportion of reviews upholding HMRC's original decision fell from 73% to 67%.

Price Bailey highlighted a case of a taxpayer who faced £1,600 in automated late filing penalties after HMRC's online system suggested the filing was complete, with follow-up emails diverted to a junk folder. The tribunal overturned the penalties, ruling that easily missed automated communications do not count as effective notice.

Andrew Park, tax investigations partner at Price Bailey, said: "Because these are high-volume, automatically generated fines, they lack human oversight at the point of issuance. HMRC's independent internal reviewers act as an essential quality control layer, providing a more nuanced assessment before cases escalate to tribunal."

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SIX IN 10 MILLIONAIRES EYE UK EXIT OVER TAXES

Six in 10 UK millionaires have considered leaving Britain because of high taxes, according to research that comes amid reports hedge fund billionaire Chris Rokos is relocating his tax residency to Greece.

A survey of more than 300 millionaire clients of investment platform Wealth Club, with average wealth of £4.5 million, found 61% had considered becoming non-UK tax resident. However, only 16% said they were actively considering leaving, while 36% said they had never thought about it.

The research found most respondents had built their own wealth, with 40% earning it through employment and 33% through investments. Just 12% made most of their money from starting a business, and 2% cited inheritance as their main source of wealth.

Almost all those surveyed (97%) believe taxes will rise over the next year, with inheritance tax, wealth taxes and capital gains tax the biggest concerns ahead of the Budget.

Reports suggest Rokos, founder of Rokos Capital Management, is moving to Greece, which charges non-doms a flat €100,000 (£85,000) annual fee for up to 15 years. Rokos, who paid £330m in tax last year, saw his firm report revenues of £1.23 billion in 2025.

Alex Davies, founder and CEO of Wealth Club, said: "Almost all the investors we surveyed built their wealth themselves. Every tax rise that makes Britain less attractive to save and invest risks encouraging wealth creators to look elsewhere."

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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.

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