NOVEMBER 2025

Autumn Budget 2025

Highlights from announcements made

The Chancellor has delivered her 2025 Budget, and the announcements confirm a significant shift in the shape of personal and business taxation over the next few years. Some measures begin almost immediately while others phase in gradually, although the direction of travel is clear. The Government intends to raise more revenue from wealth, property, investment income and high value activities, while maintaining stability in headline tax rates for companies and expanding selected reliefs for the high street and the creative industries.

Below is an explanation of the changes that will matter most to individuals, landlords, investors and business owners. It is designed as an early overview so that clients can begin to consider the possible impact on their 2025-26 planning as well as longer term decisions.

Income Tax thresholds remain frozen until 2031

One of the most important announcements is the extension of the freeze on personal tax thresholds through to April 2031. The Personal Allowance, the basic rate band and the higher rate threshold will not rise for six more years. National Insurance thresholds that align with these limits will also remain fixed.

This freeze means that the tax system will take a larger share of income each year as wages continue to rise. A growing number of people will drift into the higher rate band even if their pay only increases in line with normal cost of living adjustments. Anyone with salary growth, investment income or rental income should expect a gradual increase in their overall tax burden.

Note that Scotland has its own personal tax thresholds and we will need to wait until the Scottish Budget on 13 January 2026 for the details of any changes.

Higher tax on dividends, savings and property income

Dividend tax rates will rise by two percentage points from April 2026. This just affects the first two dividend bands (i.e. not the highest one) and will make profit extraction from small companies more costly for owner managers. Many directors take a modest salary and the rest of their remuneration as dividends. This model will still work, although the higher rates will reduce the overall tax advantage.

Savings income and property rental profits will also be taxed at rates that are two percentage points higher from April 2027. This will affect landlords, people with interest from savings and individuals with investment portfolios. The existing allowances, such as the dividend allowance and the personal savings allowance, will continue to provide protection for those with smaller amounts of income, but the overall direction is towards higher taxation of income from wealth rather than work.

Restriction to pension salary sacrifice benefits

Salary sacrifice has been widely used to boost pension saving in a tax efficient way. The Budget introduces a new limit so that from April 2029 only the first £2,000 of salary sacrifice pension contributions each year will remain exempt from National Insurance. Amounts above this limit will attract NICs. The impact will be felt most by higher earners and by individuals making large regular contributions. Employers may also see some increased costs in workplace pension arrangements.

Investment Savings Allowances (ISA) changes

Cash ISA limits are also changing. From April 2027, the annual limit for cash ISAs will fall to £12,000 from the current £20,000. However, savers will also be able to invest up to £8,000 into a stocks & shares ISA. Savers over the age of 65 will not be affected by the change and will still be able to save the full £20,000 allowance in cash ISAs.

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Mileage based tax for electric vehicles

Electric vehicles and plug in hybrids will face a new per mile levy from April 2028. This is intended to replace some of the fuel duty revenue that has been lost as petrol and diesel vehicles decline. Electric vehicle running costs will rise and the long-term cost difference between electric and petrol or diesel cars will narrow.

Changes to import duty rules and VAT arrangements

The Budget confirms the intention to remove the customs duty exemption for imported goods worth £135 or less. This will affect many online purchases from overseas retailers. The change is designed to protect high street businesses that face competition from low-cost imports. Prices for small, imported items are likely to rise once the exemption is withdrawn.

Gambling tax adjustments

Online gambling and betting companies will experience changes to the way their activities are taxed. The exact impact will vary by operator, but the overall effect is an increase in tax collected from the sector.

Inheritance Tax (IHT)

The combined £1m 100% IHT relief allowance, which was not originally going to be transferable between spouses and civil partners, will now be transferable. This will provide £2m of relief on the second death, assuming it was wholly unused on the first death. This is welcome news and particularly helpful for older farmers who were considering complicated changes to their Wills and the ownership structure of the farms and businesses, as it should be possible to arrange the benefit for two £1m allowances.

Any unused allowance will be transferable to a spouse or civil partner, even if the first death occurred before the new rules become effective from 6 April 2026. Unfortunately, the £1m allowance will be frozen until April 2031 before being index-linked. This is in line with the previous announcements for the IHT and private residence £NIL- rate bands.

Corporation Tax stability and changes to capital allowances

The main Corporation Tax rate will remain at twenty five percent for the entire Parliament. This provides a degree of certainty for businesses planning future investment.

However, writing down allowances for assets that do not qualify for full expensing will be reduced from April 2026. This means that some types of plant and machinery will receive slightly lower tax relief over time. The aim is to encourage use of the full expensing regime where possible since full expensing provides immediate tax relief and is more generous than writing down allowances.

Employee Ownership Trusts (EOT) and anti-avoidance rules

From 26 November 2025, the relief for capital gains on disposals to Employee Ownership Trusts will reduce from one hundred percent to fifty percent. This change lowers the tax advantage of using an EOT for succession planning. Owners considering an EOT sale may wish to review their timetable.

The Budget also includes a range of measures, which will mainly affect complex planning arrangements rather than everyday business activity.

Changes for non-residents and former non domiciled individuals

There are reforms to Capital Gains Tax for non-residents and adjustments to share reorganisation rules. These changes continue the movement towards equal treatment of residents and non-residents. In addition, former non domiciled individuals with offshore trusts may face new inheritance related charges from 2026.

Actions to take

Readers may wish to review their income structure, remuneration strategy, pension contributions and property ownership plans. Landlords and those with investment portfolios may face higher tax bills, and business owners should factor in the impact of capital allowance adjustments and new business rate measures.